COPY FOR THE

BUREAU OF INTERNAL REVENUE

Independent Auditor's Report

To the Board of Directors and Shareholders of
Ayala Plans, Inc.
8th Floor BPI Buendia Center,
Sen. Gil J. Puyat Ave., Makati City

Report on the Audits of the Financial Statements

Our Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Ayala Plans, Inc. (the "Company") as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with the accounting principles generally accepted in the Philippines (GAAP) for pre-need companies as described in Note 24 to the financial statements.

What we have audited

The financial statements of the Company comprise:

- the statements of financial position as at December 31, 2024 and 2023;
- the statements of comprehensive income for the years ended December 31, 2024 and 2023;
- the statements of changes in equity account for the years ended December 31, 2024 and 2023;
- the statements of cash flows for the years ended December 31, 2024 and 2023; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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 GAAP for pre-need companies as disclosed in Note 24, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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 PSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, 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 PSA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

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

- 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.

Report on the Bureau of Internal Revenue Requirement

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 25 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Isla Lipana & Co.

Dexter DJ V. Toledaña
Partner
CPA Cert. No. 0121827
P.T.R. No. 0032961; issued on January 3, 2025 at Makati City
T.I.N. 255-979-765
BIR A.N. 08-000745-241-2023, issued on January 30, 2023; effective until January 29, 2026
BOA/PRC Reg. No. 0142, effective until November 14, 2025

Makati City
April 8, 2025

Statement Required by Section 8-A
Revenue Regulations No. V-1

To the Board of Directors and Shareholders of
Ayala Plans, Inc.
8th Floor BPI Buendia Center,
Sen. Gil J. Puyat Ave., Makati City

None of the partners of the firm has any financial interest in Ayala Plans Inc., Inc. or any family relationships with its president, manager or principal shareholders.

The supplementary information on taxes and licenses is presented in Note 25 to the financial statements.

Isla Lipana & Co.

Dexter DJ V. Toledaña
Partner
CPA Cert. No. 0121827
P.T.R. No. 0032961; issued on January 3, 2025 at Makati City
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Makati City
April 8, 2025

Ayala Plans, Inc.

Statements of Financial Position
As at December 31, 2024 and 2023
(All amounts in Philippine Peso)

	Notes	2024	2023
Assets			
Cash	2	5,094,279	1,250,276
Investments in trust funds	3	2,209,095,132	2,393,047,706
Financial assets at fair value through			
profit or loss (FVTPL) - Premium Fund	4	3,479,529	3,606,093
Other investments		-	6,000,000
Financial assets at fair value through			
other comprehensive income (FVOCI)	4		
Premium fund		5,622,712	7,422,265
Loans and receivables, net	5	2,769,734	2,777,971
Property and equipment, net	6	2,916,307	730,089
Other assets	7	3,372,323	3,072,374
Total assets		2,232,350,016	2,417,906,774
Liabilities and Equity			
Pre-need reserves	3	1,373,251,304	1,581,501,820
Premium reserves	4	7,697,270	9,489,454
Due to related parties	20	15,114,362	5,242,872
Accrued expenses and other liabilities	8	633,484,985	622,823,259
Total liabilities		2,029,547,921	2,219,057,405
Share capital	10	100,000,000	100,000,000
Share premium		775,000,000	775,000,000
Deficit		(672,824,874)	(683,214,832)
Accumulated other comprehensive income	10	626,969	7,064,201
Total equity		202,802,095	198,849,369
Total liabilities and equity		2,232,350,016	2,417,906,774

(The notes on pages 1 to 35 are an integral part of these financial statements)

Ayala Plans, Inc.

Statements of Income
For the years ended December 31, 2024 and 2023
(All amounts in Philippine Peso)

	Notes	2024	2023
Income			
Trust fund income, gross of provision for income tax of P19,737,245 (2023 - P20,155,250)	3	119,020,137	113,651,226
Fair value (loss) gains on investments		14,312	(494,337)
Interest income	12	399,020	516,079
Dividend income	20	116,137	112,725
Gain on sale of investments	4	203,690	31,217
Policy income		12,679	4,018
Others		42,293	-
		119,808,268	113,820,928
Expenses			
Costs of contracts issued	13		
Plan benefits		(276,561,088)	(393,488,053)
Decrease in pre-need and premium reserves		210,042,699	313,888,859
Other direct costs and expenses	14		
Insurance		(2,319,743)	(2,547,784)
General and administrative expenses			
Salaries, wages and employee benefits	15	(12,426,184)	(12,367,928)
Outsourcing services		(1,554,711)	(1,405,119)
Professional fees		(706,818)	(748,587)
Depreciation	6	(561,785)	(402,488)
Interest expense	17,20	(728,720)	(311,862)
Occupancy costs	17	(141,769)	(156,570)
Provision for impairment	3,5	(786,105)	(114,026)
Office supplies		(45,673)	(46,399)
Advertising and promotions		(47,153)	-
Others		(2,940,434)	(697,815)
		(88,777,484)	(98,397,772)
Income before income tax		31,030,784	15,423,156
Income tax expense	18	(20,640,826)	(20,189,909)
Net income (loss) for the year		10,389,958	(4,766,753)

(The notes on pages 1 to 35 are an integral part of these financial statements)

Ayala Plans, Inc.

Statements of Total Comprehensive Income
For the years ended December 31, 2024 and 2023
(All amounts in Philippine Peso)

	Notes	2024	2023
Net loss for the year		10,389,958	(4,766,753)
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss			
Changes in fair value of investments at fair value through other comprehensive income	10	(6,130,204)	23,023,502
Remeasurement gain on retirement benefit obligation	10,16	(307,028)	(2,887,708)
		(6,437,232)	20,135,794
Total comprehensive income for the year		3,952,726	15,369,041

(The notes on pages 1 to 35 are an integral part of these financial statements)

Ayala Plans, Inc.

Statements of Changes in Equity
For the years ended December 31, 2024 and 2023
(All amounts in Philippine Peso)

	Share capital (Note 10)	Share premium (Note 10)	Accumulated other comprehensive income	Deficit	Total
Balances at January 1, 2023	100,000,000	775,000,000	(13,071,593)	(678,448,079)	183,480,328
Comprehensive income (loss)					
Net loss for the year	-	-	-	(4,766,753)	(4,766,753)
Other comprehensive income	-	-	20,135,794	-	20,135,794
Total comprehensive income (loss) for the year	-	-	20,135,794	(4,766,753)	15,369,041
Balances at December 31, 2023	100,000,000	775,000,000	7,064,201	(683,214,832)	198,849,369
Comprehensive income (loss)					
Net income for the year	-	-	-	10,389,958	10,389,958
Other comprehensive loss	-	-	(6,437,232)	-	(6,437,232)
Total comprehensive income (loss) for the year	-	-	(6,437,232)	10,389,958	3,952,726
Balances at December 31, 2024	100,000,000	775,000,000	626,969	(672,824,874)	202,802,095

(The notes on pages 1 to 35 are an integral part of these financial statements)

Ayala Plans, Inc.

Statements of Cash Flows
For the years ended December 31, 2024 and 2023
(All amounts in Philippine Peso)

	Notes	2024	2023
Cash flows from operating activities			
Cash absorbed by operations	19	(259,478,594)	(407,322,712)
Final income taxes paid	18	(20,640,826)	(20,189,909)
Interest received		413,357	524,495
Dividends received	20	116,137	112,725
Net cash used in operating activities		(279,589,926)	(426,875,401)
Cash flows from investing activities			
Net change in trust funds	3	277,109,354	410,494,972
Acquisitions of investments at FVOCI	4	-	(5,584,762)
Proceeds from disposals and maturities of investments at FVOCI		7,999,150	8,199,540
Acquisition of property and equipment		(1,226,475)	(750,001)
Net cash from investing activities		283,882,029	412,359,749
Cash flow from financing activity			
Payments on lease liabilities, including interest	17	(448,100)	(425,484)
Net increase (decrease) in cash		3,844,003	(14,941,136)
Cash	2		
January 1		1,250,276	16,191,412
December 31		5,094,279	1,250,276

(The notes on pages 1 to 35 are an integral part of these financial statements)

Ayala Plans, Inc.

Notes to the Financial Statements
As at and for the years ended December 31, 2024 and 2023
(All amounts are shown in Philippine Peso, unless otherwise stated)

1 General information

Ayala Plans, Inc. (the “Company”) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on November 23, 1994, primarily to engage in selling education and pension pre-need plans. The Company is a subsidiary of Bank of the Philippine Islands (BPI or the Parent Bank), a domestic commercial bank with an expanded banking license, which is also its ultimate parent.

The Company has 8 regular employees as at December 31, 2024 and 2023.

In July 2019, the SEC approved the Company’s registration of its new office address, which is also its principal place of business, at 8th Floor BPI Buendia Center, Sen. Gil J. Puyat Ave., Makati City.

Status of operations

As at December 31, 2024 and 2023, the Company has already discontinued selling pre-need products to new customers. The Company has not earned any premium in 2024. The Company is committed to continue servicing its existing contracts and customers until the foreseeable future. Management assessed the availability of capital and is satisfied in the Company’s ability to service its contracts with customers and settle financial obligations as they fall due, for at least 12 months after the reporting date. Further, management has no plans to liquidate the Company for at least 12 months after the reporting date. Accordingly, the financial statements of the Company have been prepared on a going concern basis.

Approval and authorization for issuance of the financial statements

These financial statements have been approved and authorized for issuance by the Company’s Board of Directors (the “Board”) on April 8, 2025.

2 Cash

As at December 31, 2024, the account consists entirely of peso-denominated cash in banks amounting to P5.09 million (2023 - P1.25 million).

Cash in banks bear interest rates ranging from 0.35% to 0.0625 % in 2024 and 2023. Interest earned from cash in banks for the year ended December 31, 2024, amounts to P9,889 (2023 - P16,254) (Note 12).

3 Investments in trust funds

The Company has trust funds which are being administered by BPI Wealth, formerly BPI Asset Management and Trust Company, under trust agreements for the fulfilment of the Company’s obligations under its pre-need plans. In compliance with the implementing rules and regulations of the Pre-need Code and in accordance with the terms of the trust agreements, no withdrawal shall be made from the Trust Funds except to: (a) pay all costs, expenses, and charges incurred in connection with the administration, preservation, maintenance, and protection of the fund or any part thereof, inclusive of expenses needed for the payment of benefits; (b) settle, compromise, or abandon all claims and demands in favor of or against the fund, with prior written consent of the Company; and (c) engage in investing activities.

Accumulated trust fund income included in the Company’s deficit account amounts to P6,443 million for the year ended December 31, 2024 (2023 - P6,344 million).

The Company has classified and measured its investments in trust funds based on the business model and the contractual terms of the cash flows arising from its investments. In the determination of the business model, the Company considers its past experience on how the cash flows for these investments were collected, how the investments' performance is evaluated, and the risks are assessed and managed.

The Company's investments in trust funds at December 31 consist of the following:

	2024		
	Education	Pension	Total
Assets			
Cash	595	615	1,210
Investments at FVTPL			
Listed equities	88,266,919	446,204,895	534,471,814
Unit investment trust fund (UITF)	63,398,944	15,267,329	78,666,273
Investments at FVOCI			
Government securities	262,600,113	1,276,242,155	1,538,842,268
Other debt instruments	6,841,282	22,279,311	29,120,593
Deposit Instruments	-		
Accrued interest income	2,032,834	23,856,905	25,889,739
Other receivables	135,071	3,118,831	3,253,902
Total assets	423,275,758	1,786,970,041	2,210,245,799
Payables	(255,157)	(895,510)	(1,150,667)
Net assets	423,020,601	1,786,074,531	2,209,095,132

	2023		
	Education	Pension	Total
Assets			
Cash	288	260	548
Investments at FVTPL			
Listed equities	108,639,026	470,240,056	578,879,082
Unit investment trust fund (UITF)	89,495,934	84,397,662	173,893,596
Investments at FVOCI			
Government securities	242,826,589	1,286,862,962	1,529,689,551
Other debt instruments	8,000,020	22,046,302	30,046,322
Deposit Instruments	30,000,000	30,000,000	60,000,000
Accrued interest income	3,083,904	25,090,407	28,174,311
Other receivables	217,718	988,734	1,206,452
Total assets	482,263,479	1,919,626,383	2,401,889,862
Payables	(1,884,491)	(6,957,665)	(8,842,156)
Net assets	480,378,988	1,912,668,718	2,393,047,706

Movement in the net assets of investment in trust funds for the year ended December 31 follow:

	2024	2023
At January 1	2,393,047,706	2,687,350,521
Contributions	-	-
Withdrawals	(277,109,354)	(410,494,972)
Net change in fair value	(6,126,112)	22,656,181
Net income from investment in trust funds	99,282,892	93,535,976
December 31	2,209,095,132	2,393,047,706

Net income from investments in trust funds is net of tax, amounting to P19,737,245 for the year ended December 31, 2024 (2023 - P20,115,250).

Investments in listed equities include listed common shares of related companies (Note 20). UITFs pertain to placements in BPI's Short-Term Fund managed by a related party (Note 20).

Investments in peso-denominated government securities bear effective interest at rates in 2024 ranging from two percent 2% to 15% (2023 - 2% to 15%). Interest income earned on these investments, net of tax, amounts to P77.39 million for the year ended December 31, 2024 (2023 - P78.62 million).

Other debt instruments pertain to fixed rate bonds of various private corporations. Interest income earned on other debt instruments amounts to P1.3 million for the year ended December 31, 2024 (2023 - P1.2 million).

Aggregate dividends received on listed common stocks amount to P16.42 million for the year ended December 31, 2024 (2023 - P17.83 million).

Peso-denominated deposit instruments pertain to special deposit accounts maintained with the Bangko Sentral ng Pilipinas carrying prevailing market interest rate and maturing in less than one (1) year.

Other receivables include dividend receivables and due from brokers which represent receivables for securities sold that have been contracted for but not yet settled or delivered at the end of the reporting period.

The cash balances within investments in trust funds are not considered as cash and cash equivalents for purposes of reporting cashflows as these funds are exclusively used for the activities of the trust funds. The Company does not have direct access and control to these funds. As at December 31, 2024 and 2023, all underlying investments in trust funds are denominated in Philippine Peso.

Movements in the investments at FVOCI for the years ended December 31 follow:

	2024	2023
At January 1	1,619,735,873	1,765,485,420
Contributions	804,942,123	561,438,394
Withdrawals	(142,479,636)	(95,663,547)
Net change in fair value reserve on investments at FVOCI	(708,107,309)	(634,180,573)
Net income from investment in trust funds	(6,126,112)	22,656,179
December 31	1,567,964,939	1,619,735,873

The aggregate net gain recognized from disposal of investments at FVOCI amounts to P(0.02) million for the year ended December 31, 2024 (2023 - P0.2 million).

Fair value gain recognized from investments at FVTPL amounts to P35 million for the year ended December 31, 2024 (2023 – P14.43 million gain).

Significant accounting judgments and estimates made in the calculation of reserves are disclosed in Note 23.1.

Details of the provision for investment at FVOCI for the years ended December 31 follow:

	2024	2023
January 1	22,863	1,405
Allowance for impairment	(20,784)	21,458
December 31	2,079	22,863

4 Investments (FVTPL and FVOCI)

Premium fund

The Company's premium fund at December 31 consists of:

	2024		2023	
	Investments at FVTPL	Investments at FVOCI	Investments at FVTPL	Investments at FVOCI
Government securities	-	5,622,712	-	7,422,265
Listed equity securities	3,384,900	-	3,371,255	-
UITF	94,629	-	234,838	-
	3,479,529	5,622,712	3,606,093	7,422,265

UITFs pertain to placements in BPI's Short-Term Fund managed by a related party (Note 20). Other investments pertain to club shares held at FVTPL.

The Company's premium fund is restricted to cover the payment of premium reserves. At December 31, 2024, premium reserves amount to P7.7 million (2023 - P9.5 million). The excess of premium over the premium reserves set-up as at December 31, 2024 amounts to P1.5 million (2023 - P1.6 million).

FVOCI

The movements in investments at FVOCI for the years ended December 31 follow:

	2024	2023
At January 1	7,422,265	9,638,505
Additions	-	5,584,762
Disposals and maturities	(1,727,656)	(9,620,692)
Amortization of premium (discount)	(67,804)	1,452,369
Net change in fair value	(4,093)	367,321
At December 31	5,622,712	7,422,265

Investments in government securities bear effective interest at rates ranging from 5.0% to 6.5% in 2024 and 2023. Interest income earned on these investments amounts to P0.4 million for the year ended December 31 2024 (2023 - P0.5 million) (Note 12).

FVTPL

Investments in listed equity securities include listed common shares of related parties (Note 20). Aggregate dividends received on all listed common stocks in 2024 and 2023 amount to P0.1 million.

Other investments pertain to club shares valued at FVTPL. It was sold on February 7, 2024. The book value of the club share at the time of sale was P6.0M, resulting in a recognized gain of P200,000.

The aggregate net gain recognized from disposal of investments for the year ended December 31, 2024 amounts to P213,527 (2023 - P31,217 net gain). Proceeds from sale amount to P0.14 million (2023 - P8.2 million).

The Company's investments are under the custodianship of BPI Wealth (Note 20).

5 Loans and receivables, net

The account at December 31 consists of:

	2024	2023
Receivable from sales counselors	-	2,118,153
Loans and advances to employees	575,984	509,582
Accrued interest income	100,503	114,841
Others	2,121,832	2,246,116
	2,798,319	4,988,692
Allowance for impairment	(28,385)	(2,210,721)
	2,769,934	2,777,971

Provisions of impairment on receivables from sales counselors and an employee as at December 31 are as follow:

	2024	2023
January 1	2,210,721	2,118,153
Provision for impairment	806,889	92,568
Write-off of allowance	(2,989,225)	-
December 31	28,385	2,210,721

Other receivables pertain mainly to taxes receivable.

6 Property and equipment, net

Details of property and equipment, net as at December 31 and their movements during the years ended are as follows:

2024	Furniture, Fixtures and Equipment	Motor Vehicle	Right-of-Use Asset (Note 17)	Total
Cost				
At beginning of year	952,255	750,000	1,716,028	3,418,283
Additions	-	750,000	1,998,003	2,748,003
Disposals	(422,105)	-	-	(422,105)
Adjustment/lease termination	(231,753)	-	(1,716,028)	(1,947,781)
At end of year	298,377	1,500,000	1,998,003	3,796,400
Accumulated depreciation				
At beginning of year	952,154	56,667	1,679,373	2,688,194
Depreciation and amortization	47	192,083	369,655	561,785
Disposal	(422,122)	-		(422,122)
Adjustment/lease termination	(231,736)		(1,716,028)	(1,947,764)
At end of year	298,343	248,750	333,000	880,093
Net book value	54	1,251,250	1,665,003	2,916,307

2023	Furniture, Fixtures and Equipment	Motor Vehicle	Right-of-Use Asset (Note 17)	Total
Cost				
At beginning of year	952,255	-	1,716,028	2,668,283
Additions	-	750,000	-	750,000
Disposals	-	-	-	-
Adjustment	-	-	-	-
At end of year	952,255	750,000	1,716,028	3,418,283
Accumulated depreciation				
At beginning of year	951,868		1,333,849	2,285,717
Depreciation and amortization		56,667	345,524	402,191
Adjustment	286	-	-	286
At end of year	952,154	56,667	1,679,373	2,688,194
Net book value	101	693,333	36,655	730,089

7 Other assets

The account at December 31 consists of:

	2024	2023
Input VAT and prepaid documentary tax	2,950,078	2,749,201
Prepaid expenses	138,000	185,166
Others	284,245	138,007
	3,372,323	3,072,374

8 Accrued expenses and other liabilities

The account at December 31 consists of:

	Note	2024	2023
Planholders’ deposits		615,908,478	605,138,182
Retirement benefit obligation	16	13,687,699	15,098,250
Accrued expenses		1,399,007	1,862,555
Withholding taxes payable		274,902	263,959
Lease liability	17	1,759,766	71,424
Social security contributions		66,101	59,005
Others		389,032	329,884
		633,484,985	622,823,259

Planholders’ deposits represent any of the following: (a) plan benefits that are due but remain unpaid to and/or unclaimed by the planholder; (b) any fractional payments of a regular installment; and (c) payments received with application for the reinstatement of lapsed plan, within two years from date of lapse, with pending approval.

9 Maturity profile of assets and liabilities

Details of assets and liabilities by maturities at December 31 follow:

2024	On demand or up to 1 year	Over 1 year up to 3 years	Over 3 years	No contractual maturity	Total
Assets					
Cash	5,094,279	-	-	-	5,094,279
Investments in trust funds	450,192,380	301,362,864	844,401,801	613,138,087	2,209,095,132
Investments at FVTPL	-	-	-	3,479,529	3,479,529
Investments at FVOCI	-	-	5,622,712	-	5,622,712
Other investments	-	-	-	-	-
Loans and receivables, net	2,769,734	-	-	-	2,769,734
Other assets	3,355,081	-	-	-	3,355,081
Total assets	461,411,474	301,362,864	850,024,513	616,617,616	2,229,416,467
Liabilities					
Pre-need reserves	281,015,235	452,526,919	639,709,150	-	1,373,251,304
Premium reserves	7,697,270	-	-	-	7,697,270
Due to Parent Bank	15,114,362	-	-	-	15,114,362
Accrued expenses and other liabilities	2,214,423	1,583,873	629,686,689	-	633,484,985
Total liabilities	306,041,290	454,110,792	1,269,395,839	-	2,029,547,921

2023	Up to 1 year	Over 1 year up to 3 years	Over 3 years	No contractual maturity	Total
Assets					
Cash	1,250,276	-	-	-	1,250,276
Investments in trust funds	1,206,436,019	409,482,761	777,128,925	-	2,393,047,705
Investments at FVTPL	-	-	-	3,606,093	3,606,093
Investments at FVOCI	1,700,788	-	5,721,477	-	7,422,265
Other investments	-	-	-	6,000,000	6,000,000
Loans and receivables, net	2,777,971	-	-	-	2,777,971
Other assets	3,055,132	-	-	-	3,055,132
Total assets	1,215,220,186	409,482,761	782,850,402	9,606,093	2,417,159,442
Liabilities					
Pre-need reserves	270,334,666	497,840,447	813,326,708	-	1,581,501,821
Premium reserves	9,489,454	-	-	-	9,489,454
Due to Parent Bank	5,242,871	-	-	-	5,242,871
Accrued expenses and other liabilities	2,561,133	12,924	620,249,203	-	622,823,260
Total liabilities	287,628,124	497,853,371	1,433,575,911	-	2,219,057,406

Pre-need and premium reserves are expected to be settled within their contractual maturity dates. Asset-liability matching is employed to invest in assets to match the maturing liabilities arising from the pre-need contracts issued by the Company to effectively manage liquidity risk and funding gaps.

10 Share capital

Total authorized share capital, which is fully issued and outstanding, consists of P100 million common shares with a par value of P1 per share as at December 31, 2024 and 2023. Share premium pertains to the excess of proceeds from the issuance of share capital at par value amounting to P775 million as at December 31, 2024 and 2023.

Details of accumulated other comprehensive income at December 31 follow:

	Net unrealized gain (loss) on financial assets at FVOCI	Remeasurement on retirement benefit obligation (Note 16)	Total
Balances, January 1, 2023	(8,468,076)	(4,603,517)	(13,071,593)
Changes in fair value of investments at FVOCI	46,302,022	-	46,302,022
Fair value gain transferred to profit or loss	(23,278,520)	-	(23,278,520)
Remeasurement loss on retirement benefit obligation	-	(2,887,708)	(2,887,708)
Balance, December 31, 2023	14,555,426	(7,491,225)	7,064,201
Changes in fair value of investments at FVOCI	(18,406,167)	-	(18,406,167)
Fair value gain transferred to profit or loss	12,275,963	-	12,275,963
Remeasurement loss on retirement benefit obligation		(307,028)	(307,028)
Balance, December 31, 2024	8,425,222	(7,798,253)	626,969

Net unrealized gain (loss) on financial assets at FVOCI includes the fair value reserve for investments at FVOCI held within investment in trust funds.

11 Total premium collections and information on lapsed plans

There are no premium collections, no lapsed plans reinstated, and no contract price of lapsed plans reinstated as at December 31, 2024, and 2023.

12 Interest income

The account for the years ended December 31 consists of:

	Notes	2024	2023
Government securities	4	354,097	464,332
Bank deposits	2	9,889	16,254
Others		35,034	35,493
		399,020	516,079

Other interest income pertains to interest earned on employee loans.

13 Cost of contracts issued

Cost of contracts issued for the years ended December 31 consists:

	2024	2023
Plan benefits		
Maturity claims	240,900,393	345,774,518
Surrenders	7,685,026	5,389,227
Anticipated endowments	27,975,669	42,324,308
	276,561,088	393,488,053
Decrease in pre-need and premium reserves		
Pre-need		
Pension	(160,903,068)	(224,890,055)
Education	(47,347,447)	(87,065,025)
Premium reserves	(1,792,184)	(1,933,779)
	(210,042,699)	(313,888,859)
Documentary stamp taxes and SEC registration fees	-	-
	66,518,389	79,599,194

The movement in pre-need and premium reserves arises mainly from the release of reserves due to policy maturities.

14 Other direct costs and expenses

The account consists of insurance expense on policies which amounts to P2.3 million for the year ended December 31, 2024 (2023 - P2.5 million).

15 Salaries, wages and employee benefits

The account for the years ended December 31 consists of:

	Note	2024	2023
Salaries, wages and employee benefits		10,746,817	10,803,165
Retirement expense	16	1,679,367	1,564,763
		12,426,184	12,367,928

16 Retirement plan

The Company has a retirement benefit plan in 2024 and 2023 covering substantially all of its eight (8) employees. Under this plan, the normal retirement benefit is equal to the employee’s equity in the fund as at retirement, or 175% of the employee’s basic monthly salary at date of retirement multiplied by the number of years of service, whichever is higher. The normal retirement date is upon attainment of age 60. The optional retirement benefit is determined on the same basis as normal retirement. Optional retirement date is upon attainment of age 50 and completion of at least 20 years of service. The death benefit is equal to the retirement benefit computed as at the date of death. The disability benefit is equal to the retirement benefit computed as at the date of total and permanent disability; plus a deferred benefit equivalent to the contributions to the fund and their actual earnings from the date of his disability up to his normal retirement date or date of death, whichever comes first.

The funding status of the defined contribution plan as at December 31 is shown below:

	Note	2024	2023
Present value of defined benefit obligation (PVDBO)		23,232,164	20,899,250
Fair value of plan asset (FVPA)		(9,544,465)	(5,801,000)
Net retirement benefit obligation	8	13,687,699	15,098,250

The retirement benefit obligation recognized as part of accrued expenses and other liabilities in the statement of financial position.
The movement of the Company's PVDBO for the years ended December 31 are as follows:

	2024	2023
At January 1	20,899,250	16,328,152
Current service cost	871,360	709,227
Interest cost	1,260,225	1,147,869
Benefits paid	-	-
Remeasurement loss (gain)		
Due to change in financial assumptions	(141,073)	1,332,951
Due to experience adjustments	342,402	1,381,051
Due to change in demographic assumptions	-	-
At December 31	23,232,164	20,899,250

The movement of the Company's FVPA for the year ended December 31 are as follows:

	2024	2023
At January 1	5,801,000	2,634,366
Interest income	452,218	292,333
Contributions	3,396,946	3,048,007
Remeasurement loss - return on plan assets	(105,699)	(173,706)
At December 31	9,544,465	5,801,000

Pension expense recognized in the statement of income for the years ended December 31 consist of:

	Note	2024	2023
Current service cost		871,360	709,227
Net interest cost		808,007	855,536
	15	1,679,367	1,564,763

The Company's plan assets as at December 31, 2024 amounting to P9,544,465 (2023 - P5,801,000) mainly pertains to investments in UITFs that are managed by a related party (Note 20).

The Company has no specific asset-liability matching strategy between the plan assets and the plan liabilities. The Company is not required to pre-fund the future defined benefits payable under the retirement plan before they become due. For this reason, the amount and timing of contributions to the retirement fund to support the defined benefits are at the Company's discretion. However, in the event a defined benefit claim arises and the retirement fund is insufficient to pay the claim, the shortfall will then be due and payable from the Company to the retirement fund.

The principal actuarial assumptions used at December 31 are as follows:

	2024	2023
Discount rate	6.13%	6.03%
Salary increase rate	6.00%	6.00%

Discount rate

The discount rate was determined in accordance with the FRSC-approved PIC Q&A 2008-01 (Revised), which mandates that discount rates reflect (a) benefit cash flows and (b) use of zero-coupon rates, even though theoretically derived. The procedure of bootstrapping was applied to the PHP Bloomberg BVAL Reference Rates (BVAL) benchmark reference curve for the government securities market. These derived rates were then used to compute the present value of the expected future benefit cash flows across valuation years. Finally, the single-weighted discount rate was calculated as the uniform discount rate that produced the same present value. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have term to maturity approximating the terms of the related pension liability. A decrease in government bond yields will increase the defined benefit obligation. Hence, the present value of defined benefit obligation is directly affected by the discount rate to be applied by the Company.

Future salary increases

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

Demographic assumptions

Assumptions regarding mortality experience are set based on published statistics and experience in the Philippines.

The average remaining service life of employees under the retirement plan and weighted average duration of the retirement benefit obligation as at December 31, 2024 is 16.2 years and 6.1 years, respectively (2023 - 17.2 years; 6.7 years).
The projected maturity analysis of retirement benefit payments as at December 31 is as follows:

	2024	2023
Less than a year	1,213,528	1,057,190
Between 1 to 5 years	8,531,177	7,818,648
Between 5 to 10 years	27,963,679	27,415,395
Between 10 to 15 years	3,850,338	3,749,281
Between 15 to 20 years	729,178	567,056
Over 20 years	7,903,917	6,883,551

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

2024	Change in assumption	Impact on defined benefit obligation	
Discount rate	+/- 0.5%	Decrease by 5.8%	Increase by 6.3%
Salary growth rate	+/- 1.0%	Increase by 6.3%	Decrease by 5.9%

2023	Change in assumption	Impact on defined benefit obligation	
Discount rate	+/- 0.5%	Decrease by 6.4%	Increase by 7.0%
Salary growth rate	+/- 1.0%	Increase by 6.9%	Decrease by 6.4%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the retirement asset recognized within the statement of financial position. The methods and types of assumptions used in preparing the sensitivity analyses did not change compared to previous period.

17 Leases

The Company leases office space in BPI Buendia Center with a term of five-years beginning April 2019 from its Parent bank. The rental payment has an annual escalation rate of 5% for the second and third years and 7% for the fourth and fifth years.

Lease term is negotiated either on a collective or individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

The Company recognized a right-of-use asset and a lease liability in relation to such lease agreement. The associated right-of-use (ROU) asset was adjusted by the amount of any prepaid or accrued lease payments at initial recognition and by the depreciation recognized during the year. Lease liability was measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate.

Details of ROU and lease liabilities at December 31 are as follows:

	2024	2023
ROU asset		
Office space (included under Property and equipment, net)	1,665,003	36,655
Lease liability (included under Accrued expenses and other liabilities)		
Current	376,403	71,424
Non-current	1,383,363	-
	1,759,766	71,424

Movements in the ROU asset for the years ended is shown below:

	2024	2023
At January 1	36,655	382,179
Additions	1,998,003	-
Depreciation	(369,655)	(345,524)
At December 31	1,665,003	36,655

Movements in the lease liabilities for the years ended is shown below:

	2024	2023
At January 1	71,424	487,712
Additions	1,998,003	-
Interest accretion on lease liability	138,439	9,196
Principal and interest payments	(448,100)	(425,484)
At December 31	1,759,766	71,424

The statement of total comprehensive income shows the following amounts relating to leases for the year ended December 31:

	2024	2023
Depreciation expense on right-of-use asset	369,656	345,524
Interest expense on lease liability (included under interest expense)	138,439	9,196
Expense relating to short-term lease (included under occupancy cost)	141,769	156,570

18 Income taxes

Provision for income tax pertains to final tax for the year ended December 31, 2024 which amounts to P20.6 million (2023 - P20.2 million).

A reconciliation between the provision for income tax at the statutory income tax rate to the actual provision for income tax for the years ended December 31 are as follows:

	2024	2023
Income tax at statutory income tax rate of 25%	7,757,696	3,855,789
Add (deduct) tax effect of:		
Unrecognized net operating loss carry-over (NOLCO)	21,908,716	24,146,463
Income subject to final tax	(3,171,985)	(3,990,921)
(Non-taxable gains) non-deductible expense	(5,853,601)	(3,821,422)
Provision for income tax	20,640,826	20,189,909

Deferred income tax assets are recognized only to the extent that taxable income will be available against which the deferred income tax assets can be used. As at December 31, 2024 and 2023, the Company has not recognized deferred income tax assets in view of its limited capacity to generate sufficient future taxable income.

The details of the Company's unrecognized deferred tax assets as at December 31 follows:

	2024	2023
NOLCO	170,804,814	148,896,098
Retirement benefit obligation	3,957,241	3,774,563
Allowance for impairment	-	529,538
Provision for bonus	175,364	435,611
Deferred income tax asset not recognized	174,937,419	153,635,810

As at December 31, details of NOLCO are as follows:

Year Incurred	Year of Expiry	2024	2023
2024	2027	87,634,864	
2023	2026	96,795,960	96,795,960
2022	2025	108,439,420	108,439,420
2021	2026	120,397,041	120,397,041
2020	2025	269,951,970	269,951,970
		683,219,255	595,584,391
Expired NOLCO		-	-
		683,219,255	595,584,391
Tax rate		25%	25%
		170,804,814	148,896,098

On September 30, 2020, the BIR issued Revenue Regulations (RR) No. 25-2020, Rules and Regulations Implementing Section 4 (bbbb) of Bayanihan Act I relative to NOLCO under Section 34 (D)(3) of the National Internal Revenue Code, as amended, allowing qualified businesses or enterprises which incurred net operating loss for taxable years 2021 and 2020 to carry over the same as a deduction from its gross income for the next five (5) consecutive taxable years immediately following the year of such loss. Ordinarily, NOLCO can be carried over as deduction from gross income for the next three (3) consecutive years only. Accordingly, the NOLCO incurred by the Company in 2021 and 2020 shall be carried over for the next five (5) years.

19 Cash absorbed by operations

Details of the Company’s cash flow from operations for the years ended December 31 are as follows:

	Notes	2024	2023
Income (loss) before income tax		31,030,784	15,423,156
Adjustment for:			
Decrease in pre-need and premium reserves	13	(210,042,699)	(313,888,859)
Trust fund income	3	(99,282,892)	(93,535,976)
Retirement benefit expense	16	1,679,367	1,564,763
Fair value loss (gains) on investments		(14,312)	494,337
Interest income	12	(399,020)	(516,079)
Depreciation	6	561,738	402,488
Gain on sale of investments	4	(203,690)	(31,217)
Provision for impairment	3,5	(786,105)	114,026
Dividend income	20	(116,137)	(112,725)
Interest expense	17,20	728,720	311,862
Operating losses before changes in operating assets and liabilities		(276,844,246)	(389,774,224)
Changes in operating assets and liabilities			
Decrease (increase) in:			
Investments at FVTPL		140,876	1,169,091
Loans and receivables, net		780,004	121,354
Other assets		(299,949)	(143,939)
(Increase) decrease in:			
Accrued expenses and other liabilities		7,463,510	(23,393,455)
Due to Parent Bank		9,281,211	4,698,461
Cash absorbed by operations		(259,478,594)	(407,322,712)

20 Related party transactions

Significant related party transactions are summarized below:

	2024		2023		Terms and conditions
	Transactions	Outstanding balances	Transactions	Outstanding balances	
Cash (Note 2)					
Parent bank (cash in bank)	3,844,003	5,094,279	(14,941,136)	1,250,276	These are checking accounts bearing average interest rates ranging from 0.35% to 0.0625%.
Parent bank (interest income)	9,889	-	16,254	-	
Investment in trust funds (Note 3)					
Parent bank	(76,072,527)	138,189,097	(87,385,490)	214,261,624	These are investments in listed common and preferred stocks, and UITFs classified and measured at FVTPL.
Significant investor of Parent bank	(32,270,520)	26,254,170	(428,910)	58,524,690	
Other related party	(445,056)	35,564,116	(14,021,085)	36,009,172	
	(108,788,103)	200,007,383	(101,835,485)	308,795,486	
Investments at FVTPL (Note 4)					
Parent bank	(88,648)	440,255	(1,090,459)	528,903	These are investments in listed common and preferred stocks, UITFs and mutual funds classified and measured at FVTPL.
Investor of Parent bank	(32,800)	239,600	(5,600)	272,400	
Other related party	(69,000)	209,600	29,200	278,600	
	(190,448)	889,455	(1,066,859)	1,079,903	
Due to related parties					
Parent Bank (borrowing) (a)(i)	10,000,000	15,000,000	5,000,000	5,000,000	Unsecured; interest at 9.20%, 9.15%, 7.96% per annum; payable in cash, at gross amounts; due on July 17, 2025, March 28, 2025, December 1, 2025
Parent Bank (shared service costs)	(112,814)	11,487	19,493	124,301	Unsecured; non-interest bearing and are payable in cash, at gross amounts, on demand
Other related party (a)(ii)	(15,696)	102,875	(18,366)	118,571	
	9,871,490	15,114,362	5,001,127	5,242,872	
Accrued expenses and other liabilities (Note 8)					
Parent Bank (Interest on borrowings) (a)(i)	(590,281)	(38,125)	(302,666)	(37,833)	See Parent bank borrowing above.
Other related party (c)	5	(4,908)	2,713	(4,913)	Unsecured; non-interest bearing and are payable in cash, at gross amounts, on demand
	(590,276)	(43,033)	(299,953)	(42,746)	
Rent					
Parent bank	1,688,343	1,759,766	425,484	71,424	Refer to Note 17

(a) Due to related parties

(i) Loans payable to BPI

In 2024, the Company has received loan of P15,000,000 from BPI at 9.20%, 9.15%, and 7.96% interest rate payable within 12 months. Accrued interest payable amount to P38,125 is presented under accrued expenses and other liabilities (Note 8).

(ii) Trust fund management fees

This pertains to the amount of investment management fees paid to BPI Wealth under an Investment Management Agreement for the management of the Trust Funds of the Company subject to the terms and conditions in the said agreement. For the services rendered, the Company pays BPI Wealth service fees equivalent to a certain percentage of the net asset value of the funds.

(b) Investment management fees

These pertain to payments to BPI Wealth for the management of the investments of the Company subject to the terms and conditions of an Investment Management Agreement. These fees are calculated based on a fixed rate applied to the fair value of Assets Under Management (“AUM”).

(c) Shared service cost

Shared service cost pertains to the internal audit, human resources and call center services provided by the Parent Bank and outsourcing services relating to information systems and mailing provided by fellow subsidiaries and entity under common control. The costs are determined based on the amounts agreed by the parties. The Company also makes payments of the planholders’ insurance expense to BPI AIA.

The above agreements remain in force, unless terminated by the parties. No provisions were recognized against receivables from related parties.

The aggregate amounts included in the determination of income before income tax for the years ended December 31 that resulted from transactions with each class of related parties are as follows:

	2024	2023
Interest income (Note 12)		
Parent bank	9,889	16,254
Dividend income (Note 3)		
Parent	1,673,120	1,219,284
Investor of Parent	439,258	458,737
Entity under control of investor of Parent	1,471,140	1,688,959
	3,583,518	3,366,980
Trust fund management fees (Note 3)		
Entity under common control	3,902,887	4,226,225
Investment management fees		
Entity under common control	18,056	21,576
Shared service cost		
Parent bank	1,696,480	1,561,689
Entity under common control	2,548,272	2,654,693
	4,016,223	4,109,473
Salaries, allowances and other short-term benefits		
Key management personnel	7,157,442	6,544,110
Post-employment and other benefits		
Key management personnel	503,024	473,565
Rent (Note 17)		
Parent bank	138,439	9,196
Others		
Remuneration of directors	113,500	100,500

Dividend income

The Company receives dividend income from investments in preferred shares of Ayala Corporation, a significant investor of BPI; from investments in listed shares of stock of BPI; and from investments in listed shares of stock of companies under common control of Ayala Corporation (Ayala Land, Inc.). Dividend income is recorded under Trust fund income in the statement of income which amounts to P1.4 million for the year ended December 31, 2024 (2023 – P1.4 million). The remaining dividends on company-managed investments are recorded under Dividend income in the statement of income.

21 Provisions and contingencies

As at December 2024 and 2023, the Company has a pending lawsuit. In the opinion of management, after reviewing all legal actions and proceedings with legal counsels, the aggregate liability, if any, arising therefrom will not have a material effect on the Company's financial statements.

The Company has no contingent liability as at December 31, 2024 and 2023.

22 Financial risks and capital management

The Company's activities expose it to a variety of risks. The overall objective of risk management is to minimize the potential adverse effects of these risks on the financial condition and results of operations of the Company.

22.1 Pre-need plan

Features of a pre-need plan

A pre-need contract promises the payment of a benefit upon reaching a specified maturity date. Ownership of the plan may also be transferred to another party upon payment of a consideration. A pre-need plan is classified as a security. Pre-need companies are regulated by the Insurance Commission (IC) (Note 24.1).

Pre-need plans can either be fixed-value plans or actual cost plans. Fixed-value or fixed-benefit plans are plans in which the amount of the benefit is fixed at the time the plan is purchased. Actual cost or traditional plans are plans in which the amount of the benefit is the actual cost of such benefit or service at the time of payment of the benefit. The Company only sells fixed-value plans which contain a fixed schedule of benefits. The Company sells education and pension plans and is exposed only to fixed benefits due to policyholders under the policy contract. Investments risks relative to fund investments are borne and managed by the Company.

In compliance with the rules and regulations originally set forth by the SEC and adopted by the IC, the Company has set up separate trust funds for pension and education plans. BPI Wealth acts as the trustee for these funds and manages the contributions to the funds, ensures that the monies are properly invested in order to get the appropriate yield, and disburses benefits as they become due and payable.

The Company's pre-need plans also provide insurance benefits which will pay for the unpaid plan installments to the Company upon the death or total and permanent disability of the planholder. To provide this benefit, the Company purchases yearly term insurance from BPI AIA Life Assurance Corporation (BPI AIA), an associate of BPI. This will make the plan paid up upon the death of the planholder. The plan also provides for the payment of a fixed sum upon the occurrence of certain contingencies as follows:

(i) For peso-denominated regular pension plans issued prior to August 1, 2005 and education plans, an amount equal to the plan price will be paid to the beneficiaries of the planholder upon the death of the planholder;

(ii) For peso-denominated regular pension plans issued on or after August 1, 2005, an amount equal to the maturity benefit shall be paid to the beneficiaries of the planholder upon the death of the planholder; and

(iii) For education plans issued on or after August 1, 2005, an amount in accordance with the prescribed schedule of benefits shall be paid to the planholder upon the accidental death or dismemberment of the nominee.

Nature and management of the risks

The Company is not exposed to risk of the premiums not being uncollected in the event of death or disability of the policyholder since the premiums under the plan are covered by a Group Term Life Insurance policy with BPI AIA. The risks under a pre-need contract are included in the financial risk factors set out below Note 22.2.

Concentration of risks

The table below presents the concentration of risk by product line at December 31, 2024 and 2023. Exposure is measured in terms of the maturity value of the plans that are in force, paid-up, and lapsed but still within the reinstatable period. Exposures are also shown in terms of prospective benefits without discounting.

	2024		2023	
Product	Exposure (‘000)	Concentration (%)	Exposure (‘000)	Concentration (%)
Pension	1,543,899	95.89%	1,773,100	93.87%
Education	66,161	4.11%	115,761	6.13%
Total	1,610,060	100%	1,888,861	100.00%

The above exposures are the actual liability of the Company to its plan holders in the future at undiscounted amounts. These exposures are managed by the Company by matching these amounts with investments.

22.2 Financial risk factors

The Company is exposed to financial risks through its financial assets and financial liabilities. The key financial risk is that its financial assets will not be sufficient to meet the obligations in its pre-need contracts. Components of this financial risk include market risk, credit risk and liquidity risk. Market risk includes foreign exchange risk, interest rate risk and other price risk.

Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates.

At December 31, 2024 and 2023, the Company is not exposed to any foreign exchange risk as the Company no longer has trust funds and bank accounts denominated in US dollar (Notes 2 and 3).

Interest rate risk

There are two types of interest rate risk: (i) fair value interest risk and (ii) cash flow interest 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. Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rate. Interest rate risk is managed by targeting a desired return, which is reviewed periodically, based on the Company’s long-term view on interest rates. Strict investment guidelines, as approved by the Investment Committee and IC, are in place and reviewed regularly to provide the general direction for the investment funds and to monitor the risk undertaken.

The Company and Trust Fund’s interest rate risk arises from investments in government and corporate bonds. However, the exposure is only on fair value interest rate risk because of debt securities in the statement of financial position and in the Trust Funds classified as investments at FVOCI are subject to fixed interest rates (Notes 3 and 4).

Based on the sensitivity analysis performed by the Company, after taking into consideration the reasonable possible shift in interest rates of the debt securities, a shift of 100 basis points would result to an increase/decrease of P15.2 million (2023 - P46.8 million) in fair value reserves (shown as part of other comprehensive income) as a result of gains/losses on debt securities classified as investment at FVOCI for the years ended December 31, 2024 and 2023. The reasonable possible shift in interest rates are based on the Company’s year-on-year monitoring of interest rate movements.

Price risk

The Company is exposed to price risk since it sells long-term contracts with fixed and guaranteed terms. The pre-need contract price is determined using assumptions on the investment yield and persistency and policy expenses. When actual experience deviates from pricing assumption, the viability of the plan may be affected.

The Company manages this risk by closely monitoring actual experience vis-à-vis pricing assumption by way of financial statements and investment reports prepared by the trustees and regular studies performed by the Actuarial Department of the Company in the areas of persistency and expense. Should it be warranted, the pre- need plans may be repriced based on updated assumptions. The assumptions used in establishing the liability for benefits reflected in the books of the Company are based on the Amended Pre-need Rule, which sets forth the standards for valuation of pre-need reserves of the plans.

The Company and Trust Fund are also exposed to equity securities price risk because of investments held and classified as investments at FVTPL in the statement of financial position (Notes 3 and 4). The price risk is managed by the trustee.

On the assumption that the fair value of listed equity securities had increased/decreased by 10%, fair value reserves (shown as part of the profit or loss) is expected to increase/decrease by P338.5 thousand, respectively, (2023 - P337.1 thousand) as a result of unrealized gains/losses on equity securities classified as investments at FVTPL.

On the assumption that the net asset value per unit of existing investments in unit investment trust funds had increased/decreased by 1%, fair value reserves (shown as part of the profit or loss) is expected to increase/decrease by P0.9 thousand (2023 - P2.3 thousand) as a result of unrealized gains/losses on these investments classified as investments at FVTPL.

The reasonable possible shift in prices disclosed above are based on the Company's monitoring of such prices (PSEi, NAVPU) year-on-year.

The above are consistent with the assumption that all the variables are held constant and all the Company's equity instruments moved according to the historical correlation with the index.

Credit risk

Credit risk represents the loss that would be recognized if counterparties to investment and other receivable transactions are unable or unwilling to fulfill their payment obligations.

(a) Credit risk management

One of the Company's primary investment objectives is to seek the preservation of its portfolio by mitigating the credit risk which is the risk of loss due to failure of the issuer to make good on its obligation when the investment becomes due. This is mitigated by investing in government securities and diversifying its investment portfolio so that the failure of any one issuer would not materially affect the cash flow of the Company. Within the guidelines provided by the IC, the Company's Investment Committee ensures that the Company invests in allowable categories of investment instruments and follows the limitation as to the percentage of the portfolio which can be invested in certain category. Presently, the Company and the Trust Funds are investing primarily in government securities.

The credit risk arising from operations is closely monitored by the Finance Department on a regular basis.

In measuring credit risk of loans and receivables to customers and other debtors at a counterparty level, the Company reflects three components as follows:

(i) the probability of default by the customers or counterparty on its contractual obligations;
(ii) current exposures to the customers or counterparty and its likely future development; and
(iii) the likely recovery ratio on the defaulted obligations.

For term loans, external rating such those provided by Philippine Rating Services Corporation (“Philratings”) or its equivalent is used by the Credit Policy Group for managing the credit risk exposures. The investments in those securities and bills are viewed as a way to gain a better credit quality mapping and maintain a readily available source to meet the funding requirement at the same time.

Receivables also consist mainly of agent accounts (sales counselors), loans to employees and other receivables. The Company regularly evaluates its credit risk through its aging reports and adherence to its escalation policy to ensure that all outstanding receivables are properly elevated to the concerned Company authority for collection and disposition. Receivables aged over six months from the date of recognition are considered past due and are subjected for provision assessment.

(b) Risk limit and control mitigation policies

The Company structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a regular basis and subject to an annual or more frequent review, when considered necessary. Limits on large exposures and credit concentration are approved by the Board of Directors.

Exposure to credit risk is also managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate.

(c) Maximum exposure to credit risk

Credit risk exposures relating to financial assets at December 31 are as follows:

	2024	2023
Cash	5,094,279	1,250,276
Investments in trust fund		
Cash	1,210	548
Investments at FVTPL	613,138,087	173,893,596
Investments at FVOCI	1,567,962,861	1,619,735,873
Accrued interest income	25,889,739	28,174,312
Other receivables	3,253,902	1,206,452
Investments at FVTPL	94,629	234,838
Investments at FVOCI	5,622,712	7,422,265
Loans and receivables		
Receivable from sales counselors	-	2,118,153
Loans and advances to employees	575,984	509,582
Accrued interest income	100,503	114,841
Others*	5,005	5,902
	2,221,738,911	1,834,666,638

**Excludes taxes receivable*

Cash

The Company manages credit risk on its cash by depositing largely in universal banks. All of the Company’s depository banks are of good credit standing and have no history of default. Accordingly, management has assessed that credit risk is minimal.

Investments at FVTPL

These pertains to investments in redeemable units of UITF. The Company manages its credit risk by only investing in UITFs that are duly approved by the BSP and those funds that are compliant with regulatory minimum liquidity requirements. They also only invest in funds that are managed by reputable fund managers in the Philippines. Management has assessed that these securities have minimal credit risk.

Investments at FVOCI

The Company manages credit risk by investing primarily on Philippine government-guaranteed bonds which are considered risk-free. Other investments subject to credit risk pertain to bond issuances of reputable corporations which have no history of defaults.

Management has assessed that the securities are of low credit risk and that the 12-month ECL is deemed not material for financial reporting purposes as at December 31, 2024 and 2023.

Loans and receivables

The Company applies the PFRS 9 simplified approach in assessing ECL, which uses a lifetime ECL for receivables. To measure the ECL, receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on payment profiles, and the corresponding historical credit loss experienced within this period. The historical loss rates are adjusted to reflect current and forward- looking information or macroeconomic factors affecting the ability of the counterparties to settle the receivables. The Company has identified gross domestic product and inflation rate to be the most relevant factors and accordingly adjust the historical loss rates based on the expected changes on these factors.

The payment profile of the Company's loans and receivables at December 31 is summarized below:

2024	Gross carrying amount	Current	More than 30 days	More than 120 days
Investment in trust fund				
Accrued interest income	25,889,739	25,889,739	-	-
Other receivables	3,253,902	3,253,902	-	-
Loans and receivables				
Receivable from sales counselors	-	-	-	-
Loans and advances to employees	575,984	575,984	-	-
Accrued interest income	100,503	100,503	-	-
Others*	5,005	5,005	-	-
Gross amount	29,825,133	29,825,133	-	-
Allowance for impairment	-	-	-	-
	29,825,133	29,825,133	-	-

**Excludes taxes receivable*

2023	Gross carrying amount	Current	More than 30 days	More than 120 days
Investment in trust fund				
Accrued interest income	28,174,312	28,174,312	-	-
Other receivables	1,206,452	1,206,452	-	-
Loans and receivables				
Receivable from sales counselors	2,118,153	-	-	2,118,153
Loans and advances to employees	509,582	509,582	-	-
Accrued interest income	114,841	114,841	-	-
Others*	5,902	5,902	-	-
Gross amount	32,129,242	30,011,089	-	2,118,153
Allowance for impairment	-	-	-	(2,118,153)
	32,129,242	30,011,089	-	-

**Excludes taxes receivable*

Based on management's experience, loans and receivables are fully collectible, except for credit impaired receivables that are fully provided with allowance. Credit impaired receivables are those receivables aged more than one year which we are assessed to be non-performing. Management has determined that the level of allowance required as at December 31, 2024 and 2023 is adequate to comply with the ECL assessment made on loans and receivables.

There was no collateral held on the term loans and receivables. These loans and receivables were not re-negotiated and are fully recoverable. Impaired receivables are fully provided with allowance (Note 5).

(d) Concentrations of risks of financial assets with credit exposure

The Company's main exposure at their carrying amounts, as categorized by industry sectors as at December 31 follows:

2024	Financial institutions	Philippine government	Real estate	Others	Allowance for impairment	Carrying amount
Cash	5,094,279	-	-	-	-	5,094,279
Investment in trust fund						
Cash	1,210	-	-	-	-	1,210
Investments at FVTPL	78,666,273	-	-	-	-	78,666,273
Investments at FVOCI	-	1,538,844,346	25,017,742	4,102,852	(2,079)	1,567,962,861
Accrued interest income	-	25,730,373	139,722	19,644	-	25,889,739
Other receivables	-	-	-	3,253,902	-	3,253,902
Investments at FVTPL	94,629	-	-	-	-	94,629
Investments at FVOCI	-	5,622,712	-	-	-	5,622,712
Loans and receivables						
Receivable from sales counselors	-	-	-	-	-	-
Loans and advances to employees	-	-	-	579,984	-	579,984
Accrued interest income	-	-	-	100,503	-	100,503
Others	-	-	-	5,005	-	5,005
	83,856,391	1,570,197,431	25,157,464	8,061,890	(2,079)	1,687,271,097

2023	Financial institutions	Philippine government	Real estate	Others	Allowance for impairment	Carrying amount
Cash	1,250,276	-	-	-	-	1,250,276
Investment in trust fund						
Cash	547	-	-	-	-	547
Investments at FVTPL	173,893,596	-	-	-	-	173,893,596
Investments at FVOCI	60,000,000	1,529,712,414	25,947,612	4,098,710	(22,863)	1,619,735,873
Accrued interest income	221,800	27,783,200	149,668	19,644	-	28,174,312
Other receivables	-	-	-	1,206,452	-	1,206,452
Investments at FVTPL	234,838	-	-	-	-	234,838
Investments at FVOCI	-	7,422,265	-	-	-	7,422,265
Loans and receivables						
Receivable from sales counselors	-	-	-	2,118,153	(2,118,153)	-
Loans and advances to employees	-	-	-	509,582	(92,568)	417,014
Accrued interest income	-	-	-	114,841	-	114,841
Others	-	-	-	5,902	-	5,902
	235,601,057	1,564,917,879	26,097,280	8,073,284	(2,233,584)	1,832,455,916

"Others" industry sector includes telecommunications, energy development, food and beverage companies and other various industry sectors for investments.

Liquidity risk

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

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

Pre-need reserves at December 31, 2024 amounting to P1.4 billion (2023 - P1.6 billion) are fully matched by the balance of the trust funds. As at December 31, 2024, the balance of investment in trust funds in excess of the pre-need reserves set-up amounts to P835.8 million (2023 - P811.5 million).

The maturities of financial liabilities as at December 31 are detailed below.

2024	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
Financial liabilities				
Investments in trust fund				
Accrued trust fees payable	1,946,022	-	-	1,946,022
Pre-need reserves	281,015,235	452,526,919	639,709,150	1,373,251,304
Plan premium reserves	7,697,270	-	-	7,697,270
Due to Parent bank	15,114,362	-	-	15,114,362
Accrued expenses and other liabilities*	619,456,284	-	-	619,456,284
	925,229,173	452,526,919	639,709,150	2,017,465,242

**Excluding retirement benefit obligation, withholding taxes payable and social security contributions*

2023	Up to 1 year	Over 1 up to 3 years	Over 3 years	Total
Financial liabilities				
Investments in trust fund				
Accrued trust fees payable	2,005,608	-	-	2,005,608
Pre-need reserves	270,334,666	497,840,447	813,326,707	1,581,501,820
Plan premium reserves	9,489,454	-	-	9,489,454
Due to Parent bank	5,242,872	-	-	5,242,872
Accrued expenses and other liabilities*	607,402,046	-	-	607,402,046
	894,474,646	497,840,447	813,326,707	2,205,641,800

**Excluding retirement benefit obligation, withholding taxes payable and social security contributions*

Fair value hierarchy

PFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Company's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Company's assets that are measured at fair value at December 31.

	2024		2023	
	Level 1	Level 2	Level 1	Level 2
Investment in trust funds				
Equity securities	534,471,814	-	578,879,082	-
Unit investment in trust fund	78,666,273	-	173,893,596	-
Government securities	1,538,842,268	-	1,529,689,551	-
Other debt instruments	29,120,593	-	30,046,321	-
Deposit instruments	-	-	60,000,000	-
Investments at FVTPL				
Company-managed				
Equity securities	-	-	-	-
Mutual fund	-	-	-	-
Premium fund Equity securities	3,384,900	-	3,371,256	-
Mutual fund	94,629	-	234,838	-
Investments at FVOCI				
Company-managed				
Government securities	-	-	-	-
Premium fund Government securities	5,622,712	-	7,422,265	-
Other investment				
Club share	-	-	-	6,000,000
	2,190,203,189	-	2,383,536,909	6,000,000

The Company derives the fair value of club share from a third-party pricing provider and will only make use of an internal pricing model if the third-party prices are not available. The use of an internal pricing model requires review and approval by the local management. The unobservable inputs in determining the fair value of club shares include the counterparty's credit spread and the price volatilities as the market may be inactive. A change in the unobservable inputs may result in a higher (lower) fair value measurement. However, any change is not considered to materially affect the financial statements as at December 31, 2024 and 2023.

The Company has no financial instruments that fall under Level 3 category as at December 31, 2024 and 2023. There were no transfers between levels at December 31, 2024 and 2023.

22.3 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern, so that it can continue to provide dividend payments to its shareholder and to maintain an optimal capital structure to reduce the cost of capital.

The Company calculates its capital as equity, as shown in the statements of financial position.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

In accordance with the Pre-Need Code, the Company maintains a minimum paid-up capital of P75 million.

23 Critical accounting estimates, assumptions and judgments

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. It is reasonably possible that the outcomes within the next financial year could differ from assumptions made at reporting date and could result in the adjustment to the carrying amount of affected assets or liabilities.

23.1 Critical accounting estimates and assumptions

Pre-need reserves

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

(i) Investment yield - The interest rate used in 2024 is 4.5% (2023 - 4.5%) for peso education plans and 5% for peso pension plans in 2024 and 2023.

The Company's actual experience for 2024 (net of withholding tax) is 4.22% gain (2023 - 3.62% gain) for Education Trust Fund and 4.12% gain (2023 - 4.98% gain) for Pension Trust Fund. Realized investment income in 2024 amounts to P23.30 million (2023 - P17.64 million) for the Education Trust Fund and P107.25 million (2023 - P75.9 million) for the Pension Trust Fund. In addition, there were unrealized gains/loss due to increase/decrease in market value of equity investments at P4.64 million loss (2023 - P0.96 million loss) for the Education Trust Fund and P32.77 million loss (2023 - P21.12 million loss) for the Pension Trust Fund. Moreover, the average yield to maturity of the fixed-income investments, which comprise 71.9% (2023 - 52.4%) of the total portfolio, is 4.49% (2023 - 4.77%) for Education Trust Fund and 4.93% (2023 - 4.79%) for Pension Trust Fund as at December 31, 2024.

On August 7, 2020, the Insurance Commission approved the request of the Company to terminate it trust agreement for its dollar pension fund.

Assuming that a 4.00% annual investment yield will be used as projected by the Trustee Bank to value education and 4.50% in peso pension plans, the additional pre-need and other reserves will be P26.37 million as of December 31, 2024 (2023 - P36.3 million).

(ii) Mortality - There is no mortality decrement assumed in the valuation. In lieu of this, an premium reserve is set up as a separate liability account against which future premiums will be charged. The assumptions used for computing the premium reserves and based on the corresponding surrender rates of the plan and an interest rate of the lower between 6.0% note or the SEC approved hurdle rate per product model.

(iii) Withdrawal Rates - For Education and Regular pension plans, withdrawal rates assumed during the premium paying period are based on the latest persistency study and are set equal to zero after the premium paying period. For Active pension plans, withdrawal rates are assumed to be zero for all durations.

(iv) Surrender Rates - Based on the latest persistency study, the trend of surrender rate experience for policies on the first to tenth year in 2024 and 2023 is at an average of 0.73% for Education plans and at an average of 1.12% for Regular pension plans.

(v) Reinstatement Rates - Based on actual experience as at 2007, average monthly reinstatement rate is 3.8% for Education plans and 2.3% for Regular pension plans.

(vi) Expense - There is no expense assumption in the statutory valuation.

Investment yields are the more significant assumptions and estimates relative to the Company's pre-need reserves.

The assumptions are reviewed and adjusted annually to reflect current and projected experience.

Determination of incremental borrowing rate

The lease payments are discounted using the Company's incremental borrowing rate, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; or
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held which do not have recent third-party financing, and
- makes adjustments specific to the lease, (e.g. term, currency and security).

The Company's incremental borrowing rate applied to the lease liabilities was 3.07% in 2024 and 2023. The rate was determined in reference to the prevailing bank market rates applicable to the leased properties with similar terms and conditions. The Company has assessed that it is impracticable to present a sensitivity analysis arising from the impact of upward/downward changes in the discount rates used in the determination of lease liabilities without undue efforts. As such, the sensitivity analysis was no longer presented.

Measurement of ECL allowance on investments at FVOCI and loans and receivables

The Company measures its investments at FVOCI and loans and receivables based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting inputs to the impairment calculation based on the Company's past experience, existing market conditions as well as forward-looking estimates at the end of the reporting period.

Details about the credit quality of investments at FVOCI and loans and receivables are disclosed in Note 22.

23.2 Critical judgments

Classification of investments (Notes 3 and 4)

The Company classifies financial assets at initial recognition, whether it must be subsequently measured at FVOCI, at amortized cost or at FVTPL. The Company determines the classification based on the contractual cash flow characteristics of the financial assets and on the business model it uses to manage these financial assets. The Company determines whether the contractual cash flows associated with the financial assets are solely payments of principal and interest (the "SPPI"). If instrument fail the SPPI test, it will be measured at FVTPL.

Realization of deferred income tax assets (Note 18)

Management reviews at each reporting date the carrying amounts of deferred income tax assets. The carrying amount of deferred income tax assets is reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which the related tax assets can be utilized.

At December 31, 2024, the Company has unrecognized deferred income tax assets of P174.9 million (2023 - P153.6 million), which was not recognized in view of the Company's limited capacity to generate sufficient future taxable income.

24 Summary of material accounting policies

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

24.1 Basis of preparation

The financial statements of 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)*, applicable Insurance Commission (IC) Circular Letters, and Philippine Financial Reporting Standards (PFRS) Accounting Standards. The term PFRS Accounting Standards in general includes all applicable PFRS Accounting Standards, PAS and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and adopted by the SEC.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investments at FVOCI, FVTPL and plan assets. The financial statements of the Company are presented in Philippine Peso, which is also the Company's functional currency.

The preparation of financial statements in conformity with the framework discussed above requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 23.

On December 3, 2009, Republic Act No. 9829, an act establishing the Pre-Need Code of the Philippines (Pre- Need Code), was made effective. Under the Pre-Need Code, the primary and exclusive supervision and regulation of all pre-need companies was given to the IC.

Changes in accounting policies and disclosures

(a) New standards, interpretations and amendments to existing standards effective by the Company

There are no new standards, interpretations and amendments to existing standards effective January 1, 2024 that are considered to be relevant or have a material impact on the Company's financial statements.

(b) New standard and amendments to existing standards not yet effective and not early adopted by the Company

Certain new standards, and amendments and interpretations to existing standards have been published that are not mandatory for December 31, 2023 reporting periods and have not been early adopted by the Company. None of these are expected to be relevant and have an effect on the financial reporting of the Company, while the most relevant ones are set out as follows:

- Amendments to the Classification and Measurement of Financial Instruments - Amendments to PFRS 9 and PFRS 7 *(Effective beginning on or after January 1, 2026)*

  The amendments to PFRS 9 and PFRS 7 were made to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:
  - clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
  - clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
  - add new disclosures for certain instruments with contractual terms that can change cashflows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and

- update the disclosures for equity instruments designated at fair value through other comprehensive income (FVOCI).

- PFRS 18 Presentation and Disclosure in Financial Statements *(Effective beginning on or after January 1, 2027)*

  This is the new standard on presentation and disclosure in financial statements, which replaces PAS 1, with a focus on updates to the statement of profit or loss.

  The key new concepts introduced in PFRS 18 relate to:
  - The structure of the statement of profit or loss with defined subtotals;
  - Requirement to determine the most useful structure summary for presenting expenses in the statement of profit or loss
  - Required disclosures in a single note within the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
  - Enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

  Retrospective application is required, and so the comparative information for the financial year ending December 31, 2026 will be restated in accordance with PFRS 18.

The Company will apply the new standard and amendments to existing standards from its mandatory effective date.

There are no other new standards, amendments to existing standards, or interpretations that are effective for annual periods beginning on or after January 1, 2025 that are considered relevant or expected to have a material effect on the financial statements of the Company.

24.2 Financial assets

24.2.1 Classification

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at FVPTL;
- those to be measured subsequently at FVOCI; and
- those to be measured at amortized cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investment in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of the initial recognition to account for the equity investment at FVOCI.

The Company reclassifies its financial assets when and only when its business model for managing those assets changes.

24.2.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

24.2.3 Subsequent measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset.

Based on these factors, the Company classifies its debt instruments into one of the following three measurement categories:

Amortized Cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is computed using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in statement of income and presented in other income. Impairment losses, if any, are presented as separate line item in the statement of income.

The Company's financial assets at amortized cost at December 31, 2024 and 2023 include cash (Note 2) and loans and receivables (Note 5).

Cash pertain to deposits held at call with banks. Cash in banks earn interest at the respective bank deposit rates. These are carried in the statement of financial position at face or nominal amount, which approximates its amortized cost using the effective interest rate method.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

FVOCI

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses and foreign exchange gains and losses which are recognized in statement of income. When the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss and recognized in other income. Interest income from these financial assets is computed using the effective interest rate method. Foreign exchange gains and losses and impairment expenses are presented as separate line item in the statement of income, if any.

The Company's assets measured at FVOCI at December 31, 2024 and 2023 consist of government securities, deposit instruments and other debt instruments.

FVTPL

Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in the statement of income in the period in which it arises.

The Company's assets measured at FVTPL at December 31, 2024 and 2023 consist of unit investment trust funds and mutual funds.

Equity instruments

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Company's listed equity instruments and club shares presented as other investment in the statements of financial position are measured at FVTPL at December 31, 2024 and 2023.

24.2.4 Impairment and write-off

The Company assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at FVOCI and amortized cost. The Company recognizes a loss allowance for such losses at each reporting date.
The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Credit impaired financial assets

Financial assets are assessed for credit impairment at each balance sheet date and more frequently when circumstances warrant further assessment. Evidence of credit-impairment may include indications that the debtor is experiencing significant financial difficulty, probability of bankruptcy or other financial reorganization, as well as measurable decrease in the estimated future cash flows evidenced by the adverse changes in the payments status of the debtor or economic conditions that correlate with defaults. An asset that is in Stage 3 will move back to Stage 2 when, as at reporting date, it is no longer considered to be credit-impaired. The asset will transfer back to Stage 1 when its credit risk at the reporting date is no longer considered to have increased significantly from initial recognition, and when there is sufficient evidence to support full collection of principal and interest due. Prior to the transfer to Stage 1, the asset should have exhibited both the quantitative and qualitative indicators of probable collection.

When a financial asset has been identified as credit-impaired, ECL is measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the instrument's original effective interest rate.

When a financial asset is credit impaired, interest ceases to be recognized on the regular accrual basis, which accrues income based on gross carrying amount of the asset. Rather, interest income is calculated by applying the original effective interest rate to the amortized cost of the asset, which is the gross carrying amount less related allowance for impairment. Following impairment, interest income is recognized on the unwinding of the discount from the initial recognition of impairment.

Impairment of other financial assets

The Company applies the PFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for other financial assets.

To measure the ECL, other financial assets have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of receivables and the corresponding historical credit losses experienced by the Company. The forward-looking information on macroeconomic factors are considered insignificant in calculating impairment of other financial assets.

Write-off

Financial assets are written-off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company and a failure to make contractual payments for a period of greater than 120 days past due.

24.3 Financial liabilities

The Company classifies its financial liabilities at amortized cost.

Financial liabilities measured at amortized cost include due to Parent Bank (Note 20) and accrued expenses and other liabilities (excluding retirement benefit obligation, tax-related payables and social security contributions) (Note 8).

Financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. These are recognized initially at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest rate method.

Financial liabilities are derecognized when extinguished, i.e., when the obligation is discharged or is cancelled or has expired.

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

24.4 Fair value measurement

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1.

The fair value of assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the asset or liability is included in Level 2. If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3.

The Company uses valuation techniques for non-financial assets that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are as follows:

- Market approach - A valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e., similar) assets, liabilities or a group of assets and liabilities, such as a business.
- Income approach - A valuation technique that converts future amounts (e.g., cash flows or income and expenses) to a single current (i.e., discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts.
- Cost approach - A valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost).

24.5 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are 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 profit or loss during the year in which they are incurred.

Depreciation on furniture and equipment is calculated using the straight-line method to allocate the cost or residual value over the estimated useful life of 3 - 5 years. Leasehold improvements are depreciated over the shorter of the lease term (ranges from 5 to 10 years) and the useful life of the related improvement (ranges from 5 to 10 years).

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 from derecognition of the asset (calculated as the difference between net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

24.6 Pre-need reserves

Pre-need reserves which represent the accrued net liabilities of the Company to its planholders are actuarially computed based on standards and guidelines originally set forth by the SEC and subsequently revised by the IC. The increase or decrease in the account is charged or credited to costs of contracts issued in the statement of income.

24.7 Premium reserves

Premium reserves, which represent the amount that must be set aside by the Company to pay for premiums for plan coverage of fully paid planholders, are actuarially computed based on standards and guidelines originally set forth by the SEC and adopted by the IC (Note 23). The increase or decrease in the account is charged or credited to costs of contracts issued in the statement of income.

24.8 Income taxes

The tax expense for the period comprises current and deferred income tax.

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

Deferred income tax is recognized on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized. The Company reassesses at each reporting date the need to recognize a previously unrecognized deferred income tax asset.

Deferred income tax liabilities are recognized in full for all taxable temporary differences.

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

24.9 Employee benefits

Retirement benefits

The Company has an unfunded defined benefit plan covering all officers and employees.

The liability recognized in the statement of financial position in respect of defined benefit retirement plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past service costs are recognized immediately in profit or loss.

24.10 Premium income

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

24.11 Trust fund income

Trust Fund income which represents net income of the Company's Trust Fund is recognized in the statement of income when earned. This income is automatically restricted to payments enumerated in Note 3 of the financial statements.

24.12 Dividend income

Dividend income is recognized when the right to receive payment is established.

24.13 Policy income

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

24.14 Subsequent events

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 not adjusting events are disclosed in the notes to the financial statements when material.

24.15 Contingencies

Certain conditions may exist as of the date that the financial statements are issued, which may result in a loss to the Company, but which will only be resolved when one or more future events occur or fail to occur. The Company's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Company or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability is accrued in the Company's financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, is disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

25 Supplementary information required by the Bureau of Internal Revenue (BIR)

The following information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

Supplementary information required by Revenue Regulations (RR) No. 15-2010

The information required by RR 15-2010 is presented below:

(i) Output value-added tax (VAT)

Output VAT declared for the year ended December 31, 2024 and the revenues upon which the same was based consist of:

	Gross amount of revenues	Output VAT
Subject to 12% VAT		
Policy income	14,200	1,521
Others	59,801	6,408
	74,001	7,929

Premiums and policy income above are based on actual collections and contributions, while revenues in the statement of income are based on the policies described in Note 24.10 to Note 24.13.

Output VAT on sale of equipment and others presented under Others above were assumed by the respective counterparty.

(ii) Input VAT

Movements in input VAT for the year ended December 31, 2024 follow:

	Amount
Beginning balance (net of output tax)	2,700,186
Add: Current year's domestic purchases/payments for:	
Services lodged under other accounts	208,918
Claims for tax credit/refund and other adjustments	(7,929)
	2,901,175

Input VAT is netted against output VAT payable. Unutilized portion of input VAT is presented as part of the other assets in the statement of financial position.

(iii) Documentary stamp tax

The Company paid DST amounting to P115,995 in 2024. Unpaid DST at December 31, 2024 amounts to P48,903.

(iv) All other local and national taxes

All other local and national taxes paid for the year ended December 31, 2024 consist of:

	Amount
Pre-need license	50,500
Mayor's permit	14,080
Community tax	500
Others	-
	65,080

The above local and national taxes are included in Other expenses under general and administrative expenses in the statement of income.

(v) Withholding taxes

Withholding taxes paid and accrued for the year ended December 31, 2024 consist of:

	Paid	Accrued	Total
Expanded withholding tax	830,565	81,480	912,045
Withholding tax on compensation	1,709,334	167,592	1,876,926
Fringe benefit tax	79,718	25,830	105,548
	2,619,617	274,902	2,894,519

Withholding taxes accrued is presented as a part of accrued expenses and other liabilities in the statement of financial position.

(vi) Tax assessments

The Company has not received any preliminary or final assessment notice on open tax years.

(vii) Tax cases

The Company has no outstanding tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR as at and for the year December 31, 2024.