COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A	2	0	0	0	0	4	4	0	4	

COMPANY NAME

MANULIFE FINANCIAL PLANS, INC. [A Wholly Owned Subsidiary of The Manufacturers Life Insurance Co. (Phils.), Inc.]

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

10th Floor, NEX Tower, 6786 Ayala Avenue, BRGY SAN LORENZO MAKATI CITY 1229

Form Type	Department requiring the report	Secondary License Type, If Applicable
PNAFR		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
phcustsrv@manulife.com	884-5433	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
10	April 1	12/31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Edwin D. Magpantay	edwin_magpantay@ Manulife.com	884-5433	

CONTACT PERSON's ADDRESS

10th Floor, NEX Tower, 6786 Ayala Avenue, Makati City

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

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SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Manulife Financial Plans, Inc.
10th Floor, NEX Tower
6786 Ayala Avenue, Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Manulife Financial Plans, Inc. (the Company), 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 the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying 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 accounting principles generally accepted in the Philippines (Philippine GAAP) for pre-need companies as described in Note 2 to the financial statements.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Philippine GAAP for pre-need companies as described in Note 2 to the financial statements and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

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

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Report on the Supplementary Information Required Under Revenue Regulations 15-2010

The supplementary information required under Revenue Regulations 15-2010 for purposes of filing with the Bureau of Internal Revenue is presented by the management of Manulife Financial Plans, Inc. in a separate schedule. Revenue Regulations 15-2010 require the information to be presented in the notes to financial statements. Such information is not a required part of the basic financial statements. The information is also not required by Securities Regulation Code Rule 68. Our opinion on the basic financial statements is not affected by the presentation of the information in a separate schedule.

SYCIP GORRES VELAYO & CO.

Josephine Adrienne A. Abarca
Partner
CPA Certificate No. 92126
SEC Accreditation No. 0466-AR-4 (Group A),
November 13, 2018, valid until November 12, 2021
Tax Identification No. 163-257-145
BIR Accreditation No. 08-001998-61-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 7332515, January 3, 2019, Makati City

April 1, 2019

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 29 2019
RECEIVED

MANULIFE FINANCIAL PLANS, INC.
[A Wholly-Owned Subsidiary of The Manufacturers Life Insurance Co. (Phils.), Inc.]

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2018	2017
ASSETS		
Cash and cash equivalents (Note 4)	**₱164,770,173**	₱24,357,917
Loans and receivables (Note 5)	**186,044,505**	90,359,146
Financial assets at fair value through other comprehensive income (FVOCI) (Note 5)	**1,005,231,045**	–
Available-for-sale (AFS) financial assets (Note 5)	**–**	1,343,515,170
Investments in trust funds (Note 6)	**8,945,727,841**	10,038,122,416
Insurance premium fund (Note 10)	**96,056,831**	95,250,801
Other assets (Note 7)	**17,143,715**	20,930,092
	₱10,414,974,110	₱11,612,535,542
LIABILITIES AND EQUITY		
Accrued expenses and other liabilities (Note 9)	**₱287,538,447**	₱309,464,560
Due to related parties (Note 15)	**376,679,666**	323,834,216
Pre-need reserves (Notes 2, 3, 6 and 17)	**8,436,634,712**	9,702,579,261
Insurance premium reserves (Notes 2, 3 and 10)	**54,689,581**	63,279,561
	9,155,542,406	10,399,157,598
Equity		
Capital stock (Note 15)	**250,000,000**	250,000,000
Additional paid-in capital (Note 18)	**1,800,000,000**	1,800,000,000
Deficit	**(790,564,690)**	(1,501,828,037)
Reserve for fluctuation in value of financial assets at FVOCI held in trust funds (Note 6)	**(3,606)**	–
Reserve for fluctuation in value of AFS financial assets (Note 5)	**–**	(98,537,684)
Reserve for fluctuation in value of AFS financial assets held in trust funds (Note 6)	**–**	763,743,665
	1,259,431,704	1,213,377,944
	₱10,414,974,110	₱11,612,535,542

See accompanying Notes to Financial Statements.

MANULIFE FINANCIAL PLANS, INC.
[A Wholly-Owned Subsidiary of The Manufacturers Life Insurance Co. (Phils.), Inc.]

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2018	2017
REVENUES		
Premium revenues (Note 17)	**₱64,523,395**	₱98,626,434
Trust fund income (Note 6)	**459,575,743**	505,034,557
Interest income (Note 11)	**58,126,023**	41,040,620
Loss on sale of financial assets at FVOCI (Note 5)	**(6,599,962)**	–
Other income (Note 11)	**22,931,070**	1,529,344
	598,556,269	646,230,955
COST OF CONTRACTS ISSUED		
Decrease in pre-need reserves (including trust fund contributions) (Note 6)	**(1,265,944,548)**	(745,314,012)
Documentary stamp tax and SEC registration fees	**147,906**	627,956
Total cost of contracts issued	**(1,265,796,642)**	(744,686,056)
Other direct costs and expenses (Note 12)	**1,122,853,775**	995,125,741
General, administrative and selling expenses (Note 13)	**18,210,156**	23,055,934
	(124,732,711)	273,495,619
INCOME BEFORE INCOME TAX	**723,288,980**	372,735,336
PROVISION FOR INCOME TAX (Note 14)	**12,025,633**	8,431,233
NET INCOME	**711,263,347**	364,304,103
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that may be reclassified to profit or loss in subsequent periods:		
Net changes in fair value of:		
Financial assets at FVOCI held in trust funds (Note 6)	**(1,132,599,878)**	–
Financial assets at FVOCI not held in trust funds (Note 5)	**(118,196,647)**	–
AFS financial assets held in trust funds (Note 6)	–	(628,126,743)
AFS financial assets not held in trust funds (Note 5)	–	(72,236,845)
Reversals of accumulated fair value loss on:		
Financial assets at FVOCI held in trust funds (Notes 2 and 6)	**368,852,607**	–
Financial assets at FVOCI not held in trust funds (Notes 2 and 5)	**216,734,331**	–
	(665,209,587)	(700,363,588)
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱46,053,760**	**(₱336,059,485)**

See accompanying Notes to Financial Statements.

MANULIFE FINANCIAL PLANS, INC.
[A Wholly-Owned Subsidiary of The Manufacturers Life Insurance Co. (Phils.), Inc.]

STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 15)	Additional Paid-in Capital (Note 18)	Retained Earnings (Deficit)	Accumulated Trust Fund Deficit	Reserve for Fluctuation in Value of FVOCI / AFS Financial Assets (Note 5)	Reserve for Fluctuation in Value of FVOCI /AFS Financial Assets Held in Trust Funds (Note 6)	Total
Balances at January 1, 2018	**₱250,000,000**	**₱1,800,000,000**	**(₱1,501,828,037)**	**₱–**	**(₱98,537,684)**	**₱763,743,665**	**₱1,213,377,944**
Transfer from retained earnings to accumulated trust fund earnings	**–**	**–**	**1,544,407,744**	**(1,544,407,744)**	**–**	**–**	**–**
	250,000,000	**1,800,000,000**	**42,579,707**	**(1,544,407,744)**	**(98,537,684)**	**763,743,665**	**1,213,377,944**
Net income (loss)	**–**	**–**	**(425,787,852)**	**1,137,051,199**	**–**	**–**	**711,263,347**
Other comprehensive income (loss)	**–**	**–**	**–**	**–**	**98,537,684**	**(763,747,271)**	**(665,209,587)**
Total comprehensive income (loss)	**–**	**–**	**(425,787,852)**	**1,137,051,199**	**98,537,684**	**(763,747,271)**	**46,053,760**
Balances at the end of the year before absorption	**250,000,000**	**1,800,000,000**	**(383,208,145)**	**(407,356,545)**	**–**	**(3,606)**	**1,259,431,704**
Deficiency absorbed by operations	**–**	**–**	**(407,356,545)**	**407,356,545**	**–**	**–**	**–**
Balances at December 31, 2018	**₱250,000,000**	**₱1,800,000,000**	**(₱790,564,690)**	**₱–**	**₱–**	**(₱3,606)**	**₱1,259,431,704**
Balances at January 1, 2017	₱250,000,000	₱900,000,000	(₱1,866,132,140)	₱–	(₱26,300,839)	₱1,391,870,408	₱649,437,429
Transfer from retained earnings to accumulated trust fund earnings	–	–	1,883,431,185	(1,883,431,185)	–	–	–
	250,000,000	900,000,000	17,299,045	(1,883,431,185)	(26,300,839)	1,391,870,408	649,437,429
Net income (loss)	–	–	25,280,662	339,023,441	–	–	364,304,103
Other comprehensive loss	–	–	–	–	(72,236,845)	(628,126,743)	(700,363,588)
Total comprehensive income (loss)	–	–	25,280,662	339,023,441	(72,236,845)	(628,126,743)	(336,059,485)
Additional capital infusion (Note 18)		900,000,000					900,000,000
Balances at the end of the year before absorption	250,000,000	1,800,000,000	42,579,707	(1,544,407,744)	(98,537,684)	763,743,665	1,213,377,944
Deficiency absorbed by operations	–	–	(1,544,407,744)	1,544,407,744	–	–	–
Balances at December 31, 2017	₱250,000,000	₱1,800,000,000	(₱1,501,828,037)	₱–	(₱98,537,684)	₱763,743,665	₱1,213,377,944

See accompanying Notes to Financial Statements

MANULIFE FINANCIAL PLANS, INC.
(A Wholly-Owned Subsidiary of The Manufacturers Life Insurance Co. (Phils.), Inc.)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱723,288,980**	₱372,735,336
Adjustments for:		
Decrease in pre-need reserves	**(1,265,944,549)**	(745,314,012)
Decrease in insurance premium reserves	**(8,589,980)**	(8,364,753)
Realized loss on sale of financial assets at fair value through other comprehensive income (FVOCI) (Note 5)	**6,599,962**	–
Interest income (Note 11)	**(58,126,023)**	(41,040,620)
Trust fund income (Note 6)	**(459,575,743)**	(505,034,557)
Operating loss before changes in operating assets and liabilities	**(1,062,347,353)**	(927,018,606)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Loans and receivables	**(2,615,087)**	1,151,643
Other current assets	**–**	500,472
Increase (decrease) in:		
Due to related parties	**52,845,450**	119,623,931
Accrued expenses and other liabilities	**(21,926,113)**	(55,140,406)
Net cash used in operations	**(1,034,043,103)**	(860,882,966)
Income taxes paid	**(12,203,932)**	(8,375,531)
Interest received on overdue premiums	**–**	685,311
Net cash from operating activities	**(1,046,247,035)**	(868,573,186)
CASH FLOWS FROM INVESTING ACTIVITIES		
Trust fund withdrawals (Note 6)	**1,228,900,128**	946,136,402
Trust fund contributions (Note 6)	**(533,714,713)**	(82,929,646)
Contributions to (Withdrawals from) insurance premium fund (Note 4)	**(806,030)**	14,749,199
Proceeds from sale of financial assets at FVOCI (Note5)	**497,639,855**	–
Acquisition of:		–
Financial assets at FVOCI (Note 5)	**(70,213,808)**	–
Available-for-sale financial assets (Note 5)	**–**	(924,483,512)
Interest received	**64,853,859**	34,244,370
Net cash provided (used) by investing activities	**1,186,659,291**	(12,283,187)
CASH FLOWS FROM FINANCING ACTIVITY		
Capital infusion from Parent Company (Note 18)	**–**	900,000,000
NET INCREASE IN CASH AND CASH EQUIVALENTS	**140,412,256**	19,143,627
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**24,357,917**	5,214,290
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱164,770,173**	₱24,357,917

See accompanying Notes to Financial Statements.

MANULIFE FINANCIAL PLANS, INC.
[A Wholly-Owned Subsidiary of The Manufacturers Life Insurance Co. (Phils.), Inc.]

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

Manulife Financial Plans, Inc. (the Company), a wholly-owned subsidiary of The Manufacturers Life Insurance Co. (Phils.), Inc. (Manulife Philippines or the Parent Company), was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on April 5, 2000 and started commercial operations on August 25, 2000. The Company is engaged in the business of developing and marketing pre-need education and pension plans. The ultimate parent of the Company is Manulife Financial Corporation (MFC), a company incorporated in Canada and is listed in Toronto Stock Exchange, Hong Kong Exchange and New York Stock Exchange.

On September 12, 2017, the Company entered into an Investment Management Agreement with Manulife Asset Management and Trust Corporation (MAMTC), to avail of its services relative to the management and investment of the Company's investible funds.

On December 15, 2017, the Company (the Trustor) entered into a Trust Agreement for its Pension and Education block of business with MAMTC (the Trustee), whereby the Trustor will establish 5 Trust Fund accounts for the benefit of its planholders and or/designated beneficiary/ies. The Trust Fund accounts were created on January 15, 2018 (see Note 20).

On July 5, 2018, the Board of Directors (BOD) approved the change in principal place of business of the Company to 10th Floor, NEX Tower, 6786 Ayala Avenue, Makati City. The Company officially moved to this address on February 26, 2019. Prior to such date, the registered office address of the Company was 16th Floor, LKG Tower, 6801 Ayala Avenue, Makati City.

The accompanying financial statements were approved and authorized for issue by the BOD on April 1, 2019.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis except for financial assets at fair value through other comprehensive income (FVOCI) and available-for-sale (AFS) financial assets, which have been measured at fair value. The financial statements are presented in Philippine Peso (₱), which is also the Company's functional currency. Amounts are adjusted to the nearest Philippine Peso unit, unless otherwise indicated.

Statement of Compliance

The accompanying financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the Philippines for pre-need companies as set forth in the Pre-need Rule 31, As Amended: *Accounting Standards for Pre-Need Plans and Pre-need Uniform Chart of Accounts (PNUCA)* and applicable Insurance Commission (IC or the Commission) Circular Letters and accounting requirements.

Republic Act No. 9829

On December 3, 2009, the Republic Act (RA) No. 9829, *An Act Establishing the Pre-need Code of the Philippines,* was approved and known as the "Pre-need Code of the Philippines" (the Code). It is a consolidation of Senate Bill No. 2077 and House Bill No. 6407 passed by the Senate and the House of Representatives on September 30, 2009 and September 29, 2009, respectively.

The following are the more significant provisions of RA No. 9829:

- *Authority of the Insurance Commission.* All pre-need companies shall be under the primary and exclusive supervision and regulation of the Insurance Commission.

- *Paid-up capital.* A pre-need company incorporated after the effectivity of the Code shall have a minimum paid-up capital of ₱100 million. Existing pre-need companies shall comply with the following minimum unimpaired paid-up capital:
  a. ₱100 million for companies selling at least three (3) types of plan;
  b. ₱75 million for companies selling two (2) types of plan; and
  c. ₱50 million for companies selling a single type of plan.

- *Trust Fund.* The trust fund shall at all times be sufficient to cover the required pre-need reserve. The RA specifies the minimum amount of corresponding contributions to the trust fund.

- *Limitations of different investments of the trust fund.* 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 of a pre-need company shall be limited and subject to limitations specified by the RA.

Under Chapter 11, Section 47 of the Pre-need Code, the Insurance Commission shall have the authority to make, amend and rescind such accounting rules and regulations applicable for pre-need companies. In the absence of new accounting rules, amendments to or rescission of the current accounting rules authorized by the Insurance Commission, the Company continues to follow the amended PNUCA and the applicable IC Circular Letters.

Implementing Rules and Regulations (IRR) of RA No. 9829

After the issuance of RA 9829, the Commission issued the IRR on March 8, 2010. The salient provisions of the IRR are the same with that of RA 9829.

Pre-need Rule 31, As Amended, dated May 10, 2007

The Company applied the provisions of the Amended Rule on its financial statements (see Notes 10 and 17).

The Amended Rule provides that for presentation purposes:

a. The Pre-need Reserves (PNR) calculated under the Amended Rule are presented in the statement of financial position as PNR account and changes in PNR are included in the 'Cost of contracts issued' section in the statement of income.
b. The Insurance Premium Reserves (IPR) are presented in the liability section of the statement of financial position.
c. The company shall present in the statement of financial position, the corporate assets that are restricted to cover payment of insurance premiums after the paying period of the pre-need plan as a separate line item as "Insurance Premium Fund". This shall be equal to the amount computed for the IPR.

d. Documentary stamp tax and SEC registration fees are included in the 'Cost of contracts issued' section in the statement of income.
e. Insurance expense, basic commissions, other commission such as overrides, bonuses and other expenses that constitute direct cost of contracts issued are included in the 'Other direct costs and expenses' account in the statement of income.

SEC Interpretative Bulletin No. 1, Series of 2008
On January 17, 2008, the SEC issued a bulletin to guide pre-need corporations, pre-need actuaries and pre-need external auditors on the implementation of the Pre-need rule 31, as Amended, dated May 10, 2007 (the Amended Rule).

The more significant provisions of this bulletin are as follows:

Pre-need Reserves
The Pre-need Reserves (PNR) or the reserve for education plan, life plan and pension plan cover the liabilities for education plan, life plan and pension plan. The PNR represents present value of future pre-need benefits less the present value of future trust fund contributions. The PNR of the three plan types should be maintained separately as they differ in treatment and assumptions. The amount indicated as PNR shall be the same as that stated in the actuarial valuation report and audited financial statements with the required disclosures.

Other Reserves
Under the account "Other Reserves," the Company may, at its option and as a prudent measure, set up other provisions. Thus, the "Other Reserves" account may include the following items:

- General administrative expense after the paying period;
- Paid-up capital reserves;
- Reserve for the difference in the PNR computation using a rate other than the SEC-approved hurdle rate; and
- Other reserves as may be allowed by the Commission.

IC Circular Letter No. 23-2012
On November 23, 2012, the IC issued Circular Letter 23-2012 relating to the Valuation of Transitory Pre-need Reserves (TPNR). The circular states that in order to provide regulatory leeway for old basket of plans previously approved by the SEC, the valuation of PNR shall be governed by the following:

a.) Discount interest rate for the PNR
The transitory discount interest rate per year that shall be used in the valuation of PNR shall not exceed the lower of the attainable rates as certified by the Trustee and the following rates below:

Year	Discount Interest Rate
2012 – 2016	8.00%
2017	7.25%
2018	6.50%
2019 and onwards	6.00%

For premium paying plans, the Company used 7.05% and 6.40% as of December 31, 2018 and 2017, respectively. For paid-up plans not maturing within 5 years, the Company used 7.05% and 5.70% as of December 31, 2018 and 2017, respectively. For paid-up plans maturing within 5 years, the Company used 7.05% and 4.80% as of December 31, 2018 and 2017, respectively (see Note 3).

The rate used as of December 31, 2018 considers the Company's availment of the relief provided in IC Circular Letter No. 2018-58 as discussed below.

b.) Transitory Pre-need Reserve
In effecting the transition in the valuation of reserves for old basket of plans, IC shall prescribe a TPNR with a maximum transition period of ten (10) years.

For each of the pre-need plan categories, the TPNR shall be computed annually on all old basket of plans outstanding at the end of each year from 2012 to 2021 using the discount interest rates provided above. If the actual trust fund balance is higher than or equal to the resulting PNR then the liability set-up shall be the PNR. However, if the resulting PNR is greater than the actual trust fund balance at the end of the year, TPNR shall be computed.

The actual trust fund balance shall be the trust fund balance at the end of the year net of any receivables by the pre-need company from the trustee for the contractual benefits outstanding as of the end of the year.

The TPNR liability shall be recognized each year. The trust fund deficiency shall be funded by the pre-need company within sixty (60) days from April 30 following the valuation date.

IC Circular Letter No. 2018-58
On November 14, 2018, the IC issued Circular Letter 2018-58 providing Regulatory Relief for the Pre-need Industry due to High Volatility in the Philippine Market. The circular provides the following regulatory relief:

1. Valuation of Publicly Listed Equity Securities
For listed equity securities acquired on or before December 31, 2017, pre-need companies shall have the option to use the prevailing market rate prescribed by PFRSs or the market rate as of December 31, 2017.

For listed equity securities acquired after December 31, 2017, pre-need companies shall have the option to use the prevailing market rate prescribed by PFRSs or the acquisition cost.

The above options apply provided the equity securities are not intended for sale in the short-term.

2. Valuation of Fixed Income Securities
Pre-need companies shall have the option to value all the fixed income debt securities at amortized cost.

3. Pre-need reserves
Pre-need companies shall have the option to use the prevailing market rate or the discount rate for the reserves under Circular Letter 23-2012 in the valuation of pre-need reserves.

As of December 31, 2018, the Company has availed of the above regulatory relief on the valuation of assets and pre-need reserves.

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2018. Adoption of these pronouncements did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

Amendments

- Amendments to PFRS 2, *Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*

Philippine Interpretation

- IFRIC 22, *Foreign Currency Transaction and Advance Consideration*

New Standards

- PFRS 9, *Financial Instruments*

PFRS 9 replaces PAS 39, *Financial Instruments: Recognition and Measurement.* PFRS 9 also supersedes all earlier versions of the standard, thereby bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

PFRS 9 is required to be applied on a modified retrospective basis, with certain exceptions. As permitted, the Company has not restated comparative information for 2017 for financial instruments in the scope of PFRS 9. Therefore, the comparative information for 2017 is reported under PAS 39 and is not comparable with the information presented for 2018. Differences arising from the adoption of PFRS 9 have been recognized directly in retained earnings as of January 1, 2018.

Classification and Measurement

Under PFRS 9, debt instruments are subsequent measured at fair value through profit or loss (FVTPL), amortized cost (AC), or FVOCI. The classification is based on two criteria: (1) the Company's business model for managing the assets; and (2) whether the instruments' contractual cash flows represent 'solely payments of principal and interest' (SPPI) on the principal amount outstanding.

The assessment of the Company's business model was made as of the data of initial application, January 1, 2018 and then applied retrospectively to those financial assets that were not derecognized before January 1, 2018. The assessment of whether the contractual cash flows on debt instruments are SPPI was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of PFRS 9 did not have a significant impact on the Company. The following are the changes in the classification of the Company's financial assets:

- 'Loans and receivables' previously classified as *Loans and receivables* are held to collect contractual cash flows and give rise to cash flows representing SPPI. These are now classified and measured as *Debt instruments at amortized cost.*

- Quoted debt instruments previously classified as *Available-for-sale (AFS) financial assets* are now classified and measured as *Debt instruments at FVOCI.* The Company expects not only to hold the assets to collect contractual cash flows, but also to sell a significant amount on a relatively frequent basis. The Company's quoted debt instruments are government bonds and treasury bills that passed the SPPI test.

The Company has not designated any financial liabilities as at FVTPL. There are no changes in classification and measurement of the Company's financial liabilities.

In summary, upon the adoption of PFRS 9, the Company had the following required or elected classifications as at January 1, 2018:

		PFRS 9 measurement category	
		Amortized cost	Fair value through OCI
PAS 39 measurement category			
Loans and receivables			
Loans and receivables - net	₱90,359,146	₱90,359,146	₱–
AFS financial assets			
Quoted debt instruments	1,343,515,170	–	1,343,515,170
Quoted debt instruments held in trust funds	8,859,821,097	–	8,859,821,097
		₱90,359,146	₱10,203,336,267

Upon adoption, unrealized gains previously recognized under "Reserve for fluctuation in value of AFS financial assets held in trust funds" and "Reserve for fluctuation in value of AFS financial assets not held in trust funds" were reclassified to "Reserve for fluctuation in value of financial assets at FVOCI held in trust funds" and "Reserve for fluctuation in value of financial assets at FVOCI not held in trust funds", respectively.

As discussed above, the IC has provided certain regulatory relief in the measurement of publicly listed equity securities and fixed income debt securities of pre-need companies as of December 31, 2018. The Company availed of the regulatory relief and applied PFRS 9 to its 2018 financial statements as follows:

a. Fixed income debt securities

   i. The Company opted to measure fixed income debt securities at amortized cost as of December 31, 2018 but applied the related provisions for the classification and measurement of financial assets under PFRS at January 1, 2018 and for the period ended December 31, 2018 including the contractual cash flow characteristics test and the business model test.

   ii. Fixed income debt securities that were initially classified and measured as at amortized cost and as at fair value through other comprehensive income as of January 1, 2018 and on initial recognition within the period ended December 31, 2018 were subjected to the impairment provisions of PFRS 9.

Impairment
The adoption of PFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing PAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. PFRS 9 requires the Company to recognize an allowance for ECLs for all debt instruments not held at FVTPL and contract assets, together with loan commitments and financial guarantee contracts.

As of January 1, 2018, no adjustment was made on the allowance for impairment losses since the quantified effect of the transition from PAS 39 to PFRS 9 is insignificant to the Company.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 supersedes PAS 11 *Construction Contracts,* PAS 18 *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. PFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. In addition, guidance on interest and dividend income have been moved from PAS 18 to PFRS 9 without significant changes to the requirements.

  PFRS 15 requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customer. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures.

  The adoption of PFRS 15 has no significant impact on the Company's financial statements since majority of the Company's revenue are premium revenues, trust fund income and interest income, which are outside the scope of PFRS 15 (scoped in under PNUCA and PFRS 9, respectively).

Significant Accounting Policies

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents (including those in investments in trust funds and insurance premium fund) are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from date of placement and that are subject to an insignificant risk of change in value.

Financial Instruments
Date of recognition
Financial instruments are recognized in the statement of financial position when the Company becomes a party to the contractual provisions of the instruments. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Policies applicable beginning January 1, 2018
Initial recognition of financial instruments
Financial assets are recognized initially at fair value. Except for financial instruments at FVTPL, the initial measurement of financial instruments includes transaction costs.

Classification and measurement of financial assets
For purposes of classifying financial assets, an instrument is an 'equity instrument' if it is a non-derivative and meets the definition of 'equity' for the issuer (under PAS 32, *Financial Instruments: Presentation*). All other non-derivative financial instruments are 'debt instruments'.

a. Financial Assets at Amortized Cost
Financial assets are measured at amortized cost if both of the following conditions are met:

- The asset is held within the Company's business model whose objective is to hold the financial assets in order to collect contractual cash flows; and
- The contractual terms of the instrument give rise on specified dates to cash flows that are SPPI on the outstanding principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less allowance for credit losses, with the interest calculated recognized as 'Interest income' in the statement of comprehensive income. Gains and losses are recognized in statement of comprehensive income when these investments are derecognized or impaired, as well as through the amortization process. The ECL are recognized in the statement of comprehensive income under 'Provision for credit losses'. The effects of revaluation of foreign currency-denominated assets are recognized in the statement of comprehensive income.

The Company classified 'Cash and cash equivalents', and 'Loans and receivables' as financial assets at amortized cost.

The Company may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost. As of December 31, 2018, the Company has not made such designation.

b. Financial assets at FVOCI
Financial assets at FVOCI consists of quoted debt securities. Debt securities are measured at FVOCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount outstanding.

These instruments largely comprise assets that had previously been classified as AFS financial assets under PAS 39.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognized in OCI as 'Reserve for fluctuation in value of financial assets at FVOCI'. Interest income and foreign exchange gains and losses are recognized in profit or loss in the same manner as for financial assets measured at amortized cost. The ECL calculation for debt instruments at FVOCI is explained in the 'Impairment of financial assets' section below. On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss and is recognized as 'Gain (loss) on sale of financial assets at FVOCI' in the statement of comprehensive income.

Reclassification of financial assets
The Company can reclassify financial assets if the objective of its business model for managing those financial assets changes. Reclassification of financial assets designated as at FVTPL at initial recognition is not permitted. A change in the objective of the Company's business model must be effected before the reclassification date. The reclassification date is the beginning of the next reporting period following the change in the business model.

Impairment of financial assets
The Company recognizes an ECL for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For cash in banks, debt financial assets at FVOCI, receivable from trustee, receivable from agents, other receivables and accrued interest receivables, the Company applies the general approach in calculating ECL. The loss allowance is based on the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination.

For cash in banks and investment in debt securities, the Company applies the low credit risk simplification. The Company considers a debt financial asset to have low credit risk when its credit risk rating is equivalent to the definition of investment grade. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

<u>Policies applicable prior to January 1, 2018</u>
Initial recognition of financial instruments
Financial instruments are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments classified as fair value through profit or loss. The Company classifies its financial assets in the following categories: loans and receivables, and AFS financial assets. Management determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date. Financial liabilities are classified as other financial liabilities carried at amortized cost. The classification depends on the purpose for which the financial instruments were acquired and whether they are quoted in an active market.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market other than those that the Company intends to sell in the short term or that it has designated as at FVTPL or AFS. This accounting policy pertains to 'Cash and Cash Equivalents', 'Loans and receivables' and accrued receivables under 'Other assets', which are presented in the statement of financial position. Loans and receivables are carried at amortized cost using the effective interest rate method less allowance for impairment losses.

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. The losses arising from impairment of such loans and receivables are recognized as provision for doubtful accounts in the statement of income.

Assets in this category are included in the current assets except for maturities greater than 12 months after the end of the reporting period, which are classified as noncurrent assets.

AFS Financial Assets
AFS financial assets are those that are either designated in this category or not classified as loans and receivables, financial assets at FVTPL or HTM investments. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial recognition, AFS financial assets are re-measured at fair value. The fair values of quoted investments are based on quoted prices. Unrealized gains and losses are reported as other comprehensive income under 'Reserve for fluctuation in value of AFS financial assets' until the investment is derecognized or as the investment is determined to be impaired. The effects of restatement on foreign currency denominated AFS debt securities are recognized in the statement of income. On derecognition or impairment, the cumulative gain or loss previously reported in other comprehensive income is transferred to the statement of income.

Assets in this category are included in the noncurrent assets except for maturities less than 12 months after the end of the reporting period, which are classified as current assets.

The Company's AFS financial assets consist of peso government debt securities.

When the fair value of AFS financial assets cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost less impairment loss if any.

Other Financial Liabilities
Issued financial instruments or their components, which are not designated at FVTPL are classified as other financial liabilities. After initial measurement, other 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. Any effects of restatement of foreign currency-denominated liabilities are recognized in the statement of income. Other financial liabilities include the Company's due to related parties, accrued expenses and other liabilities.

Impairment of Financial Assets
An assessment is made at each reporting date to determine whether there is objective evidence that a specific financial asset or group of financial assets may be impaired. If such evidence exists, any impairment loss is recognized in the statement of income.

Impairment is determined as follows:

(a) *AFS Financial Assets.* If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the statement of income, is transferred from other comprehensive income to the statement of income. Reversals of impairment losses on debt securities classified as AFS financial assets are reversed through the statement of income if the increase in the fair value of the instrument can be objectively related to an event occurring after the impairment losses were recognized in the statement of income.

(b) *Loans and Receivables.* For loans and receivables carried at amortized cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of loss is recognized in the statement of income.

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial asset with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows. The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the statement of income. If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

'Day 1' Difference

Where the transaction price in a non-active market is different from the fair value based on 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 the statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is recognized in the Company's statement of comprehensive income only 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 amount.

Derecognition of Financial Assets and Financial Liabilities

Financial Asset

A financial asset (or where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- The rights to receive cash flows from the asset have expired;

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

Financial Liability
A financial liability is derecognized when the obligation under the liability expires, is discharged, or cancelled.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the Company's statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an 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, thus, the related assets and liabilities are presented gross in the statement of financial position.

Investments in Trust Funds and Insurance Premium Fund
The trust funds' and insurance premium fund's investments in government securities are classified as financial assets at FVOCI/AFS financial assets. Purchase premiums or discounts on bonds are amortized over the life of the investments using the effective interest rate method.

The net unrealized gain/loss in value of the trust funds' and insurance premium fund's investments are included in the 'Investments in trust funds' and 'Insurance premium fund' accounts, respectively, and is shown as 'Reserve for fluctuation in value of financial assets at FVOCI/AFS financial assets held in trust funds' and 'Reserve for fluctuation in value of financial assets at FVOCI/AFS financial assets', respectively, in the equity section of the statement of financial position and statement of comprehensive income.

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by 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 period.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of income during the financial period in which they are incurred.

Depreciation is calculated on a straight-line method over the estimated useful lives (EUL) of the assets. Leasehold improvements are amortized on a straight-line basis over the EUL of the improvements or the terms of the lease, whichever is shorter. The EUL of the individually significant components of property and equipment are as follows:

	Years
Leasehold improvements	Shorter of lease term or 5 years
Furniture and fixtures	5

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

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of income in the year the item is derecognized.

Impairment of Non-financial Assets
At each reporting date, the carrying values of nonfinancial assets (e.g. property and equipment) are reviewed for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of an asset is the greater of its fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the statement of income.

Pre-Need Reserves
PNR for education and pension plans are calculated on the basis of the methodology and assumptions set out in the Amended Rule 31, as follows:

- 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:

  On Currently-Being-Paid Plans
  a. Provision for termination values applying the inactivity and surrender rate experience of the Company.

  b. For the portion of currently-being-paid plans that will reach full payment, applying the full payment experience of the Company, the liability is 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 approved hurdle rate per Product Model of the Company.

  On Lapsed Plans within the Allowable Reinstatement Period

  a. Provision for termination values applying the reinstatement experience of the Company.

  On Fully Paid Plans

  a. For those due for payment within the next five (5) years, the reserve is the present value of future maturity benefits discounted at the attainable rate, as determined and certified by the Company's trustee using industry best practices and principles which shall be indicated in such certification;

  b. For those not yet due for payment within the next five (5) years, the reserves is the present value of future maturity benefits discounted at the approved hurdle rate per Product Model of the Company.

  - The rates of surrender, cancellation, reinstatement, utilization and inflation considered the actual experience of the Company in the last three (3) years.
  - The computation of the foregoing assumptions has been validated by the internal qualified actuary of the Company.
  - Based on Company experience, the probability of pre-termination on surrender of fully paid plans is below 5% and therefore considered insignificant. As such, no pre-termination rate was considered in determining the PNR of fully paid plans. The derecognition of liability shall be recorded at pre-termination date.

In 2018, The Company has availed of the regulatory relief on the valuation of PNR (see Note 2). In 2017, the Company used the discount rates in determining PNR in accordance with IC Circular Letter 23-2012 (see Note 3).

IPR

For insurance benefits purchased by the Company, the costs of purchasing such benefits after the installment payment period are also set up as additional liabilities of the Company, recognized as a separate line item as IPR.

In compliance with the Amended Rule, the Company restricts corporate assets at least equal to the amount computed for the IPR to cover payment of insurance premiums after the paying period of the pre-need plans (see Note 10). These restricted corporate assets are presented as a separate line item in the statement of financial position as 'Insurance Premium Fund'.

Equity

Capital stock is measured at par value for all shares issued.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to "Additional paid-in capital" account.

Direct cost incurred related to the equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to "Additional paid-in capital" account. If additional paid-in capital is not sufficient, the excess is charged against retained earnings.

Deficit represents net accumulated deficit.

Revenue Recognition

Prior to January 1, 2018, under PAS 18, revenue is recognized to the extent that it is probable that economic benefits will flow to the Company and the income can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Upon adoption of PFRS 15 beginning January 1, 2018, revenue from contracts with customers is recognized when control of services is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

Revenue outside the scope of PFRS 15

Premium Revenues

Premiums from sale of pre-need plans shall be recognized as earned when collected. When premiums are recognized as income, the related cost of contracts shall be computed with the result that benefits and expenses are matched with such revenues.

Trust Fund Income

Income generated by the trust fund is presented as 'Trust fund income' in the statement of comprehensive income. The amount of the trust fund income is disclosed in the notes to the financial statements. The portion of the retained earnings representing the trust fund income is automatically restricted to payments of benefits of plan holders and such other related payments as allowed under the Pre-need Rules.

Interest Income
Interest income are recognized in the statement of income as it accrues, taking into account the effective yield of the asset or an applicable floating rate. Interest income includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated using the effective interest rate.

Cost of Contracts Issued
Cost of contracts issued includes the following which are presented separately on the face of the statement of comprehensive income:

a. the increase in PNR in the current year as compared to the provision for the same period of the previous year. If there is a decrease in the PNR as a result of new information or new developments, the amount shall be deducted from the Cost of Contracts Issued of the current period;
b. amount of trust funds contributed during the year; and
c. documentary stamp tax and SEC registration fees.

Other Direct Costs and Expenses
Other direct costs and expenses include the following which are disclosed in the notes to financial statements:

a. basic commissions;
b. other commissions such as overrides and bonuses;
c. insurance;
d. benefit payout;
e. surrenders;
f. termination benefits; and
g. other expenses that constitute direct cost of contracts issued.

Commissions
Commission expenses are charged to operations when incurred.

Selling, General and Administrative Expenses
Selling, general and administrative expenses are expensed as incurred.

Expense Recognition
Expenses are recognized in the statement of income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Expenses are recognized in the statement of income:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the statement of financial position as an asset.

Leases
Operating lease payments are recognized as an expense in the statement of income on a straight-line basis over the lease term.

Foreign Currency-Denominated Transactions and Translation
Foreign currency-denominated transactions are initially recorded in Philippine Peso by using the exchange rate based on Philippine Dealing and Exchange Corporation (PDEx) rate at the date of transaction.

Foreign currency-denominated monetary assets and liabilities are translated using the exchange rate at the end of the year. Exchange gains or losses arising from translations of foreign currency transactions are credited to or charged against income.

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

Deferred Tax
Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, excess of minimum corporate income tax (MCIT) over regular corporate income tax and net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, MCIT and NOLCO can be utilized, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rate (and tax laws) that have been enacted or substantially enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred income tax relate to the same taxable entity and the same taxation authority.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

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

Events After the Reporting Date
Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to the financial statements when material.

Future Changes in Accounting Policies
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2019

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

  Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Company is currently assessing the impact of adopting PFRS 16 and plans to adopt the new standard on the required effective date.

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*
- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*
- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*
- *Annual Improvements to PFRSs* 2015-2017 Cycle
    - Amendments to PFRS 3, *Business Combinations,* and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*
    - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
    - Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

Effective beginning on or after January 1, 2020

- Amendments to PFRS 3, *Definition of a Business*
- Amendments to PAS 1, *Presentation of Financial Statements,* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

Effective beginning on or after January 1, 2022

- PFRS 17, *Insurance Contracts*

Deferred effectivity
- Amendments to PFRS 10, *Consolidated Financial Statements,* and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.*

3. Significant Accounting Judgments and Estimates

The preparation of financial statements in accordance with Philippine GAAP for pre-need companies as set forth in the Amended Rule requires the Company to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and contingent liabilities at the reporting date as well as the reported income and expenses for the year. Although the estimates and assumptions are based on management's best knowledge and judgment of current facts as of the reporting date, the actual outcome could differ from these estimates. The following presents a summary of these significant judgments, estimates and assumptions.

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

Pre-need Reserves and Other Pre-need Reserves
PNR shall be set up for all pre-need benefits guaranteed and payable by the pre-need company as defined in the pre-need plan contracts. In recognizing PNR for educational and pension plans, the general requirements of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, on provisioning and specific methodology provided in Note 2 to the financial statements shall be complied with by the Company.

The risks and uncertainties that inevitably surround many events and circumstances shall be taken into account in reaching the best estimate of the provision.

The principal assumptions used in determining the PNR of the Company are shown below.

Interest rates
As of December 31, 2018, the Company availed of the regulatory relief under IC CL No. 2018-58 to use the prevailing market rate in the valuation of pre-need reserves. As of December 31, 2018, prevailing market rate of 7.049% was used for all plans.

As of December 31, 2017, the Company used the following interest rates for valuation, all of which are based on the trust fund yield rates:

- 6.40% for premium-paying plans
- 5.70% for paid-up plans not maturing within 5 years
- 4.80% for paid up plans maturing within 5 years

a. For Currently-Being-Paid Pension Plans

	Pre-Need Reserves			
Type of Pre-Need Product	**Rate**	**2018**	Rate	2017
Encore – R	**7.049%**	**₱1,160,230**	6.40%	1,328,190
Encore – O	**7.049%**	**255,153**	6.40%	453,065
Encore – C	**7.049%**	**47,304**	6.40%	201,851
Plan Right	**7.049%**	**181,824,642**	6.40%	224,534,977
Plan Right (Repriced)	**7.049%**	**156,979,566**	6.40%	204,591,439
Plan Right (2011)	**7.049%**	**42,369,446**	6.40%	58,467,919
		₱382,636,341		₱489,577,441

b. For Currently-Being-Paid Education Plans

	Pre-need Reserves			
Type of Pre-Need Product	Rate	**2018**	Rate	2017
Values – U	**7.049%**	**₱161,128**	6.40%	154,265
Achiever	**7.049%**	**3,124,319**	6.40%	4,063,452
Achiever (Repriced)	**7.049%**	**4,383,228**	6.40%	22,573,170
		₱7,668,675		₱26,790,887

c. For Fully Paid Pension Plans Not Maturing Within Five (5) Years

	Other Pre-need Reserves			
Type of Pre-Need Product	**Rate**	**2018**	Rate	2017
Lifestyle	**7.049%**	**₱58,653,853**	6.40%	₱75,792,375
Lifestyle Plus	**7.049%**	**4,665,181**	6.40%	6,639,492
Repriced Lifestyle	**7.049%**	**10,457,647**	6.40%	11,249,206
Value Provider Plan B	**7.049%**	**792,521**	6.40%	1,325,112
Value Provider Plan A (Repriced)	**7.049%**	**22,234,231**	6.40%	29,344,260
Value Provider Plan B (Repriced)	**7.049%**	**99,912,115**	6.40%	142,314,435
Encore - R	**7.049%**	**113,473,484**	6.40%	272,055,804
Encore - O	**7.049%**	**85,023,813**	6.40%	184,342,525
Encore - C	**7.049%**	**40,750,590**	6.40%	117,993,356
Plan Right	**7.049%**	**1,941,937,353**	6.40%	2,326,708,990
Plan Right (Repriced)	**7.049%**	**194,791,386**	6.40%	179,601,426
Plan Right (2011)	**7.049%**	**62,890,479**	4.80%	52,336,976
		₱2,635,582,653		₱3,399,703,957

d. For Fully Paid Education Plans Not Maturing Within Five (5) Years

	Other Pre-need Reserves			
Type of Pre-Need Product	**Rate**	**2018**	Rate	2017
Value Scholar Plan – College	**7.049%**	**₱1,300,519**	5.70%	₱827,755
Values – U	**7.049%**	**1,599,446**	5.70%	2,347,705
Achiever	**7.049%**	**56,144,280**	5.70%	120,951,233
Achiever (Repriced)	**7.049%**	**34,588,787**	5.70%	24,366,935
		₱93,633,032		₱148,493,628

e. For Fully Paid Pension Plans Maturing Within Five (5) Years

	PNR Using Attainable Interest Rate			
Type of Pre-Need Product	**Rate**	**2018**	Rate	2017
Lifestyle	**7.049%**	**₱151,393,526**	4.80%	₱191,188,270
Lifestyle Plus	**7.049%**	**25,615,674**	4.80%	21,891,140
Career Semestral	**7.049%**	**3,142,087**	4.80%	14,888,218
Career Monthly	**7.049%**	**614,586**	4.80%	1,375,984
Mega Value Plus	**7.049%**	**5,075,860**	4.80%	167,541,552
Repriced Lifestyle	**7.049%**	**20,212,584**	4.80%	32,672,574
Prime Power Plan A	**7.049%**	**₱264,396**	4.80%	₱582,460
Prime Power Plan B	**7.049%**	**8,154,368**	4.80%	8,393,203
Prime Power Plan C	**7.049%**	**6,094,468**	4.80%	6,428,336
Value Provider Plan A	**7.049%**	**3,901,942**	4.80%	3,997,511
Value Provider Plan B	**7.049%**	**37,230,537**	4.80%	40,631,365
Value Provider Plan A (Repriced)	**7.049%**	**14,354,574**	4.80%	12,480,455
Value Provider Plan B (Repriced)	**7.049%**	**316,017,438**	4.80%	361,121,357
Encore – R	**7.049%**	**274,123,163**	4.80%	284,179,000
Encore – O	**7.049%**	**227,949,884**	4.80%	231,951,352
Encore – C	**7.049%**	**170,807,638**	4.80%	193,154,417
Plan Right	**7.049%**	**2,851,955,661**	4.80%	2,931,528,526
Plan Right (Reprised)	**7.049%**	**186,139,437**	4.80%	–
Plan Right (2011)	**7.049%**	**1,435,561**	4.80%	–
		₱4,304,483,384		₱4,504,005,720

f. For Fully Paid Education Plans Maturing Within Five (5) years

	PNR Using Attainable Interest Rate			
Type of Pre-Need Product	**Rate**	**2018**	Rate	2017
Achiever	**7.049%**	**₱178,738,295**	4.80%	₱135,686,334
Achiever (Repriced)	**7.049%**	**26,160,090**	4.80%	12,378,712
Value Scholar Plan - High School	**7.049%**	**3,645,839**	4.80%	869,905
Value Scholar Plan - College	**7.049%**	**216,081,265**	4.80%	143,227,833
Values - U	**7.049%**	**584,580,624**	4.80%	666,757,071
		₱1,009,206,113		₱958,919,855

g. For Lapsed Pension Plans (PNR Using Termination Values)

Type of Pre-Need Product	**2018**	2017
Encore - O	**₱61,387**	₱90,790
Encore - C	**26,171**	89,058
Plan Right	**2,173,306**	5,964,509
Plan Right (Repriced)	**843,184**	611,254
Plan Right (2011)	**44,106**	327,129
	₱3,148,154	₱7,082,740

h. For Lapsed Education Plans (PNR Using Termination Values)

Type of Pre-Need Product	**2018**	2017
Achiever	**₱149,301**	₱295,570
Achiever (Repriced)	**96,283**	109,819
Value Scholar Plan – College	**--**	97,812
Values – U	**30,776**	28,013
	₱276,360	₱531,214

Surrender, lapse and withdrawal rates
As of December 31, 2018 and 2017, the Company uses rates of surrender, cancellation, utilization, and inflation which are based on the Company's 2017 Withdrawal Study. Due to the varying experiences exhibited by their various products, plans issued by CMG Plans and Manulife Financial Plans each have a set of surrender, lapse, and withdrawal rates.

As of December 31, 2018 and 2017, the surrender, lapse and withdrawal rates used in the computation of PNR for both education and pension plans issued by the Company are as follows:

1. Surrenders

December 31, 2018

Corporate Plans

Payment Period	**Duration (In Years)**														
(Year)	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**
1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	8.00%	4.00%	4.00%	3.96%	0.19%	–	–	–	–	–	–	–	–	–	–
7	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
9	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10	8.00%	5.00%	1.34%	2.50%	0.69%	0.11%	–	0.21%	0.16%	0.50%	–	–	–	–	–
15	8.00%	5.00%	5.00%	2.50%	1.00%	1.00%	1.00%	1.00%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

Individual Plans

Payment Period (Year)	Duration (In Years) 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	2.06%	1.87%	1.79%	1.96%	1.26%	–	–	–	–	–	–	–	–	–	–
7	10.36%	4.44%	5.50%	3.00%	2.00%	1.50%	1.00%	–	–	–	–	–	–	–	–
9	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10	2.93%	2.49%	3.61%	2.17%	1.47%	1.58%	1.25%	0.81%	0.82%	0.95	–	–	–	–	–
15	7.73%	12.00%	5.50%	3.00%	2.50%	2.00%	1.50%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

December 31, 2017

Corporate Plans

Payment Period (Year)	Duration (In Years) 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	8.00%	4.00%	4.00%	3.96%	0.19%	–	–	–	–	–	–	–	–	–	–
7	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
9	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10	8.00%	5.00%	1.34%	2.50%	0.69%	0.11%	–	0.21%	0.16%	0.50%	–	–	–	–	–
15	8.00%	5.00%	5.00%	2.50%	1.00%	1.00%	1.00%	1.00%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

Individual Plans

Payment Period (Year)	Duration (In Years) 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	2.06%	1.87%	1.79%	1.96%	1.26%	–	–	–	–	–	–	–	–	–	–
7	10.36%	4.44%	5.50%	3.00%	2.00%	1.50%	1.00%	–	–	–	–	–	–	–	–
9	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10	2.93%	2.49%	3.61%	2.17%	1.47%	1.58%	1.25%	0.81%	0.82%	0.95%	–	–	–	–	–
15	7.73%	12.00%	5.50%	3.00%	2.50%	2.00%	1.50%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

2. Lapses

December 31, 2018

Corporate Plans

Payment Period (Year)	Duration (In Years) 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	–	–	–	0.04%	0.31%	–	–	–	–	–	–	–	–	–	–
7	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
9	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10	–	–	3.66%	–	0.31%	0.39%	0.50%	0.29%	0.34%	–	–	–	–	–	–
15	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

Individual Plans

Payment Period (Year)	Duration (In Years) 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	5.94%	6.13%	2.21%	0.54%	0.24%	–	–	–	–	–	–	–	–	–	–
7	1.64%	7.56%	–	–	–	–	–	–	–	–	–	–	–	–	–
9	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10	9.07%	9.51%	1.89%	0.83%	0.53%	0.42%	0.25%	0.19%	0.18%	0.05%	–	–	–	–	–
15	4.27%	–	–	–	–	–	–	–	–	–	–	–	–	–	–

December 31, 2017

Corporate Plans

Payment Period (Year)	Duration (In Years) 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	–	–	–	0.04%	0.31%	–	–	–	–	–	–	–	–	–	–
7	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
9	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10	–	–	3.66%	–	0.31%	0.39%	0.50%	0.29%	0.34%	–	–	–	–	–	–
15	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

Individual Plans

Payment Period (Year)	Duration (In Years) 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	5.94%	6.13%	2.21%	0.54%	0.24%	–	–	–	–	–	–	–	–	–	–
7	1.64%	7.56%	–	–	–	–	–	–	–	–	–	–	–	–	–
9	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10	9.07%	9.51%	1.89%	0.83%	0.53%	0.42%	0.25%	0.19%	0.18%	0.05%	–	–	–	–	–
15	4.27%	–	–	–	–	–	–	–	–	–	–	–	–	–	–

3. Withdrawals

December 31, 2018

Corporate Plans

Payment Period (Year)	**Duration (In Years) 1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**
1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	8.00%	4.00%	4.00%	4.00%	0.50%	–	–	–	–	–	–	–	–	–	–
7	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
9	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10	8.00%	5.00%	5.00%	2.50%	1.00%	0.50%	0.50%	0.50%	0.50%	0.50%	–	–	–	–	–
15	8.00%	5.00%	5.00%	2.50%	1.00%	1.00%	1.00%	1.00%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

Individual Plans

Payment Period (Year)	**Duration (In Years) 1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**12**	**13**	**14**	**15**
1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	8.00%	8.00%	4.00%	2.50%	1.50%	–	–	–	–	–	–	–	–	–	–
7	12.00%	12.00%	5.50%	3.00%	2.00%	1.50%	1.00%	–	–	–	–	–	–	–	–
9	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10	12.00%	12.00%	5.50%	3.00%	2.00%	2.00%	1.50%	1.00%	1.00%	1.00%	–	–	–	–	–
15	12.00%	12.00%	5.50%	3.00%	2.50%	2.00%	1.50%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

December 31, 2017

Corporate Plans

Payment Period (Year)	Duration (In Years) 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	8.00%	4.00%	4.00%	4.00%	0.50%	–	–	–	–	–	–	–	–	–	–
7	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
9	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10	8.00%	5.00%	5.00%	2.50%	1.00%	0.50%	0.50%	0.50%	0.50%	0.50%	–	–	–	–	–
15	8.00%	5.00%	5.00%	2.50%	1.00%	1.00%	1.00%	1.00%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%

Individual Plans

Payment Period (Year)	Duration (In Years) 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	–	–	–	–	–	–	–	–	–	–	–	–	–	f–	–
4	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	8.00%	8.00%	4.00%	2.50%	1.50%	–	–	–	–	–	–	–	–	–	–
7	12.00%	12.00%	5.50%	3.00%	2.00%	1.50%	1.00%	–	–	–	–	–	–	–	–
9	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10	12.00%	12.00%	5.50%	3.00%	2.00%	2.00%	1.50%	1.00%	1.00%	1.00%	–	–	–	–	–
15	12.00%	12.00%	5.50%	3.00%	2.50%	2.00%	1.50%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

After payment period, surrender/withdrawal rates = 0

As of December 31, 2018 and 2017, the above surrender, lapse and withdrawal rates are assumed rates for the following plans:

1. Education products:
   - Values - U
   - Achiever
2. Pension products:
   - Encore - R
   - Encore - O
   - Encore - C
   - Plan Right

For policies issued by the acquired CMG Plans Inc., the assumed rates used by the Company are as follows:

1. Surrenders

December 31, 2018

Payment Period (Year)	Duration in Years 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2	3.00%	1.00%	–	–	–	–	–	–	–	–	–	–	–	–	–
3	3.00%	2.00%	1.00%	–	–	–	–	–	–	–	–	–	–	–	–
5	7.00%	4.00%	3.00%	2.00%	1.00%	–	–	–	–	–	–	–	–	–	–
6	7.00%	5.00%	1.23%	–	1.26%	0.90%	–	–	–	–	–	–	–	–	–
9	10.00%	9.00%	–	2.24%	0.40%	–	0.80%	0.55%	0.97%	–	–	–	–	–	–
10	10.00%	9.00%	8.00%	7.00%	6.00%	5.00%	4.00%	3.00%	2.00%	1.00%	–	–	–	–	–

December 31, 2017

Payment Period (Year)	Duration in Years 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2	3.00%	1.00%	–	–	–	–	–	–	–	–	–	–	–	–	–
3	3.00%	2.00%	1.00%	–	–	–	–	–	–	–	–	–	–	–	–
5	7.00%	4.00%	3.00%	2.00%	1.00%	–	–	–	–	–	–	–	–	–	–
6	7.00%	5.00%	1.23%	–	1.26%	0.90%	–	–	–	–	–	–	–	–	–
9	10.00%	9.00%	–	2.24%	0.40%	–	0.80%	0.55%	0.97%	–	–	–	–	–	–
10	10.00%	9.00%	8.00%	7.00%	6.00%	5.00%	4.00%	3.00%	2.00%	1.00%	–	–	–	–	–

2. Lapses

December 31, 2018

Payment Period (Year)	Duration in Years 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
6	–	–	2.77%	3.00%	0.74%	0.10%	–	–	–	–	–	–	–	–	–
9	–	–	8.00%	4.76%	4.60%	4.00%	2.20%	1.45%	0.03%	–	–	–	–	–	–
10	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

December 31, 2017

Payment Period (Year)	Duration in Years 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
3	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
6	–	–	2.77%	3.00%	0.74%	0.10%	–	–	–	–	–	–	–	–	–
9	–	–	8.00%	4.76%	4.60%	4.00%	2.20%	1.45%	0.03%	–	–	–	–	–	–
10	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

3. Withdrawals

December 31, 2018

Payment Period (Year)	Duration in Years 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2	3.00%	1.00%	–	–	–	–	–	–	–	–	–	–	–	–	–
3	3.00%	2.00%	1.00%	–	–	–	–	–	–	–	–	–	–	–	–
5	7.00%	4.00%	3.00%	2.00%	1.00%	–	–	–	–	–	–	–	–	–	–
6	7.00%	5.00%	4.00%	3.00%	2.00%	1.00%	–	–	–	–	–	–	–	–	–
9	10.00%	9.00%	8.00%	7.00%	5.00%	4.00%	3.00%	2.00%	1.00%	–	–	–	–	–	–
10	10.00%	9.00%	8.00%	7.00%	6.00%	5.00%	4.00%	3.00%	2.00%	1.00%	–	–	–	–	–

December 31, 2017

Payment Period (Year)	Duration in Years 1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
2	3.00%	1.00%	–	–	–	–	–	–	–	–	–	–	–	–	–
3	3.00%	2.00%	1.00%	–	–	–	–	–	–	–	–	–	–	–	–
5	7.00%	4.00%	3.00%	2.00%	1.00%	–	–	–	–	–	–	–	–	–	–
6	7.00%	5.00%	4.00%	3.00%	2.00%	1.00%	–	–	–	–	–	–	–	–	–
9	10.00%	9.00%	8.00%	7.00%	5.00%	4.00%	3.00%	2.00%	1.00%	–	–	–	–	–	–
10	10.00%	9.00%	8.00%	7.00%	6.00%	5.00%	4.00%	3.00%	2.00%	1.00%	–	–	–	–	–

After payment period, surrender/withdrawal rates = 0

As of December 31, 2018 and 2017, the above surrender, lapse and withdrawal rates are assumed rates for:

1. Education product:
   - Value Scholar Plans

2. Pension products:
   - Lifestyle
   - Lifestyle Plus
   - Career Semestral

- Career Monthly
- Mega Value Plus
- Repriced Lifestyle
- Prime Power Plan
- Value Provider
- Repriced Value Provider

f. The reinstatement rates used for December 31, 2018 and 2017 valuation were based on the 2013-2016 and 2012- 2015 experience of the Company, respectively. Different rates were assumed for different segments due to the diverse experience exhibited among these groups:

Products	**December 2018**	December 2017
CMG: Lifestyle, Lifestyle Plus, Career Monthly, Career Semestral, Repriced Lifestyle, Mega Value Plus, Prime Power Plan, Value Provider, Repriced Value Provider, Values Scholar	**100%**	100%
NPAR: Encore-R, Encore-O, Encore-C, Values-U	**57%**	57%
PAR: Plan Right, Achiever	**57%**	57%

The carrying values of PNR as of December 31, 2018 and 2017 amounted to ₱8.44 billion and ₱9.70 billion, respectively.

Insurance premium reserves
The Company purchases group insurance benefits from an insurance company. Since the terms of the pre-need plans are limited pay, the Company sets aside IPR to be able to pay for the insurance premiums due after the paying period.

Some plans still have insurance coverage after the paid up year. Thus, insurance premiums are still paid to the insurance company for the cost of the insurance coverage even after the installment paying period. By definition, the IPR is the present value of all estimated insurance premiums payable to the insurance company. The calculation uses actuarial assumptions, and considers the portion of the future installments allotted for insurance expenses. IPR amounted to ₱54.69 million and ₱63.28 million as of December 31, 2018 and 2017, respectively (see Note 10).

Impairment of financial assets at amortized cost
Effective January 1, 2018
The measurement of impairment losses under PFRS 9 across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

For cash and cash equivalents, investments in debt securities measured at FVOCI, loans and receivables, and related accrued interests, the allowance estimate is determined by obtaining the 12-month point-in-time probability of default (PD) and loss given default (LGD) of the counterparties from market sources and multiplying these inputs with the exposure at default (EAD). The PD is an estimate of the likelihood of default over a given time horizon. The LGD is an estimate of loss arising in the case where a default occurs at a given time. The EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principals and interest, whether scheduled by contract or otherwise.

As at December 31, 2018, allowance for credit losses amounting to ₱23.75 million and ₱4 thousand were recognized on loans and receivables and financial assets at FVOCI held in trust funds, respectively (see Notes 5 and 6). As at December 31, 2018, no impairment losses were recognized on cash in banks and accrued interest receivables (See Notes 4 and 7).

Effective before January 1, 2018
The Company reviews its loans and receivables at each reporting date to assess whether an allowance for impairment losses should be recorded in the statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to age of balances, financial status of counterparties, payment behavior, legal opinion on recoverability in case of legal disputes and known market factors. The Company reviews the age and status of receivables, and identifies accounts that are to be provided with allowance on a regular basis.

In addition to specific allowance against individually significant loans and receivables, the Company also makes a collective impairment allowance against exposures, which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective allowance is generally based on the age and status of the accounts.

The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in allowance for impairment losses would increase recorded expenses and decrease net income.

As of December 31, 2017, loans and receivables of the Company are carried at ₱90.36 million, net of allowance for impairment losses amounting to ₱21.46 million (see Note 5).

Recognition of deferred tax assets
The Company reviews the carrying amounts of deferred taxes at each reporting date and reduces the deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that a sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. The Company uses its projected performance in assessing the sufficiency of the future taxable income.

4. Cash and Cash Equivalents

This account consists of:

	2018	2017
Cash on hand	**₱88,487**	₱78,816
Cash in banks	**200,738,517**	59,529,902
	200,827,004	59,608,718
Less: Cash restricted to planholders for insurance premiums included in insurance premium fund (Note 10)	**36,056,831**	35,250,801
	₱164,770,173	₱24,357,917

Cash in banks earns interest ranging from 0.10% to 0.25% and 0.25% to 0.50% in 2018 and 2017, respectively.

5. Financial Assets

The assets included in each of the categories are detailed below:

	2018	2017
Financial assets at FVOCI - gross of debt securities restricted to plan holders for insurance premiums	**₱1,065,231,045**	₱–
AFS financial assets - gross of debt securities restricted to plan holders for insurance premiums	–	1,403,515,170
Loans and receivables - gross of allowance for impairment losses	**209,760,356**	111,817,206
	₱1,274,991,401	₱1,515,332,376

a) FVOCI/AFS Financial Assets

As at December 31, 2017, the investments amounting to ₱1.40 billion were classified under 'AFS financial assets'. In 2018, the investments were classified and measured at FVOCI in accordance with PFRS 9.

The Company's FVOCI/AFS financial assets consist of investments in peso government debt securities.

As discussed in Note 2, as at December 31, 2018, the Company has availed of the regulatory relief under IC CL No. 2018-58 to value its fixed income debt securities at amortized cost rather than at fair value. Accumulated fair value loss recognized in OCI amounting to ₱216.73 million was reversed as of December 31, 2018.

The carrying values of FVOCI/AFS financial assets have been determined as follows:

	2018	2017
Balance at January 1	**₱1,403,515,170**	₱552,749,943
Additions	**70,213,808**	924,483,512
Disposals and maturities	**(497,639,855)**	–
Changes in fair value recognized directly in OCI	**(124,796,609)**	(72,236,845)
Amortization of bond discounts and premiums	**(2,795,800)**	(1,481,440)
Reversal of accumulated fair value loss recognized in OCI due to availment of relief	**216,734,331**	–
	1,065,231,045	1,403,515,170
Less debt securities restricted to plan holders for insurance premiums (Note 10)	**60,000,000**	60,000,000
Balance at December 31	**₱1,005,231,045**	₱1,343,515,170

The premium/discount amortization is included under 'Interest income' in the statement of comprehensive income.

The movement in the reserve for fluctuation in fair value of FVOCI/AFS financial assets follows:

	2018	2017
Balance at January 1	**(₱98,537,684)**	(₱26,300,839)
Changes in fair value recognized directly in OCI	**(124,796,609)**	(72,236,845)
Realized loss transferred to profit or loss	**6,599,962**	–
Reversal of accumulated fair value loss recognized in OCI due to availment of relief	**216,734,331**	–
Net change during the year	**98,537,684**	(72,236,845)
Balance at December 31	**₱–**	(₱98,537,684)

Investments in government debt securities consist of Peso-denominated fixed rate government bonds with annual interest rates ranging from 3.38% to 8.13% in 2018 and 2017.

b) Loans and receivables - net

	2018	2017
Receivable from trustee (Note 6)	**₱175,201,025**	₱82,163,390
Receivable from agents	**6,681,237**	4,012,079
Other receivables	**27,910,734**	25,641,737
	209,792,996	111,817,206
Less allowance for impairment losses	**23,748,491**	21,458,060
	₱186,044,505	₱90,359,146

Receivable from trustee represents advances made by the Company for plan benefits paid to planholders that are chargeable to the trust fund in the following month.

Receivable from agents pertains mainly to unremitted premium collections.

The rollforward of the allowance for impairment losses on receivable from agents and other receivables follows:

	2018	2017
At beginning of year	**₱21,458,060**	₱18,251,131
Provision during the year (Note 13)	**2,290,431**	3,206,929
At end of year	**₱23,748,491**	₱21,458,060

	2018	2017
Allowance for impairment losses		
Other receivables	**₱19,874,578**	₱17,584,147
Receivable from agents	**3,873,913**	3,873,913
	₱23,748,491	₱21,458,060

6. Investments in Trust Funds

The Company established five (5) trust fund accounts for the Pension and Education block of the Company's business for the fulfillment of the Company's obligations under its pre-need pension and educational plan agreements. On October 8, 2014, the Company terminated its trust agreement with Deutsche Bank and transferred its trust fund to the Bank of the Philippine Islands (BPI). On January 15, 2018, the Company transferred the management of the Trust Fund Assets from (BPI) to MAMTC (Trustee) and the Trust Fund Administration from BPI to Hong Kong Shanghai Banking Corporation (HSBC).

In compliance with Chapter VIII, Section 30 of the pre-need code and in accordance with the terms of the trust agreements, withdrawals from the trust funds shall be made only for payment of: (a) costs, expenses and charges incurred in connection with the administration and operation of the trust funds; (b) cash surrender and termination values, annuities, and contributions to the fund of cancelled plans; and (c) the insurance premium payments and other costs necessary to ensure the delivery of benefits or services to planholders.

The details of the trust funds based on the financial statements issued by the trustee bank as of December 31, 2018 and 2017 follow:

	2018		
	Education	**Pension**	**Total**
Assets (Note 15)			
Cash and cash equivalents	**₱33,559,511**	**₱102,471,791**	**₱136,031,302**
FVOCI financial assets	**1,208,649,420**	**7,651,164,464**	**8,859,813,884**
Accrued interest receivable	**19,470,682**	**106,986,285**	**126,456,967**
	1,261,679,613	**7,860,622,540**	**9,122,302,153**
Liabilities			
Accrued trust fee payable	**192,463**	**1,180,824**	**1,373,287**
	₱1,261,487,150	**₱7,859,441,716**	**₱9,120,928,866**
Equity			
Fund balance at beginning of year	**₱1,430,701,616**	**₱8,689,584,193**	**₱10,120,285,809**
Contributions	**2,532,749**	**531,181,964**	**533,714,713**
Withdrawals	**(140,036,140)**	**(1,088,863,988)**	**(1,228,900,128)**
Net income	**59,181,159**	**400,394,584**	**459,575,743**
	1,352,379,384	**8,532,296,753**	**9,884,676,137**
Net changes in fair value of financial assets at FVOCI	**(125,002,296)**	**(1,007,597,582)**	**(1,132,599,878)**
Reversal of accumulated fair value loss on financial assets at FVOCI (Note 2)	**34,110,062**	**334,742,545**	**368,852,607**
	₱1,261,487,150	**₱7,859,441,716**	**₱9,120,928,866**

	2017		
	Education	Pension	Total
Assets (Note 15)			
Cash and cash equivalents	₱7,660,357	₱17,089,021	₱24,749,378
AFS financial assets	1,401,767,780	8,566,726,708	9,968,494,488
Accrued interest receivable	21,941,689	109,852,423	131,794,112
	1,431,369,826	8,693,668,152	10,125,037,978
Liabilities			
Accrued trust fee payable	668,210	4,083,959	4,752,169
	₱1,430,701,616	₱8,689,584,193	₱10,120,285,809
Equity			
Fund balance at beginning of year	₱1,560,739,425	₱9,545,845,326	₱11,106,584,751
Contributions	4,001,752	78,927,894	82,929,646
Withdrawals	(136,469,813)	(809,666,589)	(946,136,402)
Net income	57,737,875	447,296,682	505,034,557
	1,486,009,239	9,262,403,313	10,748,412,552
Net changes in available-for-sale financial assets	(55,307,623)	(572,819,120)	(628,126,743)
	₱1,430,701,616	₱8,689,584,193	₱10,120,285,809

As discussed in Note 2, the Company availed of the regulatory relief in determining the value of its investments in trust funds for comparison with the pre-need reserves and benefits payable as of December 31, 2018. Had the relief not been applied, the comparison of the investments in trust funds to pre-need reserves and benefits payable is shown in the table below:

	Pension	Education	Total
Investments in trust funds	₱7,362,207,010	₱1,214,668,224	₱8,576,875,234
Pre-need reserves*	(7,607,274,247)	(1,133,786,708)	(8,741,060,955)
Benefits payable	(191,092,279)	(30,783,932)	(221,876,211)
Surplus (Deficit)	(₱436,159,516)	₱50,097,584	(₱386,061,932)

**Calculated without availment of regulatory relief*

Further, had the relief not been applied, the Company would have recognized unrealized loss on its financial assets at FVOCI amounting to ₱216.73 million as of December 31, 2018 (see Note 5).

As of December 31, 2018 and 2017, reserve for fluctuation in value of FVOCI/AFS financial assets held in trust funds amounted to (₱4 thousand) and ₱0.76 billion, respectively. The balance as of December 31, 2018 pertain to provision for ECL.

As of December 31, 2018 and 2017, the balance of investments in trust funds in the statements of financial position is net of the amount payable arising from the amount of plan benefits paid out of the Company's funds amounting to ₱175.20 million and ₱82.16 million, respectively (see Note 5).

The net income amounting to ₱1.14 billion and ₱339.02 million in 2018 and 2017, respectively, of the trust fund operations is determined as follows:

	2018	2017
Trust fund income	**₱459,575,743**	₱505,034,557
Trust fund contributions	**533,714,713**	82,929,646
Termination benefits (Note 12)	**(630,372,502)**	(712,507,154)
Benefits payout (Note 12)	**(466,893,322)**	(253,779,543)
Surrenders (Note 12)	**(21,753,214)**	(23,054,773)
Plan insurance (Note 12)	**(3,164,767)**	(4,913,304)
Decrease (increase) in PNR	**1,265,944,548**	745,314,012
Net income	**₱1,137,051,199**	₱339,023,441

The net income of the trust fund operations is absorbed by retained earnings as presented in the statements of changes in equity.

The fair values of the financial assets of the trust funds are estimated as follows:

	Methods and Assumptions
Cash and cash equivalents	Face amount approximates fair value due to short-term nature.
FVOCI/AFS financial assets	Fair values are based on quoted prices.
Accrued interest receivable	Carrying amount approximates fair value due to short-term maturity.

a. *FVOCI/AFS Financial Assets*

FVOCI/AFS financial assets held in trust funds consist of peso-denominated government debt securities. The government debt securities are fixed rate government treasury bonds with annual interest rates ranging from 3.38% to 8.11% in 2018 and 2017.

The movement in the reserve for fluctuation in fair value of FVOCI/AFS financial assets held in trust funds follows:

	2018	2017
Balance at beginning of year	**₱763,743,665**	₱1,391,870,408
Changes in fair value of AFS financial assets	–	(574,900,227)
Changes in fair value of financial assets at FVOCI	**(1,149,278,625)**	–
Realized gains transferred to Trust Fund income	**16,682,353**	(53,226,516)
Impairment loss charged against OCI	**(3,606)**	–
Reversal of accumulated fair value loss	**368,852,607**	–
Net changes during the year	(763,747,271)	(628,126,743)
Balance at end of year	**(₱3,606)**	₱763,743,665

As mandated by the Insurance Commission, an actuarial valuation of the adequacy of the trust funds shall be submitted to the Commission within one hundred twenty (120) days after the end of every year. Any deficiency in the trust funds shall be funded within thirty (30) days after receipt of notice of deficiency from the Commission.

Annual actuarial valuation of the pre-need contractual commitments is based on the computation previously prescribed by the SEC and incorporates the provisions of IC Circular Letter No. 23-2012. Any deficiency between the computed amount and the trust funds is funded by the Company within the prescribed period. Based on the actuarial certification issued by an independent actuary accredited by the IC, the required balance of the trust funds is ₱8.66 billion and ₱9.96 billion as of December 31, 2018 and 2017, respectively. This includes pre-need reserves amounting to ₱8.44 billion and ₱9.70 billion as of December 31, 2018 and 2017, respectively, and outstanding contractual liabilities amounting to ₱221.88 million and ₱257.78 million as of December 31, 2018 and 2017, respectively.

Trust fund surplus is computed as follows:

	December 2018			December 2017		
	Education	**Pension**	**Total**	Education	Pension	Total
Investments in Trust Funds	**₱1,248,776,426**	**₱7,696,951,415**	**₱8,945,727,841**	₱1,424,112,689	₱8,614,009,727	₱10,038,122,416
Required balance of Trust Fund (Notes 2 and 3)						
Pre-need reserves	**1,110,784,180**	**7,325,850,532**	**8,436,634,712**	1,297,381,357	8,405,197,904	9,702,579,261
Outstanding maturities (Note 9)	**31,513,467**	**190,672,852**	**222,186,319**	55,869,287	201,908,684	257,777,971
	1,142,297,647	**7,516,523,384**	**8,658,821,031**	1,353,250,644	8,607,106,588	9,960,357,232
Trust fund surplus	**₱106,478,779**	**₱180,428,031**	**₱286,906,810**	₱70,862,045	₱6,903,139	₱77,765,184

The trust fund income account consists of:

	2018	2017
Interest income	**₱589,439,240**	₱604,872,536
Gain on sale of financial assets at FVOCI	**16,682,353**	–
Gain on sale of AFS financial asset	**–**	53,226,516
Trustee fees	**(16,638,207)**	(19,532,777)
Provision for income tax – final	**(129,438,078)**	(133,381,843)
Other expenses	**(469,565)**	(149,875)
	₱459,575,743	₱505,034,557

Movements in the pre-need reserves follow:

	2018	2017
At January 1	**₱9,702,579,261**	₱10,447,893,273
Contributions	**61,358,769**	98,626,434
Accretion of investment income	**194,425,510**	546,287,147
Benefit payments	**(1,143,909,055)**	(979,595,863)
Adjustment due to change in interest rate assumptions	**(377,819,773)**	(410,631,730)
At December 31	**₱8,436,634,712**	₱9,702,579,261

Chapter VIII, Section 34 of the Pre-need Code: Investment in Trust Fund
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, the Pre-need Code provides that all investments of the trust funds of a pre-need company shall be limited to the following and subject to limitations, to wit:

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 three hundred sixty-five (365) days or less. This category includes:

   1) Government securities which shall not be less than ten percent (10%) of the trust fund amount;

   2) Savings or time deposits and unit investment trust funds maintained with and managed by a duly authorized bank with satisfactory examination rating as of the last examination by the BSP;

   3) Commercial papers duly registered with the SEC 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.

      The maximum exposure to long-term commercial papers shall not exceed fifteen percent (15%) of the total trust fund amount while the exposure to each commercial paper issuer shall not exceed ten percent (10%) of the allocated amount; and

   4) Direct loans to corporations which are financially stable, profitable for the last three (3) years and have a good track record of paying their previous loans.

      These loans shall be fully secured by a real estate mortgage up to the extent of sixty percent (60%) of the zonal valuation of the property at the time the loan was granted.

      The property shall 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 shall not exceed five percent (5%) of the total trust fund amount while the amount to be granted to each corporate borrower shall not exceed ten percent (10%) of the amount allocated.

      The maximum term of the loan should be no longer than four (4) years.

      Direct loans to planholders are exempt from the limitations of this provision, provided that such loans to planholders shall not exceed ten percent (10%) of the total trust fund amount.

b) Equities – investments in equities shall 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 hereunder, 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 (3) 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 paragraph.

The amount to be allocated for equity investments shall not exceed thirty percent (30%) of the total trust fund while the investment in any particular issue shall not exceed ten percent (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 (3) years from the effectivity of the Code.

c) Real estate – these shall include real estate properties located in strategic areas of cities and first class municipalities. The transfer certificate of title (TCT) shall 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 or transferor is the pre-need company wherein an annotation to the TCT relative to the sale or transfer may be allowed. It shall be recorded at acquisition cost.

However, the real estate shall be appraised every three (3) 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 sixty percent (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 ten percent (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 (3) years from the effectivity of the Code.

Investment of the trust fund which is not in accordance with the preceding paragraphs, shall not be allowed unless the prior written approval of the Commission had been secured, provided that no deposit or investment in any single entity shall exceed fifteen percent (15%) of the total value of the trust fund, and that the Commission is authorized to adjust the percentage allocation per category set forth herein not in excess of two percentage (2%) points upward or downward and no oftener than once every five (5) years. The first adjustment hereunder may be made no earlier than five (5) years from the effectivity of the Code. 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.

IC Circular Letter No. 8-2012

On December 15, 2012, the IC issued Circular Letter No. 8-2012, *Allowable Investments for Pre-need Trust Funds*. In addition to the provisions of Section 34 of the Pre-need Code, Investment of the Trust Fund, the following additional investment outlets shall be allowed as "Other Investments" with corresponding maximum limits and subject to prior approval of the IC. The amount allocated shall not exceed twenty percent (20%) of the total trust fund while the investment in any particular item below shall not exceed fifteen percent (15%) of the trust fund. Provided, further, that no investment in any single entity shall exceed ten percent (10%) of the total value of the trust fund.

a. Preferred shares – Preferred stock, also called preferred shares, preference shares, or simply preferreds, is a special equity security that has properties of both an equity and a debt instrument and is generally considered a hybrid instrument. Preferreds are senior (i.e., higher ranking) to a common stock but are subordinate to bonds. Preferred stock usually carries no voting rights, but may carry a dividend and may have priority over common stock in the payment of dividends and upon liquidation.

b. Real estate investment trust (REIT) – Real estate investment trust or REIT as defined under Republic Act No. 9856 is a stock corporation established in accordance with the Corporation Code of the Philippines and the rules and regulations promulgated by the IC principally for the purpose of owning income-generating real estate assets. For purposes of clarity, a REIT, although designated as a "trust" does not have the same technical meaning as "trust" under existing laws and regulations but used herein for the sole purpose of adopting the internationally accepted description of the company in accordance with global best practices.

c. Tier 2 Notes – Tier 2 notes that generally constitute direct, unconditional, unsecured and subordinated obligations of a bank. More commonly, claims of all noteholders will enjoy priority over the rights and claims of holders of all classes of equity securities of a bank, including holders of preference shares, if any. The issuer bank should have a credit rating of no less than "A" from Philippine Rating Services Corporation (PhilRatings).

d. Service assets – Under Republic Act No. 9829, Section 35 Responsibilities of the Trustee of Pre-need Companies under I "Not use the trust fund to invest in or extend any loan or credit accommodation to the pre-need company, its directors, officers, stockholders and related interests as well as to persons or enterprises controlling, owned or controlled by, or under common control with said company, its directors, officers, stockholders and related interests except for entities which are direct providers of pre-need companies".

   Service assets are investments by a pre-need company directly or through a service provider in resources or capabilities that may be used to offset a future liability. These are assets or shares which are not intended for resale or investment but to offset future liabilities.

   i. Pre-need companies differ from insurance companies because their obligations are not necessarily financial in nature. Some of their liabilities may be in the form of assets or services. Hence, there are arbitrage opportunities where the pre-need company is able to provide the service or asset at a cost below the amount originally projected in the financial model.

   ii. Mortuaries – Historically, investments by pre-need companies in mortuaries have allowed some pre-need companies to answer their life plan obligation. Investments take the form of buying or investing in mortuaries, purchasing assets required to provide memorial services, such as hearses, cremation machines or loaning funds to independent mortuaries where conditions of the loan include providing discounted memorial services.

   iii. Memorial lots and/or columbaries – Some life plan liabilities are in the form of memorial lots or columbaries, where the commitment of the life plan company is to provide a complete funeral service including a memorial lot.

   Memorial lots or columbaries that are not part of the package of a funeral service shall be considered as inventories held for sale. In which case, the asset shall be considered as real estate.

iv. Schools – Investments by pre-need companies in educational institutions would reduce the cost of servicing education plans, because the cost of educating additional students is only marginal. The pre-need company would only have to spend on the marginal cost of educating additional students.

v. Retirement homes – Some pension plans may include the provision of adult oriented housing for retirees as a benefit of the pension plan. Consequently, the ownership of such service assets will inoculate or control the liability of the pre-need company.

As of December 31, 2018 and 2017, the Company has complied with Section 34 and the allowable investments under IC Circular Letter No. 8-2012.

IC Circular Letter No. 2018-58
On November 14, 2018, the IC issued Circular Letter 2018-58 providing Regulatory Relief for the Pre-need Industry due to High Volatility in the Philippine Market. The circular provides the following regulatory relief:

1. Valuation of Publicly Listed Equity Securities
   For listed equity securities acquired on or before December 31, 2017, pre-need companies shall have the option to use the prevailing market rate prescribed by PFRSs or the market rate as of December 31, 2017.

   For listed equity securities acquired after December 31, 2017, pre-need companies shall have the option to use the prevailing market rate prescribed by PFRSs or the acquisition cost.

   The above options apply provided the equity securities are not intended for sale in the short-term.

2. Valuation of Fixed Income Securities
   Pre-need companies shall have the option to value all the fixed income debt securities at amortized cost.

3. Pre-need reserves
   Pre-need companies shall have the option to use the prevailing market rate or the discount rate for the reserves under Circular Letter 23-2012 in the valuation of pre-need reserves.

As of December 31, 2018, the Company has availed of the above regulatory relief on the valuation of assets and pre-need reserves.

7. Other Assets

This account consists of:

	2018	2017
Interest receivable	**₱9,474,549**	₱13,406,585
Creditable withholding taxes	**7,280,874**	7,135,215
Others	**388,292**	388,292
	₱17,143,715	₱20,930,092

Creditable withholding tax pertains to the tax withheld at source and is creditable against the income tax liability of the Company.

8. Property and Equipment

The rollforward analysis of this account as of December 31 2018 and 2017 follows:

	Leasehold Improvements	Furniture and Fixtures	Total
Cost	₱57,524,638	₱24,476,503	₱82,001,141
Accumulated depreciation and amortization			
At January 1 and December 31	57,524,638	24,476,503	82,001,141
Net book value as of December 31	₱–	₱–	₱–

Fully depreciated property and equipment with total cost of ₱82.00 million as of December 31, 2018 and 2017 are still in use.

9. Accrued Expenses and Other Liabilities

This account consists of:

	2018	2017
Maturities and surrenders payable	**₱222,186,319**	₱257,777,971
Accounts payable	**29,719,620**	18,957,258
Accrued expenses	**4,445,846**	2,474,126
Taxes payable	**1,772,284**	1,900,303
Advanced premiums	**1,025,329**	1,935,562
Premium deposit fund	**70,632**	70,864
Other liabilities	**28,318,417**	26,348,476
	₱287,538,447	₱309,464,560

Maturities and surrenders payable refer to maturities and pre-termination benefits that have not been paid to the policyholders.

Accrued expenses pertain to accrued sundry expenses and commissions payable.

Advanced premiums relate to payment of policyholders on premiums that are not yet due.

Taxes payable include withholding tax on agents' commissions; EVAT on premiums collected; and withholding tax on professional fees, rentals, broker's fee and income payments to contractors and regular/local suppliers of goods and services.

Other liabilities include accrued interest on interest-sensitive plans and unsettled trade.

10. Insurance Premium Reserves (IPR) and Insurance Premium Fund

The IPR as of December 31, 2018 and 2017 amounting to ₱54.69 million and ₱63.28 million, respectively, pertains to the actuarial reserves set up by the Company for the insurance coverage of the policies in force as at the end of the accounting period.

In compliance with the Amended Rule, the Company restricts corporate assets at least to the amount computed for the IPR to cover payment of insurance premiums after the paying period of the pre-need plans (see Note 2). The amount of restricted corporate assets is meant to cover the future insurance premiums to be paid for the insurance coverage of the planholders.

As of December 31, 2018 and 2017, the Insurance Premium Fund is composed of the following corporate assets:

	2018	2017
Cash and cash equivalents (Note 4)	**₱36,056,831**	₱35,250,801
Financial assets at FVOCI (Note 5)	**60,000,000**	–
AFS financial assets (Note 5)	**–**	60,000,000
Insurance Premium Fund	**₱96,056,831**	₱95,250,801

11. Interest Income and Other Income

Interest income consists of:

	2018	2017
Interest income on:		
FVOCI/AFS financial assets	**₱56,058,039**	₱39,414,148
Deposits with banks	**1,280,301**	941,161
Unpaid premiums on reinstated policies	**787,683**	685,311
	₱58,126,023	₱41,040,620

Other income consists of reversal of long outstanding payables and other miscellaneous revenue.

12. Other Direct Costs and Expenses

This account consists of:

	2018	2017
Termination benefits	**₱630,372,502**	₱712,507,154
Benefits payout	**466,893,322**	253,779,543
Surrenders	**21,753,214**	23,054,773
Plan insurance	**3,164,767**	4,913,304
Bonuses and overrides	**398,956**	200,049
Basic commissions	**271,014**	670,918
	₱1,122,853,775	₱995,125,741

Plan insurance expense includes remittance to the Parent Company of premium collection from built-in life insurance and change in reserves plan insurance.

13. General, Administrative and Selling Expenses

This account consists of:

	2018	2017
Service fee expense (Note 16)	**₱10,185,067**	₱12,645,996
Taxes and licenses	**3,764,489**	3,107,564
Provision for impairment loss (Note 5)	**2,290,431**	3,206,929
Professional fees	**833,327**	829,545
Finance charges	**478,049**	764,104
Office supplies	**290,179**	104,250
Investment expenses	**79,581**	810,670
Agency related benefits	**43,399**	181,237
Miscellaneous	**245,634**	1,405,639
	₱18,210,156	₱23,055,934

The service fee expense amounting to ₱9.70 million and ₱11.87 million for the years ended December 31, 2018 and 2017, respectively, are allocated expenses (including 5% mark-up) from the Parent Company. The services provided by the Parent Company include, but are not limited to, financial and accounting services, data processing, administrative services, valuation for individual policy reserves and other actuarial services.

14. Income Taxes

In 2018 and 2017, the provision for income tax consists of final taxes amounting to ₱12.03 million ₱8.43 million respectively.

The Company did not recognize the deferred tax assets on the following deductible temporary differences since management believes that the tax benefits may not be realized.

	2018	2017
NOLCO	**₱546,933,552**	₱517,092,207
Allowance for impairment losses (Note 5)	**23,748,491**	21,548,600

The Company will reassess the unrecognized deferred tax assets on the above deductible temporary differences and will recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable income would allow the deferred tax asset to be recovered.

As of December 31, 2018, details of unexpired NOLCO, which are available for offset against future taxable income, are as follows:

Year incurred	Amount	Used Amount	Expired Amount	Balance	Expiry Year
2015	₱325,624,766	₱–	₱325,624,766	₱–	2018
2016	137,924,921	–	–	137,924,921	2019
2017	53,542,520	–	–	53,542,520	2020
2018	355,466,111	–	–	355,466,111	2021
	₱872,558,318	₱230,087,870	₱111,232,267	₱546,933,552	

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

	2018	2017
Income before income tax	**₱723,288,980**	₱372,735,336
At statutory income tax rate	**216,986,694**	111,820,601
Additions to (reductions in) income tax expense resulting from:		
Net trust fund withdrawals	**208,555,624**	258,962,028
Change in unrecognized deferred tax assets	**107,326,963**	17,024,835
Tax-exempt loss on sale of government Securities	**1,979,989**	–
Amortization of bond discounts and premiums	**838,740**	(444,432)
Nondeductible expenses	**7,124**	292,564
Interest/investment income subjected to final tax	**(6,013,414)**	(4,119,792)
Trust fund income subjected to final tax	**(137,872,723)**	(151,510,367)
Change in pre-need reserves	**(379,783,364)**	(223,594,204)
Provision for income tax	**₱12,025,633**	₱8,431,233

15. Management of Capital and Financial Risks

Governance Framework

The Company has established a risk management function with clear terms of reference and with the responsibility for developing group-wide policies on market, credit, liquidity and operational risks. It also supports the effective implementation of policies at the overall group and the individual business unit levels.

The policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, align strategies to the corporate goals and specify reporting requirements.

Capital Management Framework

The Company's risk management function has developed and implemented certain minimum stress and scenario tests for identifying the risks to which each of its business units and the Company as a whole is exposed, quantifying their impact on the volatility of economic capital. The results of these tests, particularly the anticipated impact on the statement of financial position and revenue account of each business unit, are reported to the Company's risk management function. The risk management function then considers the aggregate impact of the overall capital requirement revealed by the stress testing to assess how much capital is needed to mitigate the risk of insolvency to a selected remote level.

Fixed Capitalization Requirements

Under Rule 2 of the New Rules on the Registration and Sale of Pre-Need Plans under Section 16 of the Securities Regulation Code, minimum paid-up capital requirements were imposed on all new and existing pre-need companies. As clarified in the Pre-need Code/ R.A. No. 9829, for the existing pre-need companies offering two types of plans, the minimum paid-up capital is ₱75 million. The Company only offers fixed-value education and pension plans.

The Company is authorized to issue 5,000,000 shares with par value of ₱100 per share. As of December 31, 2018 and 2017, the Company's capital stock amounted to ₱250.00 million consisting of 2,500,000 issued and outstanding shares.

The Company has complied with the minimum paid-up capital requirements.

Unimpaired capital requirement
Insurance Memorandum Circular (IMC) 22-2008 provided that for purposes of determining compliance with the law, rules and regulations requiring that the paid-up capital should remain intact and unimpaired at all times, the statement of financial position should show that the worth or equity is at least equal to the actual paid-up capital. The Company has complied with the unimpaired capital requirements of the SEC.

Regulatory Framework
The regulators are interested in ensuring that the Company maintains an appropriate solvency position to meet liabilities arising from claims and that the risks are at acceptable levels.

Starting 2009, the operations of the Company became subject to the regulatory requirements of the Insurance Commission. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions, such as capital adequacy to minimize the risk of default and insolvency on the part of the pre-need companies to meet the unforeseen liabilities as these arise. Previously, the Company was subject to the regulatory requirements of the SEC.

Financial Risk
The Company is exposed to financial risk through its financial assets and financial liabilities. The most important components of this financial risk are credit risk, liquidity risk and market risk.

These risks arise from open positions in interest rate which is exposed to general and specific market movements. The risk that the Company primarily faces due to the nature of its investments is interest rate risk.

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements and those that are held in the trust fund.

Assets Not Held in Trust Funds*

	2018		2017	
	Carrying Values	Fair Values	Carrying Values	Fair Values
Financial assets				
Loans and receivables				
Cash on hand and in banks	**₱200,827,004**	**₱200,827,004**	₱59,608,718	₱59,608,718
Receivable from trustee	**175,201,025**	**175,201,025**	82,163,390	82,163,390
Interest receivable	**9,474,549**	**9,474,549**	13,406,585	13,406,585
Receivable from agents – net	**2,807,324**	**2,807,324**	138,166	138,166
Other receivables – net	**8,036,156**	**8,036,156**	8,057,590	8,057,590
Financial assets FVOCI	**1,065,231,045**	**848,496,714**	–	–
AFS financial assets	**–**	**–**	1,403,515,170	1,403,515,170
	₱1,461,577,103	**₱1,244,842,772**	₱1,566,889,619	₱1,566,889,619

**Gross of assets restricted for Insurance Premium Fund*

	2018		2017	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial Liabilities				
Accrued expenses and other liabilities				
Maturities and surrenders payable	**₱222,186,319**	**₱222,186,319**	₱257,777,971	₱257,777,971
Accounts payable	**29,179,620**	**29,179,620**	18,957,258	18,957,258
Accrued expenses	**4,445,846**	**4,445,846**	2,474,126	2,474,126
Advanced premiums	**1,025,329**	**1,025,329**	1,935,562	1,935,562
Premium deposit fund	**70,632**	**70,632**	70,864	70,864
Other liabilities	**28,318,417**	**28,318,417**	26,348,476	26,348,476
Due to related parties	**376,679,666**	**376,679,666**	323,834,216	323,834,216
	₱661,905,829	**₱661,905,829**	₱631,398,473	₱631,398,473

Assets Held in Trust Funds (Note 6)

	2018		2017	
	Carrying Values	**Fair Values**	Carrying Values	Fair Values
Financial assets				
Cash and cash equivalents	**₱136,031,302**	**₱136,031,302**	₱24,749,378	₱24,749,378
Financial assets at FVOCI	**8,859,821,097**	**8,490,968,490**	–	–
AFS financial assets	**–**	**–**	9,968,494,488	9,968,494,488
Loans and receivables	**126,456,967**	**126,456,967**	131,794,109	131,794,109
	₱9,122,309,366	**₱8,753,456,759**	₱10,125,037,975	₱10,125,037,975
Financial liabilities	**₱1,373,287**	**₱1,373,287**	₱4,752,169	₱4,752,169

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

- *Cash and cash equivalents*: due to the short-term nature of the account, the fair value approximates the carrying amounts.

- *Loans and Receivables*: due to the short-term nature of loans and receivables, carrying amounts approximate fair values.

- *FVOCI/AFS financial assets*: fair values were determined using quoted market prices at reporting date.

- *Accrued expenses and other liabilities*: due to the short-term nature of the account, the fair value approximates the carrying amount.

- *Due to related parties*: due to the short-term nature of the account, carrying amounts approximate fair values.

Fair Value Hierarchy

The following table shows the analysis of financial instruments recorded at fair value by level of the fair value hierarchy as of 2017.

2017

	Level 1	**Level 2**	**Level 3**	**Fair Value**
FVOCI financial assets not held in trust funds				
Government debt securities (Note 5)	₱823,351,473	₱580,163,697	₱–	₱1,403,515,170
FVOCI financial assets held in trust funds				
Government debt securities	2,172,919,178	7,795,575,310	–	9,968,494,488

There were no transfers between level 1 and level 2, and no transfers into and out of level 3.

Credit Risk
Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company manages the level of credit risk it accepts through a comprehensive group credit risk policy setting out the assessment and determination of what constitutes credit risk for the Company; setting up of exposure limits by each counterparty or group of counterparties, geographical and industry segments; determining right of offset where counterparties are both debtors and creditors; providing guidelines on obtaining collateral and guarantees; reporting of credit risk exposures and breaches to the monitoring authority; monitoring compliance with credit risk policy, and reviewing credit risk policy for pertinence and changing environment.

In respect of investment securities, the Company secures satisfactory credit quality by setting maximum limits of portfolio securities with a single issuer or group of issuers, excluding those secured on specific assets and setting the minimum ratings for each issuer or group of issuers.

As of December 31, 2018, all of the Company's FVOCI/AFS investments pertain to Philippine Government bonds.

The Company did not have other significant concentration of credit risk with a single counterparty or group of counterparties as of December 31, 2018 and 2017. The following tables summarize the credit quality of the Company's neither past due nor impaired financial assets as of December 31, 2018 and 2017:

2018

	Neither past due nor impaired		Past due and individually impaired	Total
	Investment grade	Non-investment grade		
Financial assets not held in trust funds*				
FVOCI financial assets - gross	₱1,065,231,045	₱–	₱–	₱1,065,231,045
Cash in banks	200,738,517	–	–	200,738,517
Loans and receivables				
Receivable from trustee	–	175,201,025	–	175,201,025
Receivable from agents	–	2,807,324	3,873,913	6,681,237
Other receivables	–	8,036,156	19,874,578	27,910,734
Interest receivable	9,474,549	–	–	9,474,549
	₱1,275,444,111	₱186,044,505	₱23,748,491	₱1,485,237,107

**Gross of assets restricted for Insurance Premium Fund*

2017

	Neither past due nor impaired		Past due and individually impaired	Total
	Investment grade	Non-investment grade		
Financial assets not held in trust funds*				
AFS financial assets - gross (included in Insurance Premium Fund)	₱1,403,515,170	₱–	₱–	₱1,403,515,170
Cash in banks	59,529,902	–	–	59,529,902
Loans and receivables				
Receivable from trustee	–	82,163,393	–	82,163,393
Receivable from agents	–	138,166	3,873,913	4,012,079
Other receivables	–	8,057,587	17,584,147	25,641,734
Interest receivable	13,406,585	–	–	13,406,585
	₱1,476,451,657	₱90,359,146	₱21,458,060	₱1,588,268,863

**Gross of assets restricted for Insurance Premium Fund*

2018

	Neither past due nor impaired		Past due and individually impaired	
	Investment grade	Non-investment grade		Total
Financial assets held in trust funds				
FVOCI financial assets	₱8,859,813,884	₱–	₱–	₱8,859,813,884
Cash and cash equivalents	136,031,302	–	–	136,031,302
Loans and receivables - net	–	126,456,967	–	126,456,967
	₱8,995,845,186	₱126,456,967	₱–	₱9,122,302,153

2017

	Neither past due nor impaired		Past due and individually impaired	
	Investment grade	Non-investment grade		Total
Financial assets held in trust funds				
AFS financial assets	₱9,968,494,488	₱–	₱–	₱9,968,494,488
Cash and cash equivalents	24,749,378	–		24,749,378
Loans and receivables - net	–	131,794,109	–	131,794,109
	₱9,993,243,866	₱131,794,109	₱–	₱10,125,037,975

The Company's neither past due nor impaired financial assets are classified into investment and non-investment grade. Investment grade financial assets are assets which have strong capacity to meet the Company's financial commitments and are unsusceptible to adverse effects of changes in economic conditions. Cash and cash equivalents are considered investment grade because these are deposited, placed or invested in foreign and local banks belonging to the top banks in the Philippines in terms of resources and profitability. Non-investment grade financial assets are assets which are vulnerable to impairment due to assets' significant speculative characteristics. Adverse economic conditions will likely impair non-investment grade financial assets.

As of December 31, 2018 and 2017, the Company has no financial assets that were past due but not impaired.

The table below shows the maximum exposure of the Company to credit risk. The maximum exposure is shown net of impairment losses.

	2018	2017
Financial assets not held in trust funds*		
FVOCI/AFS financial assets - gross	**₱1,065,231,045**	₱1,403,515,170
Cash in banks	**200,738,517**	59,529,902
Loans and receivables		
Receivable from trustee	**175,201,025**	82,163,390
Receivable from agents - net	**2,807,324**	138,166
Other receivables - net	**8,036,156**	8,057,590
Interest receivable	**9,474,549**	13,406,585
	₱1,461,488,616	₱1,566,810,803

**Gross of assets restricted for Insurance Premium Fund*

	2018	2017
Financial assets held in trust funds		
FVOCI financial assets	**₱8,859,821,097**	–
AFS financial assets	**–**	₱9,968,494,488
Cash and cash equivalents	**136,031,302**	24,749,378
Loans and receivables - net	**126,456,967**	131,794,109
	₱9,122,309,366	₱10,125,037,975

In coordination with the Company's trustee bank, the Company determines the credit quality of its investments using the credit rating of the IC, as well as the ratings provided by private credit rating agencies.

The Company classifies its credit risk exposure as investment grade and non-investment grade. The Company uses a credit rating concept based on the borrowers and counterparties' overall credit worthiness, as follows:

Investment grade	Rating given to borrowers and counterparties who possess strong to very strong capacity to meet its obligations.
Non-investment grade	Rating given to borrowers and counterparties who possess above average capacity to meet its obligations.

Liquidity Risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of a contractual obligation or inability to generate cash inflows as anticipated.

The major liquidity risk confronting the Company is the daily calls on its available cash resources in respect of claims arising from pre-need contracts.

The Company manages liquidity through a group liquidity risk policy which determines what constitutes liquidity risk for the Company; specifies minimum proportion of funds to meet emergency calls; sets up contingency funding plans; specifies the sources of funding and the events that would trigger the plan; determines concentration of funding sources; reports liquidity risk exposures and breaches to the monitoring authority; monitors compliance with liquidity risk policy and reviews liquidity risk policy for pertinence and changing environment.

The following table summarizes the Company's financial liabilities maturing within one (1) year as of December 31, 2018 and 2017:

	2018	2017
Accrued expenses and other liabilities		
Maturities and surrenders payable (Note 9)	**₱222,186,319**	₱257,777,971
Accounts payable (Note 9)	**29,719,620**	18,957,258
Accrued expenses (Note 9)	**4,445,846**	2,474,126
Advanced premiums (Note 9)	**1,025,329**	1,935,562
Premium deposit fund (Note 9)	**70,632**	70,864
Other liabilities (Note 9)	**28,318,417**	26,348,476
	285,766,163	307,564,257
Due to related parties (Note 16)	**376,679,666**	323,834,216
	₱662,445,829	₱631,398,473

The Company uses its investments in trust funds and financial assets not held in trust fund to manage liquidity risk. These financial assets are short-term in nature except for FVOCI/AFS financial assets which include financial assets with contractual maturity of over five (5) years. FVOCI/AFS debt securities are expected to be held indefinitely and would be realized based on the funding requirement of the Company due to maturities, surrenders and benefit payouts.

The following table shows the maturity profile of PNR based on the estimated timing of the net cash outflows using the recognized liability amounts:

	Up to a year	1 – 3 years	3 – 5 years	Over 5 Years	No term*	Total
2018						
PNR	**₱1,730,658,548**	**₱1,779,533,397**	**₱1,633,326,986**	**₱3,289,691,266**	**₱3,424,515**	**₱8,436,634,712**
2017						
PNR	₱1,240,216,767	₱2,359,613,260	₱1,941,074,773	₱4,154,060,506	₱7,613,955	₱9,702,579,261

**pertains to reserves for lapsed reinstateable policies*

The IPR as of December 31, 2018 and 2017 amounting to ₱54.69 million and ₱63.27 million, respectively, pertains to the actuarial reserves set up by the Company for the insurance coverage of the policies in force as at the end of the accounting period. The Company restricts corporate assets to cover payment of insurance premiums after the paying period of the pre-need plans amounting to ₱96.06 million and ₱95.25 million as of December 31, 2018 and 2017, respectively, and are renewable on a yearly basis.

Cash and cash equivalents, short-term investments and FVOCI/AFS debt securities with maturity of less than one year are used for the Company's liquidity requirements. FVOCI/AFS debt securities with maturity of more than a year from December 31 are marketable securities and could be sold as and when needed prior to its maturity in order to meet the Company's short-term liquidity needs.

- *Fair Value Interest Rate Risk*

  Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Company's fixed rate investments are exposed to such risk.

  The Company manages fair value interest rate risk by minimizing the duration gap of its assets and liabilities.

  As of December 31, 2018 and 2017, the Company's FVOCI/AFS financial assets not held in trust funds earn interest at 3.38% - 8.13% per annum with maturities ranging from 2020 to 2040. As of December 31, 2018 and 2017, the Company's FVOCI/AFS financial assets held in trust funds earn interest at 3.38% - 8.11% per annum. The maturity dates range from 2019 to 2040 and 2018 to 2040 as of December 31, 2018 and 2017, respectively.

  The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all variables held constant, of the Company's other comprehensive income in 2018 (assuming that relief under IC Circular Letter No. 2018-58 was not availed) and 2017. There were no changes in basis of assumption for the Company's sensitivity model:

Assets not held in Trust Fund

	2018		2017	
	Increase/ decrease in basis points	**Effect on Other Comprehensive Income**	Increase/ decrease in basis points	Effect on Other Comprehensive Income
Peso bonds	**+100**	**(₱62,594,886)**	+100	(₱80,215,128)
	-100	**62,594,886**	-100	80,215,128

Assets held in Trust Fund

	2018		2017	
	Increase/ decrease in basis points	**Effect on Other Comprehensive Income**	Increase/ decrease in basis points	Effect on Other Comprehensive Income
Peso bonds	**+100**	**(₱552,461,525)**	+100	(₱907,171,405)
	-100	**552,461,525**	-100	907,171,405

- *Foreign Currency Risk*
  Currency risk is the potential decline in the value of the financial instruments due to exchange rate fluctuations. Exposure to currency risk arises mainly when receivables and payables are denominated in a currency other than the Company's local currency or will be denominated in such a currency in the planned course of business.

  Foreign currency risk is monitored and analyzed systematically. The Company's policy is to maintain foreign currency exposure within existing regulations, and within acceptable risk limits. The Company believes in ensuring that its foreign currency is at all times within limits prescribed for companies who are engaged in the same type of businesses.

  As of December 31, 2018 and 2017, the Company has no financial instruments denominated in a currency other than the Company's functional currency.

16. Related Party Transactions

The Company has entered into various transactions with related parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control (referred to as affiliates). Related parties may be individuals or corporate entities.

December 30, 2018

	Entities	Financial Statement Account	Nature	Transactions during the year	Outstanding Balance
Parent Company	**Manulife Philippines**	**Due to Related Parties**	**Payment of Service Fees in relation to the Administrative Service Agreement – Allocated costs from Parent company for management, accounting and other administrative services rendered plus 5% mark up, net of settlement**	**₱10,079,892**	**₱11,080,353**

	Entities	Financial Statement Account	Nature	Transactions during the year	Outstanding Balance
		Due to Related Parties	Non-interest bearing, due and demandable borrowed funds net of intercompany collection or deposit, net of settlement	₱40,704,579	₱359,908,226
	Manulife Philippines	Due to Related Parties	Premium payment for life coverage embedded in Pre-need plans, net of settlement	1,012,947	4,216,055
Affiliate	Manulife Asset Management and Trust Corporation	Due to Related Parties	Trust fees per investment management agreement with MAMTC, net of settlement	1,048,032	1,475,032

December 31, 2017

	Entities	Financial Statement Account	Nature	Transactions during the year	Outstanding Balance
Parent Company	Manulife Philippines	Due to Related Parties	Payment of Service Fees in relation to the Administrative Service Agreement – Allocated costs from Parent company for management, accounting and other administrative services rendered plus 5% mark up, net of settlement	₱13,766,455	₱1,000,461
		Due to Related Parties	Non-interest bearing, due and demandable borrowed funds net of intercompany collection or deposit, net of settlement	123,165,510	319,203,647
		Due to Related Parties	Premium payment for life coverage embedded in Pre-need plans, net of settlement	18,540,548	3,203,108
Affiliate	Manulife Asset Management and Trust Corporation	Due to Related Parties	Investment management agreement with MAMTC, net of settlement	427,000	427,000

Terms and conditions of transactions with related parties
Outstanding balances at year end are unsecured, interest free (except as otherwise indicated) and settlement occurs in cash. There have been no guarantees provided for any related party payables.

The administrative service agreement with Manulife Philippines includes services of key management personnel to the Company.

17. Compliance with PNUCA

Pre-need Rule 31, as Amended: Accounting Standards for Pre-need Plans and PNUCA
On May 10, 2007, the SEC issued Pre-need Rule 31, as Amended, which adopted the revised accounting standards and chart of accounts that shall be considered the Philippine GAAP for pre-need companies in the Philippines. This Amended Pre-need Rule 31 became effective for interim financial statements covering periods ended December 31, 2007 and onwards, and for annual financial statements for the period ended December 31, 2007 and thereafter.

The following are the more significant provisions under the Amended Pre-need Rule 31:

Trust Funds

a. The net asset value in the trust funds shall be at least equal to the required PNR as determined by a qualified actuary using the method prescribed in this Rule.

b. All requirements under the rules and regulations as may be promulgated by the SEC on trust funds shall be complied with.

c. The recognition and measurement of the assets in the trust funds shall be in accordance with PAS 39 and PAS 40 and other applicable standards, depending on the composition of the fund.

d. The component assets and liabilities of the trust funds shall be presented separately in the notes to financial statements.

Pre-need Reserves

a. PNR shall be set up for all pre-need benefits guaranteed and payable by the pre-need company as defined in the pre-need plan contracts;

b. In recognizing PNR for educational and pension plans, the general requirements of PAS 37, on provisioning and the specific methodology provided under this item shall be complied with by the company. For life plans, the requirements of PFRS 4 shall be complied with by the company;

c. The amount recognized as a provision to cover the PNR shall be 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 shall be taken into account in reaching the best estimate of a provision;

d. Since the effect of the time value of money for pre-need plans is material, the amount of provision shall be the present value of the funding expected to be required to settle the obligation with due consideration of the different probabilities as discussed in Note 2.

e. Future events that may affect the foregoing amounts shall be reflected in the amount of provision for PNR where there is sufficient objective evidence that they will occur;

f. The rates of surrender, cancellation, reinstatement, utilization, and inflation when applied, must consider the actual experience of the company in the last three (3) years, or the industry, in the absence of a reliable company experience;

g. The computation of the foregoing assumptions shall be validated by the internal qualified actuary of the pre-need company. His or her validation report shall be provided to its external auditors for purposes of statutory audit of the financial statements of the company, and shall be submitted to the SEC as a separate report;

h. The probability of pre-termination on surrender of fully paid plans shall be considered in determining the PNR of fully paid plans. A pre-need termination experience on fully paid plans of 5% and below shall be considered insignificant. In such cases, derecognition of liability shall be recorded at pre-termination date;

i. The disclosure requirement under PAS 1 relative to methods and assumptions used to estimate the PNR, including the sensitivity of the PNR amount, shall be complied with; and

j. Any excess in the amount of the trust funds as a result of the revised reserving method shall neither be released from the fund nor be credited to offset against future required contributions.

Insurance premium fund
This represents corporate assets that are restricted to cover the payment of insurance premiums after the paying period of the pre-need plan. This shall be at least equal to the amount computed for the IPR under paragraph 13 of Amended Pre-Need Rule.

Insurance premium reserves
The Company shall set-up other provisions in accordance with PAS 37 to cover obligations such as IPR.

Unless the IC shall so specifically require, a company may, at its option, set up other provisions as a prudent measure.

Premium revenue
Premiums from sale of pre-need plans shall be recognized as earned when collected. When premiums are recognized as income, the related cost of contracts shall be computed with the result that benefits and expenses are matched with such revenue.

Trust fund income
Income generated by the trust fund shall be included in the "Investments in trust funds" account under the asset section of the statement of financial position.

The amount of the trust fund income shall be disclosed in the notes to the financial statements. The portion of the retained earnings representing the trust fund income shall be automatically restricted to payments of benefits of plan holders and such other related payments as allowed under the Pre-Need Rules.

Cost of contracts issued
This account pertains to:

a. The increase in PNR as at the current year as compared to the provision for the same period of the previous year. If there is a decrease in the PNR as a result from new information or new developments, the amount shall be deducted from the "Cost of contracts issued" of the current period. In case of material prior period errors, the requirements of PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, shall be complied with by the pre-need company;

b. Amount of trust funds contributed during the year; and

c. Documentary stamp tax and IC registration fees.

The foregoing items shall be presented separately on the face of the statement of income.

Other direct costs and expenses
This account includes the following, which shall be presented separately in the notes to the financial statements:

a. Basic commissions;

b. Other commission such as overrides, bonuses;

c. Insurance; and

d. Other expenses that constitute direct cost of contracts issued.

Individual subsidiary accounts for education plans and for pension plans must be maintained (e.g., [1] "Cost of contracts issued – education plans," [2] "Cost of contracts issued – pension plans")

As provided by the rules and regulations of the PNUCA, the following information is disclosed:

	December 2018	December 2017
Total installment collections	**₱64,523,395**	₱98,626,434
Contract price of lapsed plans	**20,598,000**	129,476,097
Contract price of lapsed plans reinstated	**18,568,392**	112,879,723
Number of lapsed plans	**84**	414
Number of lapsed plans reinstated	**96**	669

18. Additional Paid-in Capital

For the year 2017, the Board of Directors of Manulife Philippines approved a capital injection of ₱900 million to the Company. The capital injection was recorded as additional paid-in capital.

19. Current and Non-Current classification

The Company's classification of its accounts is as follows:

	2018			2017		
	Current	Non-current	Total	Current	Non-current	Total
Assets						
Cash and cash equivalent	₱164,770,173	₱–	₱164,770,173	₱24,357,917	₱–	₱24,357,917
Loans and receivables-net	186,044,505	–	186,044,505	90,359,146	–	90,359,146
Financial assets at fair value through other comprehensive income	–	1,005,231,045	1,005,231,045	–	–	–
Available for sale financial assets	–	–	–	–	1,343,515,170	1,343,515,170

(Forward)

	2018			2017		
	Current	Non-current	Total	Current	Non-current	Total
Investment in trust funds	₱414,993,021	₱8,530,734,820	₱8,945,727,841	₱69,627,928	₱9,968,494,488	₱10,038,122,416
Insurance premium fund	36,056,831	60,000,000	96,056,831	35,250,801	60,000,000	95,250,801
Other assets	9,862,841	7,280,874	17,143,715	13,794,877	7,135,215	20,930,092
	811,727,371	9,603,246,739	10,414,974,110	233,390,669	11,379,144,873	11,612,535,542
Liabilities						
Accrued expenses and other liabilities	287,538,447	–	287,538,447	309,464,560	–	309,464,560
Due to related parties	376,679,666	–	376,679,666	323,834,216	–	323,834,216
Pre-need reserves	1,730,658,548	6,705,976,164	8,436,634,712	1,240,216,767	8,462,362,494	9,702,579,261
Insurance Premium Reserves	–	54,689,581	54,689,581	63,279,561		63,279,561
	₱2,394,876,661	₱6,760,665,745	₱9,155,542,406	₱1,936,795,104	₱8,462,362,494	₱10,399,157,598

SGV
Building a better working world

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ey.com/ph

BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Manulife Financial Plans, Inc.
10th Floor, NEX Tower
6786 Ayala Avenue, Makati City

We have audited the financial statements of Manulife Financial Plans, Inc. (the Company) as at and for the year ended December 31, 2018, on which we have rendered the attached report dated April 1, 2019.

In compliance with Securities Regulation Code Rule 68, As Amended (2011), we are stating that the above Company has one (1) stockholder owning one hundred (100) or more shares.

SYCIP GORRES VELAYO & CO.

Josephine Adrienne A. Abarca
Partner
CPA Certificate No. 92126
SEC Accreditation No. 0466-AR-4 (Group A),
November 13, 2018, valid until November 12, 2021
Tax Identification No. 163-257-145
BIR Accreditation No. 08-001998-61-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 7332515, January 3, 2019, Makati City

April 1, 2019

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULE

The Board of Directors and Stockholders
Manulife Financial Plans, Inc.
10th Floor, NEX Tower
6786 Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Manulife Financial Plans, Inc. (the Company), as at and for the years ended December 31, 2018 and 2017, and have issued our report thereon dated April 1, 2019. Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of all the effective standards and interpretations under Philippine Financial Reporting Standards as of December 31, 2018 is the responsibility of the Company's management. The schedule is presented for the purpose of complying with Securities Regulation Code Rule 68, As Amended (2011) and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Josephine Adrienne A. Abarca
Partner
CPA Certificate No. 92126
SEC Accreditation No. 0466-AR-4 (Group A),
November 13, 2018, valid until November 12, 2021
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PTR No. 7332515, January 3, 2019, Makati City

April 1, 2019

MANULIFE FINANCIAL PLANS, INC.
[A Wholly Owned Subsidiary of The Manufacturers Life Insurance Co. (Phils.), Inc.]

SCHEDULE OF ALL EFFECTIVE STANDARDS AND INTERPRETATIONS
AS OF DECEMBER 31, 2018

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	*First-time Adoption of Philippine Financial Reporting Standards*	✓		
PFRS 2	*Share-based Payment*			✓
	Amendments to PFRS 2: *Classification and Measurement of Share-based Payment Transactions*			✓
PFRS 3	*Business Combinations*			✓
PFRS 4	*Insurance Contracts*			✓
	Amendments to PFRS 4, *Insurance Contracts, Applying PFRS 9, Financial Instruments, with PFRS 4*			✓
PFRS 5	*Non-current Assets Held for Sale and Discontinued Operations*			✓
PFRS 6	*Exploration for and Evaluation of Mineral Resources*			✓
PFRS 7	*Financial Instruments: Disclosures*	✓		
PFRS 8	*Operating Segments*			✓
PFRS 9	*Financial Instruments*	✓		
PFRS 10	*Consolidated Financial Statements*			✓
PFRS 11	*Joint Arrangements*			✓
PFRS 12	*Disclosure of Interests in Other Entities*			✓
PFRS 13	*Fair Value Measurement*	✓		
PFRS 15	*Revenue from Contracts with Customers*	✓		
Philippine Accounting Standards				
PAS 1	*Presentation of Financial Statements*	✓		
PAS 2	*Inventories*			✓
PAS 7	*Statement of Cash Flows*	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	*Events after the Reporting Period*	✓		
PAS 11	*Construction Contracts*			✓
PAS 12	*Income Taxes*	✓		
PAS 16	*Property, Plant and Equipment*	✓		
PAS 17	*Leases*	✓		
PAS 18	*Revenue*	✓		
PAS 19	*Employee Benefits (Revised)*	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2016		Adopted	Not Adopted	Not Applicable
PAS 20	*Accounting for Government Grants and Disclosure of Government Assistance*			✓
PAS 21	*The Effects of Changes in Foreign Exchange Rates*	✓		
PAS 23	*Borrowing Costs*			✓
PAS 24	*Related Party Disclosures*	✓		
PAS 26	*Accounting and Reporting by Retirement Benefit Plans*			✓
PAS 27	*Separate Financial Statements*			✓
PAS 28 (Amended)	*Investments in Associates and Joint Ventures*			✓
	Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)*	Not Early Adopted		
PAS 29	*Financial Reporting in Hyperinflationary Economies*			✓
PAS 31	*Interests in Joint Ventures*			✓
PAS 32	*Financial Instruments: Disclosure and Presentation*	✓		
PAS 33	*Earnings per Share*			✓
PAS 34	*Interim Financial Reporting*			✓
PAS 36	*Impairment of Assets*	✓		
PAS 37	*Provisions, Contingent Liabilities and Contingent Assets*	✓		
PAS 38	*Intangible Assets*			✓
PAS 39	*Financial Instruments: Recognition and Measurement*	✓		
PAS 40	*Investment Property*			✓
	Amendment to PAS 40: *Transfers of Investment Property*			✓
PAS 41	*Agriculture*			✓
Philippine Interpretations				
IFRIC 1	*Changes in Existing Decommissioning, Restoration and Similar Liabilities*			✓
IFRIC 2	*Members' Share in Co-operative Entities and Similar Instruments*			✓
IFRIC 4	**Determining Whether an Arrangement Contains a Lease**			✓
IFRIC 5	*Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*			✓
IFRIC 6	**Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment**			✓
IFRIC 7	**Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies**			✓
IFRIC 10	**Interim Financial Reporting and Impairment**			✓
IFRIC 12	*Service Concession Arrangements*			✓
IFRIC 14	PAS 19—*The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*			✓
IFRIC 17	*Distributions of Non-cash Assets to Owners*			✓
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*			✓
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*			✓
IFRIC 21	*Levies*		✓	
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*	Not Early Adopted		
SIC-7	*Introduction of the Euro*			✓
SIC-15	*Operating Leases - Incentives*			✓
SIC-25	*Income Taxes - Changes in the Tax Status of an Entity or its Shareholders*			✓
SIC-27	*Evaluating the Substance of Transactions Involving the Legal Form of a Lease*			✓
SIC-29	*Service Concession Arrangements: Disclosures*			✓
SIC-32	*Intangible Assets - Web Site Costs*			✓