PhilPlans First, Inc.

(A Wholly-owned Subsidiary of Maestro Holdings, Inc.)

Financial Statements
December 31, 2025 and 2024

and

Independent Auditor's Report

SGV

Building a better working world

A member firm of Ernst & Young Global Limited

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
sgv.ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
PhilPlans First, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of PhilPlans First, Inc. (a wholly-owned subsidiary of Maestro Holdings, Inc.) (the Company), which comprise the statements of financial position as at December 31, 2025 and 2024, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PhilPlans First, Inc. as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with accounting principles generally accepted in the Philippines for pre-need companies as described in Note 2 to the financial statements.

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 2 to the financial statements, which discusses that on March 4, 2026, the Company received an email from the Insurance Commission (IC) pertaining to the results of the Q4 2025 Financial Report Analysis which show Trust Fund and liquidity reserve deficiencies on Education Plan amounting to ₱41.62 million and ₱1,771 million, respectively. As of May 15, 2026, the Company is yet to receive a formal letter from the IC. To address these deficiencies, management's action plan is disclosed in Note 2. Our opinion is not modified in respect of this matter.

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 accounting principles generally accepted in the Philippines for pre-need companies as described in Note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 34 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 information is the responsibility of the management of PhilPlans First, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Bryan Chrisnel M. Baes

Bryan Chrisnel M. Baes
Partner
CPA Certificate No. 128627
Tax Identification No. 275-229-188
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
SEC Partner Accreditation No. 128627-SEC (Group A)
Valid to cover audit of 2022 to 2026 financial statements
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements
BIR Accreditation No. 08-001998-193-2025, October 1, 2025, valid until September 30, 2028
PTR No. 10765008, January 2, 2026, Makati City

May 15, 2026

PHILPLANS FIRST, INC.
(A Wholly Owned Subsidiary of Maestro Holdings, Inc.)

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2025	2024
ASSETS		
Cash and cash equivalents (Notes 7 and 26)	**₱430,226,811**	₱523,216,490
Financial assets (Notes 8, 26 and 27)		
Financial assets at fair value through profit or loss	**25,890,331**	135,468,315
Investment securities at amortized cost	**–**	10,000,000
Loans and receivables - net	**144,758,208**	155,649,924
Prepayments and accrued income (Notes 9 and 26)	**18,562,101**	25,456,127
Investments in trust funds (Note 10)	**15,911,407,209**	16,825,538,102
Insurance premium fund (Notes 11 and 26)	**320,562,468**	298,158,194
Property and equipment (Note 12)	**33,947,880**	41,164,594
Service assets - memorial lots (Note 13)	**4,076,509,707**	4,121,705,210
Other assets (Note 14)	**102,591,312**	97,032,689
	₱21,064,456,027	₱22,233,389,645
LIABILITIES AND EQUITY		
Liabilities		
Accrued expenses and other liabilities (Notes 15, 26, and 27)	**₱4,646,400,910**	₱5,074,845,761
Pre-need reserves (Notes 16 and 26)	**11,479,049,078**	12,293,143,646
Other reserves (Note 17)	**181,881,567**	182,930,978
Net pension liability (Note 18)	**13,281,507**	4,876,783
Deferred tax liability (Note 25)	**800,305,385**	807,320,578
	17,120,918,447	18,363,117,746
Equity		
Capital stock (Note 19)	**700,000,000**	700,000,000
Retained earnings (Note 19)	**3,290,501,127**	3,264,878,908
Other comprehensive income:		
Unrealized gains (losses) on financial assets at fair value through other comprehensive income (Note 10)	**(13,121,201)**	(65,826,271)
Remeasurement losses on defined benefit plan (Note 18)	**(33,842,346)**	(28,780,738)
	3,943,537,580	3,870,271,899
	₱21,064,456,027	₱22,233,389,645

See accompanying Notes to Financial Statements.

PHILPLANS FIRST, INC.
(A Wholly Owned Subsidiary of Maestro Holdings, Inc.)

STATEMENTS OF INCOME

	Years Ended December 31	
	2025	2024
INCOME		
Premiums (Note 28)	**₱702,473,031**	₱693,175,418
Trust fund income (Notes 10 and 20)	**487,199,776**	972,884,806
Interest and other income (Note 21)	**136,624,819**	171,754,788
Income from service assets - memorial lots (Notes 11 and 13)	**6,509,879**	21,627,610
Sale of memorial lots - inventories (Note 11)	–	14,866,825
	1,332,807,505	1,874,309,447
COSTS AND EXPENSES		
Cost of contracts issued:		
Plan benefits expense	**1,757,067,666**	2,385,054,451
Decrease in pre-need reserves (including trust fund contributions) (Notes 16)	**(814,094,567)**	(411,843,446)
Decrease in other reserves (Note 17)	**(1,049,411)**	(368,574)
Documentary stamp tax and Insurance Commission registration fees	**2,839,590**	2,327,761
Total cost of contracts issued	**944,763,278**	1,975,170,192
General and administrative expenses (Note 23)	**271,034,656**	272,712,820
Other direct costs and expenses (Notes 11 and 22)	**118,971,793**	99,191,805
Selling expenses	**38,406,473**	60,697,140
Cost of sale of memorial lots (Note 11)	–	9,895,833
	1,373,176,200	2,417,667,790
INCOME BEFORE INCOME TAX	**(40,368,695)**	(543,358,343)
BENEFIT FROM INCOME TAX (Note 25)	**(65,990,914)**	(55,999,787)
NET INCOME (LOSS)	**₱25,622,219**	(₱487,358,556)

See accompanying Notes to Financial Statements.

PHILPLANS FIRST, INC.
(A Wholly Owned Subsidiary of Maestro Holdings, Inc.)

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2025	2024
NET INCOME (LOSS)	**₱25,622,219**	(₱487,358,556)
OTHER COMPREHENSIVE INCOME		
Item that will not be reclassified into profit or loss:		
Remeasurement gains (losses) on defined benefit plan – net of tax (Note 18)	**(5,061,608)**	(5,175,175)
Item that will be reclassified into profit or loss:		
Net changes in fair value of financial assets at fair value through other comprehensive income (Note 10)	**52,705,070**	(40,280,842)
	47,643,462	(45,456,017)
TOTAL COMPREHENSIVE INCOME (LOSSES)	**₱73,265,681**	(₱532,814,573)

See accompanying Notes to Financial Statements.

PHILPLANS FIRST, INC.
(A Wholly Owned Subsidiary of Maestro Holdings, Inc.)

STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 19)	Retained Earnings (Note 19)			Unrealized Gains on Financial Assets at Fair Value Through Other Comprehensive Income (Note 10)	Remeasurement Gains Losses on Defined Benefit Plan (Note 18)	Total
		Restricted	Unrestricted	Subtotal			
Balance at January 1, 2025	**₱700,000,000**	**₱–**	**₱3,264,878,908**	**₱3,264,878,908**	**(₱65,826,271)**	**(₱28,780,738)**	**₱3,870,271,899**
Net income for the year	**–**	**487,199,776**	**(461,577,557)**	**25,622,219**	**–**	**–**	**25,622,219**
Other comprehensive income	**–**	**–**	**–**	**–**	**52,705,070**	**(5,061,608)**	**47,643,462**
Total comprehensive income	**–**	**487,199,776**	**(461,577,557)**	**25,622,219**	**52,705,070**	**(5,061,608)**	**73,265,681**
Reversal of appropriation	**–**	**(487,199,776)**	**487,199,776**		**–**	**–**	**–**
Balance at December 31, 2025	**₱700,000,000**	**₱–**	**₱3,290,501,127**	**₱3,290,501,127**	**(₱13,121,201)**	**(₱33,842,346)**	**₱3,943,537,580**
Balance at January 1, 2024	₱700,000,000	₱–	₱3,752,237,464	₱3,752,237,464	(₱25,545,429)	(₱23,605,563)	₱4,403,086,472
Net income for the year	–	972,884,806	(1,460,243,362)	(487,358,556)	–	–	(487,358,556)
Other comprehensive income	–	–	–	–	(40,280,842)	(5,175,175)	(45,456,017)
Total comprehensive income	–	972,884,806	(1,460,243,362)	(487,358,556)	(40,280,842)	(5,175,175)	(532,814,573)
Reversal of appropriation	–	(972,884,806)	972,884,806	–	–	–	–
Balance at December 31, 2024	₱700,000,000	₱–	₱3,264,878,908	₱3,264,878,908	(₱65,826,271)	(₱28,780,738)	₱3,870,271,899

See accompanying Notes to Financial Statements.

PHILPLANS FIRST, INC.
(A Wholly-owned Subsidiary of Maestro Holdings, Inc.)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**(₱40,368,695)**	(₱543,358,343)
Adjustments for:		
Decrease in pre-need reserves (Note 16)	**(814,094,567)**	(411,843,446)
Trust fund income (Notes 10 and 20)	**(487,199,776)**	(972,884,806)
Fair value gain (loss) on financial assets at FVTPL (Notes 8, 11, and 21)	**38,666,749**	(44,172,259)
Interest income (Notes 7, 8, 11 and 21)	**(30,626,026)**	(35,998,111)
Depreciation and amortization (Notes 11, 12 and 23)	**15,146,319**	12,280,277
Retirement expense (Notes 18 and 24)	**6,530,446**	6,727,214
Income from service assets - memorial lots (Notes 11 and 13)	**(6,509,879)**	(21,627,610)
Decrease in other reserves (Note 17)	**(1,049,411)**	(368,574)
Fair value loss (gain) on investment property - net (Note 11)	**–**	(2,108,250)
Insurance premium fund income (Note 11)	**(1,214,680)**	(1,367,143)
Gain on sale of property and equipment (Notes 12 and 21)	**(1,087,848)**	–
Provision for (recovery of) credit and impairment losses (Notes 8 and 11)	**292,381**	(12,985,350)
Operating loss before working capital changes	**(1,321,514,987)**	(2,027,706,401)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Loans and receivables	**10,649,455**	(25,514,011)
Prepayments and accrued income	**7,636,147**	(6,988,377)
Other assets	**(5,558,623)**	(9,866,183)
Increase (decrease) in accrued expenses and other liabilities	**(428,186,413)**	(371,729,968)
Net cash flows used in operations	**(1,736,974,421)**	(2,441,804,940)
Contributions to the retirement fund (Note 18)	**(4,874,533)**	(11,506,518)
Income taxes paid	**(50,351,314)**	(89,891,293)
Net cash flows used in operating activities	**(1,792,200,268)**	(2,543,202,751)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**29,883,905**	34,950,053
Proceeds from withdrawals from:		
Trust funds (Notes 10 and 25)	**2,198,288,197**	2,851,910,445
Insurance premium fund (Note 11)	**95,449,189**	37,523,439
Proceeds from disposal/maturities of:		
Service assets - memorial lots	**49,922,840**	379,823,494
Investment securities at amortized cost (Note 8)	**10,000,000**	–
Acquisitions of:		
Property and equipment (Note 12)	**(6,961,606)**	(15,017,427)
Investment securities at amortized cost (Note 8)	**–**	(10,000,000)
Contributions to:		
Insurance premium fund (Note 11)	**(43,995,130)**	(28,023,197)
Trust funds (Note 10)	**(633,376,806)**	(680,283,485)
Net cash flows provided by investing activities	**1,699,210,589**	2,570,883,322
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(92,989,679)**	27,680,571
CASH AND CASH EQUIVALENTS, BEGINNING	**523,216,490**	495,535,919
CASH AND CASH EQUIVALENTS, END (Note 7)	**₱430,226,811**	₱523,216,490

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

PhilPlans First, Inc. (the Company) was incorporated in the Philippines to engage in the development of lawful institutional mediums for the maintenance, conduct, operation, marketing and sale of any and all types of securities (without acting as stock broker), including, but not limited to, education, pension and life plans. The Company was registered with the Philippine Securities and Exchange Commission (SEC) on April 19, 1989.

The corporate life of the Company is 50 years. On February 20, 2019, RA No. 11232, otherwise known as the "Revised Corporation Code of the Philippines" or "RCC", was signed into law. The RCC took effect on February 23, 2019. The corporate term of a corporation with certificate of incorporation issued prior to the effectivity of the RCC and which continue to exist, shall be deemed perpetual upon the effectivity of the RCC, without any action on the part of the corporation. As of February 23, 2019, the Company is deemed to have selected a perpetual term.

The Company is a wholly-owned subsidiary of Maestro Holdings, Inc. (the Parent Company), an entity incorporated in the Philippines.

The Company's registered office address and principal place of business is at 14th Floor, STI Holdings Center, 6764 Ayala Avenue, Makati City.

2. Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVOCI), investment properties and service assets - memorial lots (including those in the investments in trust funds and insurance premium fund) which have been measured at fair value. The financial statements are presented in Philippine Peso (₱), which is also the Company's functional currency. Amounts are adjusted to the nearest Philippine Peso, unless otherwise indicated.

The Company has prepared the financial statements on the basis that it will continue to operate as a going concern.

Statement of Compliance
The accompanying financial statements of the Company, which are prepared for submission to the SEC, the Bureau of Internal Revenue (BIR) and the Insurance Commission (IC or the Commission), have been prepared in accordance with accounting principles generally accepted in the Philippines for pre-need companies as set forth in the Pre-need Rule 31, As Amended: *Accounting Standards for Pre-Need Plans and Pre-need Uniform Chart of Accounts (PNUCA)* and applicable IC Circular Letter (CL) and accounting requirements as disclosed in Note 3.

The specific accounting policies followed by the Company are disclosed in Note 5.

Status of Investments in Trust Funds, Pre-need Reserves and Benefits Payable

As of December 31, 2025 and 2024, there are trust fund deficiencies on education and life (see Note 10), but overall, the excess of investments in trust funds of the Company amounted to ₱650,935,357 and ₱288,568,324, respectively, as follows:

	December 31, 2025	December 31, 2024
Investments in trust funds (Note 10)	**₱15,911,407,209**	₱16,825,538,102
Less 'Pre-need reserves' (Note 16)	**11,479,049,078**	12,293,143,646
Excess of investments in trust funds over pre-need reserves	**4,432,358,131**	4,532,394,456
Less 'Benefits payable' (Note 15)	**3,623,603,898**	4,025,325,033
Subtotal	**808,754,233**	507,069,423
Less: Adjustment on real estate (40% of appraisal increment)	**157,818,875**	218,501,099
Excess of investments in trust funds	**₱650,935,358**	₱288,568,324

As regards investments limit under Section 34, IC CL No. 2022-25 and IC CL No. 2022-37, the life account is compliant as of December 31, 2025 and 2024. The pension account has excess in investments limit of ₱261,602,466 and ₱258,081,365 as of December 31, 2025 and 2024, respectively. The education account has excess in investments limit of ₱271,710,468 and ₱322,282,573 as of December 31, 2025 and 2024, respectively. The computation of excess in investments limit is shown under Note 10.

To level-off the excess on investments limits, the Company will observe and implement the following approved action plans:

1. Disposal of the trust fund assets subject of the breaches as stated in the preceding paragraph.
2. Continuous disposal of service assets thereby improving the trust fund asset base subject of the investment limit.
3. Collection of receivables from sale of assets.
4. Continuous swap of corporate cash to trust fund service assets.

Under Section 37 of the Pre-need Code and IC CL No. 2022-44, the Company computed the liquidity reserve requirement (LRR) with application of payment behavior as part of the action plan approved by the Board of Directors (BOD). As of December 31, 2025, the Company estimates an excess in LRR of ₱2,399,345,803, ₱3,160,177,197, and ₱172,572,168 for life, pension and education, respectively. As of December 31, 2024, the Company estimates an excess in LRR of ₱2,127,037,178 and ₱2,681,927,235 for life and pension, respectively. With respect to education, the LRR is deficient by ₱45,561,828. The said deficiency is fully covered by the after-date transactions as of April 30, 2025 on additional cash contributions of ₱15,000,000 and ₱20,000,000 and government securities of ₱50,000,000.

Following are the various communication letters between the Company and the Commission attendant to the investments in trust funds and related accounts:

2024
On January 2, 2024, the Company received the approval letter of the Commission dated December 18, 2023 on the 2022 Annual Statements (AS) and the related synopses of the Company. This is due to the conditional approval pertaining to the deferment of the application of breaches in equities for PSE shares due to the extension of time to level off the breaches where the Company was given until December 31, 2023 and in compliance of the Company on the requirements of the Commission to cover-up the trust fund and liquidity reserve deficiencies per Commission's letter dated October 23, 2023. The Commission also directed the Company for the publication of the approved AS within thirty (30) days from receipt of the approval and furnish the Commission with the pertinent newspaper clippings.

On January 8, 2024, the Company submitted its letter to the Commission dated January 2, 2024 requesting an extension period of two (2) years from December 31, 2023 to level-off the breaches on PSE equity per aggregate and single issuer limits citing the loss incurred on the disposal of 1,000,000 PSE equity shares, deferment of the disposal of the remaining PSE shares as a prudent measure not to incur further loss and the improving behavior of the equity market.

On January 23, 2024, the Company received a letter from the Commission dated January 17, 2024 on the issuance of the Company's Certification of Registration and License to Act as a Pre-need Company for the year 2025.

On January 30, 2024, the Company submitted to the Commission its compliance on the publication of the 2022 Annual Statements and its related synopses. This was acknowledged by the Commission per its letter reply dated January 31, 2024.

2025
On January 7, 2025, the Company received a letter from the Commission dated December 27, 2024 on the renewal of Certificate of Registration and License of the Company to act as Pre-need Company for Licensing Year 2025 that was held in abeyance pending compliance with the following:

1. Submission of Negative List of Officers and Employees for 2nd Quarter 2024 as required under IC CL No. 2022-07 dated February 16, 2022; and
2. Required Trust Fund, Liquidity Reserve Requirement and Trust Fund Investments.

On January 15, 2025, the Company submitted the following documents to the Commission per its reply letter dated January 8, 2025:

1. A photocopy of the Negative List of Officers and Employees for 2nd Quarter 2024 as required under Circular Letter No. 2022-07 dated February 16, 2022 that was submitted on-line last January 8, 2025;
2. Required Trust Fund;
3. Liquidity Reserve Requirement; and
4. Trust Fund Investments.

Also, the Company requested the Commission's kind approval on the release of the Certificate of Registration and License of the Company to Act as Pre-need Company for the year 2025.

On February 27, 2025, the Company received a letter from the Commission dated February 21, 2025 regarding the result on the examination of the 2023 Annual Statements and Q3 2024 Financial Reports:

2023 Annual Statements

1. The Company was compliant with the following:
   a. Minimum unimpaired paid-up capital;
   b. Trust fund requirements on memorial, pension and education with consideration on the after-date transaction of additional contribution to the trust fund of ₱50,000,000;
   c. Insurance premium reserve
2. On liquidity reserve, the Company was compliant with memorial and deficient on pension and education amounting to ₱333,072,787 and ₱2,466,136,819, respectively.

Q3 2024 Financial Reports

1. The Company was compliant with the minimum unimpaired paid-up capital;
2. On trust fund, the Company was compliant with the memorial and pension while the education is deficient by ₱13,223,118;
3. The Company was compliant with the insurance premium reserve;
4. On liquidity reserve, the Company was compliant with memorial and pension while the education is deficient by ₱2,413,805,344.

Other Audit Findings

The Commission has observed that the following trust fund investments of the Company exceed the limitations under Section 34 (a.3), (b) and (c) of the Code and CL No. 2022-25:

Particulars	**2023 AS**	**Q3 2024 Financial Report**
Per Issuer (10%)		
Pension – Debt Securities (AP Bond)	₱ 8,891,166	₱ 14,571,758
Pension – Equities (PSE)	234,220,672	253,012,763
Education – Equities (PSE)	102,847,886	66,148,078
Per Aggregate (14%)		
Education – Real Estate		90,569,917

The Company was directed the following, to wit:

1. Fund the trust fund deficiency in education amounting to ₱13,223,118 within sixty (60) days;
2. Submit payout behavior to planholders for the past three (3) years within ten (10) days;
3. Comply with the other audit findings within thirty (30) days.

Included in the letter was the computation of compliance where pension trust fund requirement is notably compliant versus the trust fund deficiency of ₱102,296,502 per 2023 audited financial statements. Further, the education trust fund requirement was deficient by ₱33,917,980 from ₱241,923,615 per 2023 audited financial statements. The education trust fund became compliant with the after-date transaction of an additional deposit of ₱50,000,000. As regards, the Q3 2024 financial reports, the education trust fund deficiency was ₱13,074,368. This deficiency was reduced from ₱231,184,399 per interim financial statements as of September 30, 2024.

On March 7, 2025, the Company submitted to the Commission its letter dated March 6, 2025 in compliance with the directives of the Commission in reference to the result on the examination of the 2023 Annual Statements and Q3 2024 Financial Reports:

1. The Company made an additional contribution of ₱15,000,000 on March 03, 2025 in full compliance with the education trust fund deficiency of ₱13,223,118.;
2. Submission of payment behavior as follows:

Year	**1st year**	**2nd year**	**3rd year**	**4th year**	**5th year**
2020	49.21%	29.20%	6.52%	3.29%	
2021	58.59%	21.53%	5.51%		
2022	56.99%	18.65%			
2023	54.92%				

3. On breaches in investments limit, the Company highlighted the following:
    a. Disposal of PSE shares that generated losses.
    b. Deferral of further disposal of PSE shares until market recovery
    c. Requested a three 3-year period until December 31, 2027 to level-off the breaches with approved action plans:
        i. Disposal of the trust fund assets subject of breaches if and when the market condition warrants;
        ii. Continuous disposal of service assets thereby improving the trust fund base subject of the investment limit;
        iii. Collection of receivables from sale of assets; and
        iv. Continuous swap of corporate cash to trust fund service assets.

The Company requested the Commission's kind approval of the 2023 Annual Statements of the Company and the release of Certificate of Registration and License to Act as Pre-need Company for the year 2025.

On March 20, 2025, the Company submitted its letter to the Commission dated March 18, 2025 with the same concern on examination of 2023 Annual Statements, Q3 and Q4 Financial Reports. In this letter, the Company provided the following additional documents, to wit:

1. Breakdown per plan category of Assets Maturity Profile as of December 31, 2023;
2. 2024 Quarterly Projection of Benefits Payout and onwards;
3. 2023 Schedule of Plan Benefits Payable with aging.

Also, the letter came with a prayer for the kind approval of the Commission on the 2023 Annual Statements of the Company and the release of Certificate of Registration and License to Act as Pre-need Company for the year 2025.

On March 26, 2025, the Company submitted to the Commission the summary of fund sources in paying out the education benefits amounting to ₱1,377,953,932 per its letter dated March 25, 2025. This was in response to the observation made by the Financial Examination Team of the Commission on the 2024 asset maturity profile of education trust fund amounting to ₱536,261,611 that was submitted per Company's letter dated March 18, 2025 versus the trust fund withdrawal of ₱1,362,966,042. The Company also reiterated the approval of the 2023 Annual Statements and the release of the Certificate of Registration and License to Act as Pre-need Company for the year 2025.

On March 31, 2025, the Company received a letter from the Commission dated March 28, 2025 on the issuance of the Company's Certificate of Registration and License to Act as Pre-need Company for the year 2025.

On April 2, 2025, the Company received a letter from Commission dated March 27, 2025 that acknowledged the Company's letters dated March 6, 18 and 25, 2025 in compliance with the regulatory requirements and directives of the Commission with respect to the 2023 Annual Statements and Q3 2024 Financial Reports. In this letter, the 2023 Annual Statements was approved. The Company was also directed to submit quarterly progress reports on its proposed investment plan approved by the Commission. Finally, the Company was directed to publish the synopsis of the Annual Statements in two newspapers of general circulation within thirty (30) days from receipt of the approval and furnish the Commission with the pertinent newspaper clippings within five (5) days after publication.

On April 10, 2025, the Company received a letter from the Commission dated April 2025 regarding the result of the Commission's analysis on the Q4 2024 Financial Reports of the Company, as follows:

Requirements	Basis	Results	Remarks
Trust Fund	Section 30 and 34 of the Code, and CL Nos. 2022-37 and 2022-25	Life/Memorial: SEC-approved ₱2,963,563,844	Deficient by ₱34,450,951
		Life/Memorial: IC-approved ₱1,507,700,977	Compliant
		Pension: ₱7,769,162,575	Compliant
		Education: ₱4,352,504,115	Deficient by ₱67,945,954

The Commission also noted LRR deficiency of ₱2,304 million on Education.

The Company was directed to:

1. Fund the trust fund deficiency on life plan (SEC approved) and education plan amounting to ₱34,450,951 and ₱67,945,954, respectively, and submit the supporting documents within sixty (60) days; and
2. Submit the December 31, 2024 Trust Fund Asset Maturity Profile (Q1-Q4 2025), other sources of fund available for payment of benefits and the corresponding 2025 Quarterly Projection of Benefits Payout Schedule, within (10) days.

In a letter dated April 16, 2025, the Company submitted its response to the directive of the Commission on regulatory compliance, to wit:

1. Trust fund deficiency on SEC-approved life plan amounting to ₱34.45 million – The Company complied with the deficiency with the non-cash contribution of two (2) estate lots amounting to ₱36.72 million as service assets;
2. Trust fund deficiency on education plan amounting to ₱67.95 million – The Company made additional cash contribution and fixed income securities of ₱20 million and ₱50 million, respectively on March 24, 2025 and April 2, 2025, respectively;
3. The Company also submitted the Quarterly Maturity Profile of Trust Fund Asset as of December 31, 2024 with Other Sources of Fund available for Payment of Benefits; and
4. The Company also submitted the 2025 Quarterly Projection of Benefits Payout Schedule.

In a letter dated April 23, 2025, the Commission acknowledged the transmitting copies of the published synopsis of the Company's approved 2023 Annual Statements and found the figures in order. In view thereof, the Commission considered the Company's 2023 Annual Statements examination closed.

In a letter dated April 28, 2025, the Company submitted its quarterly progress report for 2025 1st quarter on its approved investment plan pursuant to the directive of the IC in its letter dated March 27, 2025. This refers to the following:

1. Disposal of trust fund assets subject to breaches is held in abeyance; and
2. Movement on service assets as regards sales, collection and swap transactions.

In a letter dated May 2, 2025 as regards the Q4 2024 Financial Reports, the Company submitted additional documents in compliance with the trust fund deficiency on SEC-approved life plan amounting to ₱34,450,951:

1. Non-cash contribution of service assets amounting to ₱36,720,000

    a. Journal Number 78193 on the reversal of Journal Number 78163 as previously submitted and journal entry on the non-cash contribution of ₱36,720,000 to ATRAM Life Trust Account 10-TA-22;
    b. Letter to ATRAM dated April 29, 2025 with instruction to transfer the two (2) estate lots with a market value of ₱36,720,000 from Education Trust Account No. 10-TA-24 to Life Trust Account No. 10-TA-22; and
    c. Acknowledgement Receipt issued by ATRAM.

2. Non-cash contribution of service assets amounting to ₱10,800,000

    a. Letter to ATRAM dated April 25, 2025 with respect to the additional non-cash contribution of four (4) garden lots to Life Trust Account No. 10-TA-22 in the amount of ₱10,800,000;
    b. Acknowledgement Receipt issued by ATRAM; and
    c. Journal Number 78261 as regards the non-cash contribution of ₱10,800,000.

In a letter dated May 7, 2025 as regards the Q4 2024 Financial Report, the Company submitted a copy of transaction advice issued by BPI Wealth on the transfer of RTB5 -17 with face value of ₱50,000,000 representing compliance to education trust fund deficiency.

On May 23, 2025, the Company received a letter from the Commission dated May 19, 2025 that acknowledged the letters of the Company dated April 16, 2025, May 2, 2025 and May 7, 2025. In this letter, the Company's trust funds for the life/memorial plan and education plan comply with the regulatory requirement under Section 30 of the Code after considering the contribution of ₱37,162,008 and ₱70,000,000, respectively, as after-date transactions.

In a letter dated July 30, 2025, the Company submitted its quarterly progress report for 2025 2nd quarter on its approved investment plan pursuant to the directive of the IC in its letter dated March 27, 2025:

1. Disposal of the trust fund assets subject to breaches;
2. Sale of service assets (Heritage lots); and
3. Collection of receivables from sale of assets.

On August 1, 2025, the Company received a letter from the Commission dated July 28, 2025 that pertained to the 2024 Annual Statements Verification and Q1 2025 Financial Reports:

2024 Annual Statements

1. The Company was compliant with the following:

    a. Minimum unimpaired paid-up capital;
    b. Trust fund requirements on memorial, pension and education with consideration on the after-date transaction of additional contribution of ₱37,162,008 and ₱85,000,000 to life trust fund and education trust fund, respectively. Further, consideration was extended to the breaches in investment limits under education trust fund amounting to ₱470,775,145; and
    c. Insurance premium reserve.

2. On liquidity reserve, the Company is compliant with memorial and pension trust funds while deficient with education trust fund amounting to ₱2,301,987,383.

Q1 2025 Financial Reports

The Company was compliant with the regulatory requirements except the following:

1. Life trust fund is deficient by ₱125,935,866; and
2. Liquidity reserve for its education plan is deficient by ₱2,491,802,015.

Other Audit Findings

1. Planholder's loans with noted inaccuracies in loan documentation or system records and discrepances in contract numbers shown in the detailed schedule and seriatim list;
2. Service assets with noted differences in the lot count in the Annual Statements as against the appraisal report;
3. Net loss for the past three (3) consecutive years; and
4. Penalty on incorrect items in the AS schedules.

The company is directed the following:

1. Fund the life trust fund deficiency of ₱125,935,866 within sixty (60) days from receipt of the letter pursuant to Section 36 of the Code;
2. Submit payout behavior to planholders for the past three (3) years, together with the updated projected benefits payout for 2025 and the 2024 trust fund asset maturity profile, including other sources of funds, within ten (10) days from receipt of the letter; and
3. Comply with the requirements arising from other audit findings within ten (10) days:

    a. On planholders' loans, review and correct the discrepancies noted and submit a report on actions taken;
    b. On service assets, explain and reconcile the differences noted in the lot count of service assets;
    c. On net loss, submit a management action plan to address or mitigate this financial trend; and
    d. Pay the ₱3,000 penalty pursuant to CL No. 2014-15.

On August 6, 2025 and August, 2025, the Company submitted its response letters dated August 4, 2025 and August 7, 2025, respectively, on the directive of the Commission as regards the 2024 Annual Statements Verification and Q1 2025 Financial Reports, to wit:

1. On life trust fund deficiency of ₱125,935,866, the Company revisited its Pre-need Reserve as of March 31, 2025. The result thereof showed that the Pre-need Reserve was reduced from ₱4,370,524,186 to ₱4,033,613,162. Accordingly, in the computation of trust fund adequacy, the life trust fund has an excess of ₱173,813,149. Thus, the Company was compliant with the regulatory requirement. In view of this, the Company provided the following documents in support of the computed excess for consideration and review of the Commission:

    a. Revised interim financial statements as of March 31, 2025;
    b. Othe report on Breakdown of Revised Pre-need Reserves, Benefit Obligations/Payables and Investments in Trust Fund;
    c. Actuarial Certification on the Revised Pre-need Reserves with Termination Table; and
    d. Journal Voucher No. 78798 for the adjusting journal entry.

2. Payment Behavior with 2025 projected benefits payout and 2024 trust fund asset maturity profile with other sources of fund available for payment of benefits; and
3. Compliance with the other findings

    a. On planholder's loans

        i. The Company's review on the contract numbers showed that the identified planholders have multiple plans where the plan number indicated under column "Per Planholder's Loan" are the plans subjected to loan and not the plans under column "Per Seriatim List";
        ii. The Company corrected the process on the noted internal lapses in handling the Planholders' Loan;
        iii. The Company updated the schedule of Planholder's Loan as of December 31, 2024 with respect to the noted inconsistencies as well as other information that needed correction; and
        iv. The Company took note of the Commission's findings for enhanced reporting in the future.

    b. Service assets

        i. The Company stated that as of December 31, 2024, its total lot inventory count under Service Assets account was 4,144 only;
        ii. As regards the 54,447 lot-count stated in the appraisal report, the Company interpreted the presentation as enumerating the total number of lot inventory in Heritage Park owned by various investors. For PhilPlans as an investor, our representation was only limited to the 4,144 lots. Thus, we could do the reconciliation of the noted difference in lot count nor give comment on ownership;
        iii. For future appraisal engagement, the Company takes note of the Commission's findings for enhanced reporting.

c. Net loss

i. The review of the Company showed that the net loss incurred for the past three (3) consecutive years was attendant to the unrealized loss on some investment mix under trust fund accounts in which performance was driven by market behavior;
ii. The Company would continue to implement the approved action plan on the disposal of equities and other trust fund assets if and when the market condition warrants. This was also aligned in levelling off the breaches on equities;
iii. As an update on the company's performance, the Company attached its interim financial statements as of and for the six-month period ended June 30, 2025 in which the operation registered a net income of ₱801,112,040; and
iv. The Company maintained a thorough monitoring of its profitability as part of its long-term goal of going concern.

d. Penalty

The Company paid the penalty of ₱3,000 per OR No. 8880120 dated August 4, 2025.

In a letter dated August 14, 2025, the Company presented the computation of breaches as of June 30, 2025 pursuant to its letter dated July 30, 2025 in compliance with the Commission's directive on the submission of quarterly progress report on investment plan.

On August 22, 2025, the Company received through email a letter from the Commission dated August 19, 2025 that acknowledged the response letters of the Company dated July 30, 2025, August 4, 2025 and August 7, 2025 on updates on the status of the approved business plan and directives of the Commission relative to the 2024 Annual Statements and Q1 2025 Financial Reports. In this letter, the Company remained deficient by ₱27,852,226.05 after considering the ₱336,911,024 overstatement in Pre-need Reserve reported in Q1 2025. The Company was also directed to:

1. Fund the ₱27,852,226 trust fund deficiency on SEC-approved life/memorial plan by September 28, 2025 pursuant to Section 36 of the Code; and
2. Pay ₱45,000 penalty within (5) days from receipt of the letter pursuant to CL No. 2014-15, for late submission of interim financial statements, as the Company made a material revision to its initial submission.

In a letter dated September 8, 2025, the Company submitted its compliance to the directives of the Commission as follows:

1. Additional trust fund contributions of ₱3,000,000 and ₱25,000,000 on September 01, 2025 and September 2, 2025, respectively, or for a total of ₱28,000,000 in full compliance of the life trust fund deficiency of ₱27,852,226; and
2. Payment of penalty in the amount of ₱45,000 on August 27, 2025.

In a letter dated September 23, 2025, the Company sought an extension up to December 31, 2030 on the disposal of the remaining service assets of 590 Heritage lots in the trust funds. This is pursuant to IC CL No. 2022-37 dated July 18, 2022 that states "Companies shall liquidate the balances of Service Assets for a period of three (3) years from the effectivity date of the circular.

On October 2, 2025, the Company received through email a letter from the Commission dated September 29, 2025 with the approval of the 2024 Annual Statements and Q1 to Q2 2025 Financial Reports attendant to the Company's compliance with regulatory requirements. In this same letter, the Company was directed to publish the synopsis of the 2024 Annual Statements in two (2) newspaper of general circulation within thirty (30) days from receipt of the letter and furnish the Commission with the pertinent newspaper clippings within five (5) days after publication.

In a letter dated October 23, 2025, the Company submitted the publications of the synopsis of the 2024 Annual Financial Statement with the affidavit of publication.

On October 29, 2025, the Company received through email a letter from the Commission dated October 23, 2025 in reply to the letter of the Company dated September 23, 2025. In this letter, the Commission directed the Company to submit the following:

1. Business plan on the disposal of service assets within ten (10) days from receipt of the letter;
2. Monthly inventory report of service assets within (15) days after the end of each month.

In a letter dated October 30, 2025, the Company submitted its quarterly progress report for 2025 3rd quarter on its approved investment plan pursuant to the directive of the Commission in its letter dated March 27, 2025:

1. Disposal of the trust fund assets subject to breaches;
2. Sale of service assets (Heritage lots); and
3. Collection of receivables from sale of assets.

On November 7, 2025, the Company received via email a letter from the Commission dated November 6, 2025 on the closing of the 2024 Annual Statements (AS) Verification.

In a letter dated November 7, 2025, the Company submitted its business plan on sales projection for the year 2025 until 2029 as regards the proposed liquidation of the remaining service assets in its trust fund. Also, the Company committed to the submission of an inventory of assets within fifteen (15) days after end of each quarter.

On January 6, 2026, the Company received a letter from the Commission dated December 23, 2025 on the issuance of the Company's Certification of Registration and License to Act as a Pre-need Company for the year 2026.

On January 7, 2026, the Company received via email a letter from the Commission dated December 19, 2025 in which the Company was directed the following:

1. Fund the ₱100,544,451 education trust fund deficiency and submit reporting documents within sixty (60) days; and
2. Submit a written explanation and the corrective actions to be taken to address the findings in the collection reports within ten (10) day.

In a letter dated February 6, 2026, the Company submitted its quarterly progress report for 2025 4th quarter on its approved investment plan pursuant to the directive of the Commission in its letter dated March 27, 2025:

1. Disposal of the trust fund assets subject to breaches;
2. Sale of service assets (Heritage lots); and

3. Collection of receivables from sale of assets.

In a letter dated February 18, 2026, the Company submitted its compliance to the directive of the Commission per its letter dated December 19, 2025 that the Company we received on January 7, 2026 pertaining to the analysis of the Q3 2025 Financial Reports, to wit:

1. In full compliance to the education trust fund deficiency of ₱100,544,451 the Company made additional contributions amounting to ₱101,000,000 from December 2, 2025 to February 2, 2026;
2. On reporting of negative amounts, the negative amount related to transactions which were reported in previous month(s) but were subsequently adjusted due to cancellation of plan, change of plan and/or erroneous receipting. Our Internal Computer System would capture the transactions as is where is, thus, reflecting the negative amount in the report. This correction was automatically adjusted in the database.
3. As regards the late reporting of premium payments, this pertained to collections received during the month and posted on the following months due to the following:

   a. Policy was not yet approved;
   b. Plan was lapsed that needed approval for the reinstatement; and
   c. Unidentified deposits due to insufficient details.

The collections were closely monitored (reconciled) by our Finance Group. Once approved and/or cleared, the collections were posted as premium revenue. With this, the management would ensure correctness of the posting date where premium is recognized as revenue.

On March 4, 2026, the Company received an email from the Commission pertaining to the Company's Q4-2025 Financial Reports – Education Plan Trust Fund Deficiency. In their email, the details of their review were shown below:

<table>
<tr><th>Capital</th><th>Trust Fund</th><th>Liquidity Reserve</th><th>IPF</th><th>TF Investment Limits</th></tr>
<tr><td rowspan="3">Compliant</td><td>Life - Compliant</td><td>Life - Compliant</td><td rowspan="3">Compliant</td><td>Life - Compliant</td></tr>
<tr><td>Pension - Compliant</td><td>Pension - Compliant</td><td>Pension - Non-compliant (Debt and equity securities)</td></tr>
<tr><td>Education - Deficient by 41,616,861*</td><td>Education - Deficient by 1,771,142,600</td><td>Education - Non compliant (Real estate)</td></tr>
</table>

The Commission sought response from the Company on how to cure the deficiency of ₱41,616,861 and when to fully satisfy this amount.

The Company has yet to receive a formal letter from the Commission as regards the Q4 2025 Financial Reports per email dated March 4, 2026. In the meantime, the Company made an additional contribution as an after-date transaction from January 21, 2026 to March 30, 2026 amounting to ₱93,000,000 in full compliance of the education trust fund deficiency of 91,633,668 per computation in Note 10. Of the ₱93,000,000, the amount of ₱42,000,000 satisfied also the education deficiency amounting to ₱41,616,861 per Q4 2025 Financial Reports of the Commission.

On April 6, 2026, the Company received via email a letter from the Commission dated March 19, 2026 pertaining to the closure of the Q3 2025 Financial Reports. This was in view of the Company's compliance with the Commission's requirements and directives.

---

3. **Pre-Need Regulations**

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

Following are the more significant provisions of RA No. 9829:

- *Authority of the Insurance Commission.* All pre-need companies shall be under the primary and exclusive supervision and regulation of the Commission.
- *Paid-up capital.* A pre-need company incorporated after the effectivity of the Code shall have a minimum paid-up capital of ₱100 million. Existing pre-need companies shall comply with the following minimum unimpaired paid-up capital:
  a. ₱100 million for companies selling at least three (3) types of plan;
  b. ₱75 million for companies selling two (2) types of plan; and
  c. ₱50 million for companies selling a single type of plan.
- *Trust fund.* The trust fund shall at all times be sufficient to cover the required pre-need reserve (PNR). The RA specifies the minimum amount of corresponding contributions to the trust fund.
- *Limitations on different investments of the trust fund(s).* To ensure the liquidity of the trust fund to guarantee the delivery of the benefits provided for under the plan contract and likewise obtain sufficient capital growth to meet the growing actuarial reserve liabilities, all investments of the trust fund of a pre-need company shall be limited and subject to limitations specified by the RA.

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

Implementing Rules and Regulations (IRR) of RA No. 9829
After the issuance of RA No. 9829, the Commission issued the IRR on March 8, 2010. The salient provisions of the IRR are the same with that of RA No. 9829.

SEC Memorandum Circular (MC) No. 6, Series of 2002
The SEC issued MC No. 6, *Standards for Valuation of Actuarial Reserve Liabilities for Pre-need Plans*, effective June 27, 2002 (amended April 10, 2003). Following are the more significant provisions of this Circular:

a. Actuarial reserve liabilities (ARL) must be set up for all pre-need benefits guaranteed and payable by the pre-need company as defined in the pre-need plan contracts;

b. Where insurance coverage is provided in the plan contract, insurance premium reserves must be set up as a separate liability account;

c. The ARL must be determined by using a prospective method in accordance with the Guidelines and Standards of the Actuarial Society of the Philippines;

d. Actuarial reserve valuation methods must be consistent with any allowed accounting adjustments for deferred expenses. The net level contribution method of prospective valuation for both pre-need benefits reserve (PNR) and insurance premium reserve (IPR) shall be used when there is deferment of expenses. Only first year commissions, overrides and bonuses may be deferred;

   Administrative and other marketing expenses shall not qualify for deferral. The period of deferment shall not exceed the installment payment period and shall be in accordance with the New Pre-need Rules which took effect on September 21, 2001;

e. The ARL for a contract that has defaulted in payment of installments of the price, but which may still be reinstated, shall not be less than its reserve minus the uncollected contributions to reserve up to the date of valuation, multiplied by a validated reinstatement factor as determined by the actuary, provided the uncollected contributions to reserve is not reflected as an asset;

f. The interest rate assumption in reserve valuation should be reflective of expenses and taxes incurred on investments, but the rate shall in no case exceed 80% of the average interest rate for the longest term Philippine government security traded during the previous three (3) months.

   If the experience net yield rate of the trust fund is higher than the set maximum, the actuary must show conclusive proof of the contracts whose reserves are being valued, before assuming such experience net yield;

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

h. In determining the ARL of fully paid plans, no decrement rates other than utilization rates for the contingent principal benefits may be used. The actuary shall submit to the SEC for approval the necessary justification for any exception made to this rule; and

i. The actuary shall validate every year the actuarial assumptions used in the reserve valuation and shall include in the actuarial certification a statement of the validation procedure.

<u>Pre-need Rule 31, as Amended: Accounting Standards for Pre-need Plans and PNUCA</u>
On May 10, 2007, the SEC issued Pre-need Rule 31, as Amended, which adopted the revised accounting standards and chart of accounts that shall be considered the generally accepted accounting principles in the Philippines for pre-need companies. This Amended Pre-need Rule 31 became effective for interim financial statements covering periods ended June 30, 2007 and onwards and for annual financial statements for the year ended December 31, 2007 and thereafter.

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

Trust funds

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

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

c. The recognition and measurement of the assets in the trust funds shall be in accordance with PFRS 9, *Financial Instruments,* and PAS 40, *Investment Property*, and other applicable standards, depending on the composition of the fund.

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

Pre-need reserve

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

b. In recognizing PNR for education and pension plans, the general requirements of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, on provisioning and the specific methodology provided under this item shall be complied with by the company. For life plans, the requirements of PFRS 4, *Insurance Contracts*, shall be complied with by the Company;

c. The amount recognized as a provision to cover the PNR shall be the best estimate of the expenditure required to settle the present obligation at the reporting date. The risks and uncertainties that inevitably surround many events and circumstances shall be taken into account in reaching the best estimate of a provision;

d. The actuarial reserves for benefits shall be determined on prospective basis. The actuarial reserves for benefits directly provided by the pre-need company must be equal to the present value of all future benefits directly provided by the company less the present value of the future contributions to reserves for such benefits. The actuarial reserves for benefits provided indirectly by the pre-need company should be equal to the present value of the cost of providing these benefits less the present value of the contributions to reserves to provide for these benefits. Actuarial reserves on pre-need contracts should ever be less than the corresponding termination values;

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

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

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

h. The probability of pre-termination or surrender of fully paid plans shall be considered in determining the PNR of fully paid plans. A pre-need termination experience on fully paid plans of 5.00% and below shall be considered insignificant. In such cases, derecognition of liability shall be recorded at pre-termination date;

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

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

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

Other reserves
The company shall setup other provisions in accordance with PAS 37 to cover obligations such as IPR.

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

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

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

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

Cost of contracts issued
This account pertains to:

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

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

c. Documentary stamp tax and IC registration fees.

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

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

a. Basic commissions;
b. Other commission such as overrides, bonuses;
c. Insurance; and
d. Other expenses that constitute direct cost of contracts issued.

Individual subsidiary accounts for education plans and for pension plans must be maintained (e.g., (1) ‘Cost of contracts issued - education plans,’ (2) ‘Cost of contracts issued - pension plans’).

SEC Interpretative Bulletin No. 1, Series of 2008
On January 17, 2008, the SEC issued a bulletin to guide pre-need corporations, pre-need actuaries and pre-need external auditors on the implementation of Amended Pre-need Rule 31 and PNUCA.

The more significant provisions of this bulletin are as follows:

Pre-need reserve
The PNR or the reserve for education plan, life plan and pension plan, covers the liabilities for education plan, life plan and pension plan. The PNR represents the present value of future pre-need benefits less the present value of future trust fund contributions. The PNR of the three (3) plan types should be maintained separately as they differ in treatment and assumptions. The amount indicated as PNR shall be the same as that stated in the actuarial valuation report and audited financial statements with the required disclosures.

Discount rate
The company should compute the PNR using the SEC-approved hurdle rate per product model for Currently-Being-Paid Plans and Fully Paid Plans whose benefit payments are not due within the next five (5) years.

The company may also compute the present value of its liabilities using a lower discount rate other than the SEC-approved hurdle rate and the difference between the two computations shall be booked under the ‘Other reserves’ account in the audited financial statements, in accordance with the Amended Pre-need Rule 31.

Other reserves
Under the account ‘Other reserves,’ the company may, at its option and as a prudent measure, set up other provisions. Thus, the ‘Other reserves’ account may include the following items:

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

IC CL No. 2017-28
On May 2, 2017, the IC issued CL No. 2017-28 relating to the first two percent (2%) upward adjustment on the investment threshold allocation under the Pre-need Code. Pursuant to Section 34 of the Pre-need Code, the Commission is authorized to adjust the percentage allocation per category set forth therein not in excess of two percentage (2%) points upward or downward and no oftener than once every five (5) years.

In order to maximize the gains on higher yield investment for the trust fund, the upward adjustment of two percentage (2%) points shall apply to long-term commercial papers, direct loans, equities and real estate, subject to rules and regulations that would ensure prudent investment management and protection of the interest of the planholders.

IC CL No. 2019-06
On March 15, 2019, the IC issued CL No. 2019-06 providing Regulatory Relief for the Pre-need Industry to monitor and assess the overall impact of the regulatory relief provided for under IC CL No. 2018-58 to pre-need companies for the year 2018 and to further improve the regulations for pre-need companies.

The circular provides that all pre-need companies authorized to transact business in the Philippines shall submit the following quantitative impact assessment reports following the prescribed format:

a. with and without regulatory relief statement of financial position as of December 31, 2018 of the pre-need company;
b. with and without regulatory relief comparative statement of financial position as of December 31, 2018; and
c. with and without regulatory relief comparative reserve valuation report as of December 31, 2018.

All reports shall be duly certified and signed by the accountant and IC-accredited actuary together with the Chief Financial Officer (CFO) or its equivalent. The above reports form an integral part of the Annual Statements. The Company submitted to the IC the above-mentioned reports on May 30, 2019.

IC CL No. 2022-25
On May 19, 2022, the IC issued CL No.2022-25 relating to the additional two percent (2%) upward adjustment on the investment threshold allocation under the Pre-need Code. In order to provide flexibility and to maximize the gains on higher yield investments of the trust fund, the additional upward adjustments of two percentage (2%) points shall apply to long-term commercial papers, direct loans, equities and real estate subject to the rules and regulations that would ensure prudent investment management and protection of the interest of the planholders.

IC CL No. 2022-37
On July 18, 2022, the IC issued CL No. 2022-37 relating to the amended guidelines on allowable investments for pre-need trust fund. The circular letter mentioned the allowable investments includes the following:

i. Investment listed in Section 34 of the Code; and
ii. Other allowable investments under section 2 of the circular letter

The circular provides the following additional investments allowed as Other Allowable Investments and shall be equal to the residual allocation as computed in Section 4 of the circular:

i. Other equity securities – equity securities not included in Section 34 of the Code, provided, however that the issuer is listed in the PSE and shall have a minimum credit rating of Baa by PhilRatings, or BBB by CRISP or an equivalent rating from local or foreign credit-rating agency accredited by the (SEC) or its international counterpart.
ii. Real Estate Investments Trust and Exchange Traded Funds – PSE, listed Real Estate Investment Trust (REIT) and Exchange Traded Funds (ETF) approved by their respective regulatory agencies.
iii. Mutual Funds and Unit Investment Trust Funds – Mutual Funds duly registered with the SEC and local Unit Investment Trust Fund (UITF) approved by the Bangko Sentral ng Pilipinas (BSP), provided, however, that the underlying securities are all PHP-denominated
iv. Other debt securities – Debt Securities not included under Section 34 of the Code, provided, however, that the issuer or the issue obtained a minimum credit rating of Baa by PhilRatings, or BBB by CRISP or an equivalent rating from local or foreign credit-rating agency accredited by the SEC or its international counterpart.

Investment listed in Section 34 of the Code and Section 2.1 of the circular that do not meet the minimum prescribed conditions shall be allowed as investments in the Trust Fund, provided, that the total amount should not exceed five percent (5%) of the trust fund at acquisition cost after the consideration of limitations in Section 34 of the Code and Section 4 of this CL. Additionally, amounts in excess of the limitations set under Section 34 of the Code and Section 4 of this CL shall not qualify as Other Allowed Assets in trust fund.

Other allowable investments under Section 2.1 do not require prior approval from the IC. Assets listed or classified under Section 5of this CL may be changed or amended by the IC in response to changes in the domestic and global market conditions.

The circular also provides the treatment of existing service assets of pre-need companies. Service assets, as reference to previous CL No. 08-2012, if any, recorded and recognized by the IC in the Trust Funds of pre-need companies, shall still be recognized as part of the Trust Funds for purposes of determining the Trust Fund sufficiency. Companies shall liquidate the balances of Service Assets for a period of three (3) years from the effectivity of the CL. Proceeds from the sale or liquidation of Service Assets shall be deposited directly to their respective Trust Funds. A pre-need company is allowed to declare dividends, provided that the following conditions are met:

a. That the pre-need company shall comply with the requirements of dividends payments of the IC; and
b. That the pre-need company has liquidated the service assets within three (3) years. Otherwise, the maximum allowed to be declared and paid shall only be equal to the amount of service asset liquidated.

The circular also provides the limitations/concentration and other conditions for recognition of investments. Investments listed under Section 34 (a) to (c) shall comply with the limits conditions, and requirements set forth under Section 34 of the Code.

The basis of the computation for the limits of the instruments or investments shall be the acquisition cost of investments under Section 34 (a) to (c) and Other Allowable Investments under Section 2 of this CL. The value of the Service Assets referred to under Section 3 of this CL shall not be included in the computation of the limitations.

Other allowable investments shall be subject to the following limits:

i. The percentage of limit for Other Allowable Investments shall be the residual of the sum of the following less 100%:
   a. Sum of the actual allocation for government securities; and
   b. Sum of the actual allocations on investments under Section 34 (a) to (c) of the Code, subject to the maximum limits of the Code and any other pertinent circular letter issued.
ii. No deposits or investments in any single entity allocated to Other Allowable Investments shall exceed fifteen percent (15%) of the total value of the trust fund.

Limits on investments under Section 34 (a) to (c) of Code will be adjusted, subject to the provision provided under the last paragraph of Section 34 of the Code.

4. Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2025. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Company.

- Amendments to PAS 21, *Lack of Exchangeability*

  The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2025. Earlier adoption is permitted and that fact must be disclosed. When applying the amendments, an entity cannot restate comparative information.

Standards and Interpretations Issued but not yet Effective
Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect the future adoption of the said pronouncements to have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when these become effective.

Effective beginning on or after January 1, 2026
- Amendments to Illustrative Examples on PFRS 7, PFRS 18, PAS 1, PAS 8, PAS 26 and PAS 37, *Disclosures about Uncertainties in the Financial Statements*
- Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*
- Amendments to PFRS 9 and PFRS 7, *Contracts Referencing Nature-dependent Electricity*
- Annual Improvements to PFRS Accounting Standards—Volume 11
  - Amendments to PFRS 1, *Hedge Accounting by a First-time Adopter*
  - Amendments to PFRS 7, *Gain or Loss on Derecognition*
  - Amendments to PFRS 9, *Lessee Derecognition of Lease Liabilities and Transaction Price*
  - Amendments to PFRS 10, *Determination of a 'De Facto Agent'*
  - Amendments to PAS 7, *Cost Method*

Effective beginning on or after January 1, 2027
- PFRS 17, Insurance Contracts

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

On February 14, 2025, the FSRSC approved the amendment to PFRS 17, *Insurance Contracts* that further defers the date of initial application by an additional two (2) years, to annual periods beginning on or after January 1, 2027. This is consistent with Circular Letter No. 2025-04 issued by the Insurance Commission (IC). The Insurance Commission released IC CL 2025-04 on March 10, 2025 to further defer the date of initial application of PFRS 17, *Insurance Contracts* by an additional two (2) years, requiring the adoption of PFRS 17 in the audited financial statements for submission to the SEC effective January 1, 2027. However, companies are allowed to adopt PFRS 17 in their audited financial statements beginning 1 January 2025.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2027, with comparative figures required. Early application is permitted.

The Company does not intend to early adopt PFRS 17. The Company continues its assessment of the implications of this standard and expects that it will have a significant impact on the Company's financial statements as the requirements of the new standard are complex and requires application of significant judgments and estimates. Specifically, the establishment of CSM (or the unearned profits) on in-force insurance contracts will result in adjustments in insurance contract liabilities and corresponding movements in equity upon transition. Subsequently, the Company expects changes in the timing and recognition of the profits via amortization of the CSM into income as services are provided. The Company is continuously assessing the potential impact of all other changes including accounting policy choices available under PFRS 17 on how insurance contract liabilities are measured and the impact on presentation and disclosure of the financial results in the financial statements.

The adoption of PFRS 17 requires significant changes to the Company's accounting and reporting processes. To ensure readiness, the Company has invested on financial and actuarial technology platforms (Axis and Risk Integrity by Moodys) that will enhance data capture, improve actuarial models and assumptions, among others and subsequently, produce management information for financial planning and enhance business and strategic analyses.

The Company has established a transition program for PFRS 17 and has dedicated significant resources to execute and oversee the plan to manage operational, regulatory, and business and strategic risks associated with the implementation of this standard. To ensure proper and full implementation of the said standard, the Company has engaged an experienced third party.

The impact on the Company's financial statements arising from the initial application of PFRS 17 is reported to IC on a semi-annual basis through the completion of quantitative impact assessments.

Throughout 2025, training initiatives were sustained on a continuous basis. Concurrently, the Company maintained full compliance with IC requirements by ensuring the timely submission of quarterly status reports.

Based on the latest status report, the Company completed the identification and assessment of all contracts, along with the applicable measurement model. It also established and applied processes for data gathering and transformation. In addition, the Company has completed the draft PFRS 17 Company Accounting and Actuarial Policies, which outline the relevant principles, standards, specifications, and interpretations adopted based on management's perspective on specific policy matters. Furthermore, the Company has established the PFRS 17 Chart of Accounts, which will be integrated into the new accounting system.

- PFRS 18, *Presentation and Disclosure in Financial Statements*
- PFRS 19, *Subsidiaries without Public Accountability*
- Amendments to PAS 21, Translation to a Hyperinflationary Presentation Currency

Deferred effectivity

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

5. Material Accounting Policy Information

Foreign Currency Transactions and Translation

The functional and presentation currency of the Company is the Philippine Peso (₱). Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of the reporting period. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated.

Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. All foreign exchange differences are taken to profit or loss, except where it relates to items where gains or losses are recognized directly in other comprehensive income.

Product Classification

For purposes of complying with the provisions of PFRS 4, the Company classifies its life plans as insurance contracts. Insurance contracts are defined as those contracts under which the Company (the insurer) accepts significant insurance risk from another party (the planholders) by agreeing to compensate the planholders if a specified uncertain future event (the insured event) adversely affects the planholder.

As a general guideline, the Company defines significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk is reduced significantly during this period, unless all rights and obligations are extinguished or expired.

As provided under PFRS 4, this product classification exercise is solely for accounting purposes and does not make the Company an insurance company for statutory or regulatory purposes. The Company as a pre-need company is under the regulation of the IC.

For financial options and guarantees which are not closely related to the host insurance contract, bifurcation is required to measure these embedded financial derivatives separately at FVTPL. Bifurcation is not required if the embedded derivative is itself an insurance contract or when the host insurance contract itself is measured at FVTPL.

The surrender options within the life plans issued by the Company are treated as derivative financial instruments which are closely related to the host contract and therefore not bifurcated. As such, the Company does not separately measure options to surrender insurance contracts for a fixed amount (or an amount based on a fixed amount and an interest rate).

As provided under SEC Interpretative Bulletin No. 1, Series of 2008, the reserves for life plans shall be included in the PNR account in the statement of financial position.

Fair value measurement

The fair value for financial instruments traded in active market at the reporting date is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e., an exit price). The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to the Company. The Company measures the fair value of an asset or a liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. If an asset or a liability measured at fair value has both bid and ask prices, the Company uses the price within the bid-ask spread, which is the most representative of fair value in the circumstances. For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other relevant valuation models. Any difference noted between the fair value and the transaction price is treated as expense or income, unless it qualifies for recognition as some type of asset or liability.

For nonfinancial assets, the Company measures their fair value considering a market participant's ability to generate economic benefits by using an asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described in Note 26, based on the lowest level input that is significant to the fair value measurement as a whole.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents (including those in the investments in trust funds and insurance premium fund) are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from the date of placement and that are subject to an insignificant risk of change in value.

Financial Instruments (including those in the investments in trust funds and insurance premium fund)
Date of recognition
The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments
All financial instruments are initially recognized at fair value. Except for financial assets and financial liabilities at FVTPL, the initial measurement of financial instruments includes transaction costs.

'Day 1' difference
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or computed based on valuation technique whose variables include only data from observable markets, the Company recognizes the difference between the transaction price and the fair value (a 'Day 1' difference) in the statement of income unless it qualifies for recognition as some other type of asset or liability. In cases where fair value is determined using data which are not observable from the market, the difference between the transaction price and the model value is only recognized in the statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the amount of 'Day 1' difference.

Classification and Measurement of Financial Assets
Under PFRS 9, the classification and measurement of financial assets is driven by the entity's contractual cash flow characteristics of the financial assets and business model for managing the financial assets.

Contractual cash flows characteristics
As part of its classification process, the Company assesses the contractual terms of financial assets to identify whether they meet the 'solely payments of principal and interest' (SPPI) test. 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (e.g., if there are repayments of principal or amortization of the premium or discount).

Business model assessment
The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company's business model is not assessed on an instrument-by-instrument basis, but a higher level of aggregated portfolios and is based on observable factors such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and

- the expected frequency, value and timing of sales are also important aspects of the Company's assessment

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress-case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Company's original expectations, the Company does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly-originated or newly-purchased financial assets going forward.

The Company's measurement categories are described below:

Investment securities at amortized cost
Financial assets are measured at amortized cost if both of the following conditions are met:

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

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortized cost using the effective interest method, less any impairment in value.

As of December 31, 2025 and 2024, the Company's investment securities at amortized cost are presented in the statement of financial position, including those included in the 'Investments in trust funds' and 'Insurance premium fund', as 'Cash and cash equivalents', Short-term investments, 'Investment securities at amortized cost' and 'Loans and receivables (except advances to suppliers)'.

The Company may irrevocably elect at initial recognition to classify a financial asset that meets the amortized cost criteria above as at FVTPL if that designation eliminates or significantly reduces an accounting mismatch had the financial asset been measured at amortized cost.

Financial assets at FVTPL
Debt instruments that neither meet the amortized cost nor the FVOCI criteria, or that meet the criteria but the Company has chosen to designate as at FVTPL at initial recognition, are classified as financial assets at FVTPL.

Equity investments are classified as financial assets at FVTPL, unless the Company designates an equity investment that is not held for trading as at FVOCI at initial recognition. The Company's financial assets at FVTPL include equity securities which are held for trading purposes.

A financial asset is considered as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or,
- it is a derivative that is not designated and effective as a hedging instrument or financial guarantee.

Financial assets at FVTPL are measured at fair value. Related transaction costs are recognized directly as expense in profit or loss. Gains and losses arising from changes (mark-to-market) in the fair value of the financial assets at FVTPL and gains or losses arising from disposals of these instruments are included under 'Trust fund income' account in the statements of income.

Dividend income is reported in statements of income under 'Trust fund income' account when the right of payment has been established.

Financial assets at FVOCI - equity investments
At initial recognition, the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate equity investments as at FVOCI; however, such designation is not permitted if the equity investment is held by the Company for trading.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value, with no deduction for any disposal costs. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in 'Net unrealized gains (losses) on financial assets at FVOCI' in the statements of financial position. When the asset is disposed of, the cumulative gain or loss previously recognized in the Net unrealized fair value gains (losses) on financial assets at FVOCI account is not reclassified to profit or loss, but is reclassified directly to 'Retained earnings' account or other appropriate equity account. Any dividends earned on holding these equity instruments are recognized in profit or loss under 'Trust fund income' account.

As of December 31, 2025 and 2024, the Company has no equity securities designated as at FVOCI.

Financial assets at FVOCI - debt investments
The Company applies the new category under PFRS 9 of debt instruments measured at FVOCI when both of the following conditions are met:

- the instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets, and
- the contractual terms of the financial asset meet the SPPI test.

FVOCI debt instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value being recognized in OCI. Interest income and foreign exchange gains and losses are recognized under 'Trust fund income' account in profit or loss in the same manner as for financial assets measured at amortized cost. The ECL calculation for financial assets at FVOCI is explained in the 'Impairment of Financial Assets' section.

On derecognition, cumulative gains or losses previously recognized in OCI are reclassified from OCI to profit or loss.

The Company can only reclassify financial assets if the objective of its business model for managing those financial assets changes. Accordingly, the Company is required to reclassify financial assets: (i) from amortized cost to FVTPL, if the objective of the business model changes so that the amortized cost criteria are no longer met; and, (ii) from FVTPL to amortized cost, if the objective of the business model changes so that the amortized cost criteria start to be met and the characteristic of the instrument's contractual cash flows meet the amortized cost criteria.

A change in the objective of the Company's business model will be effected only at the beginning of the next reporting period following the change in the business model.

Classification of Financial Instruments between Debt and Equity

A financial instrument is classified as debt if it has a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Reclassifications of financial instruments
The Company reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Company and any previously recognized gains, losses or interest shall not be restated. The Company does not reclassify its financial liabilities.

The Company is required to reclassify the following financial assets:

- from amortized cost to FVTPL if the objective of the business model changes so that the amortized cost criteria are no longer met; and
- from FVTPL to amortized cost if the objective of the business model changes so that the amortized cost criteria start to be met and the instrument's contractual cash flows meet the amortized cost criteria.; and
- from FVOCI to amortized cost if the objective of the business model changes so that the fair value criteria are no longer met but the amortized cost criteria is still met and the instrument's contractual cash flows meet the amortized cost criteria.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

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

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

- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset; or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

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

Financial liability
A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or has expired. Where 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 statement of income.

<u>Impairment of Financial Assets</u>
The Company records the allowance for expected credit losses (ECL) for all loans and receivables and other debt financial assets not held at FVTPL, all referred to as 'financial instruments'. Equity instruments are not subject to impairment under PFRS 9.

ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions. ECL allowances will be measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that result from all possible default events over the expected life of a financial instrument.

Staging assessment
For non-credit-impaired financial instruments:

- Stage 1 is comprised of all financial instruments which have not experienced a SICR since initial recognition or is considered of low credit risk as of the reporting date. The criteria for determining whether an account should be assessed under Stage 1 are as follows: (i) past due up to 30 days; (ii) no significant increase in the probability of default. The Company recognizes a 12-month ECL for Stage 1 financial instruments.
- Stage 2 is comprised of all financial instruments which have experienced a SICR since initial recognition. A SICR is generally deemed present in accounts with: (i) more than 30 days up to 90 days past due, or (ii) with significant increase in PD. The Company recognizes a lifetime ECL for Stage 2 financial instruments.

For credit-impaired financial instruments:

- Stage 3 is comprised of all financial assets that have objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or portfolio of loans. The Company recognizes a lifetime ECL for Stage 3 financial instruments.

Definition of 'default'
The Company classifies a financial instrument as in default when it is credit impaired or becomes past due on its contractual payments for more than 90 days. As part of a qualitative assessment of whether a customer is in default, the Company considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted. An instrument is considered to be no longer in default (i.e. restored) if there is sufficient evidence to support that full collection is probable and payments are received for at least six months.

Significant increase in credit risk
To determine whether there has been a significant increase in credit risk in the financial assets, the Company compares credit risk at initial reporting date against credit risk as at the reporting date. The Company uses judgment combined with relevant reasonable and supportable historical and forward-looking information which are available without undue cost and effort in calculating ECL.

The Company assumes that instruments with an external rating of 'investment grade' from published data providers or other reputable agencies and maturities of less than 1 year at reporting date are low credit risk financial instruments and accordingly, does not have SICR since initial recognition.

For financial assets with a downgrade of two notches for investment grade and one notch for non-investment grade security indicates SICR since origination. The Company also presumes a SICR for receivables that are past due for 30 days. Consideration of events which caused the downgrade is relevant. Evaluation should also include historical and forward-looking information.

ECL parameters and methodologies
ECL is a function of the probability of default (PD), loss given default (LGD) and exposure at default (EAD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

The PD is an estimate of the likelihood of default over a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual instrument is modelled based on historic data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Company segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

Forward-looking information
The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as GDP growth, exchange rate, interest rate, inflation rate and other economic indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

Write-offs
Financial assets are written off either partially or in their entirety only when the Company has no other reasonable expectation of recovering the contractual cash flow.

Prepayments
Prepaid expenses pertain to resources controlled by the Company as a result of past events and from which future economic benefits are expected to flow to the Company. Prepayments are carried at cost and are amortized on a straight-line basis, over the period of intended usage, which is equal to or less than 12 months or within the normal operating cycle.

Prepaid Consultancy Fee
Prepaid consultancy fee is initially recognized by the Company at contract price, including additional taxes related to the agreement. Subsequently, the amount is amortized over the term of the agreement.

Creditable Withholding Taxes (CWT)
Creditable withholding taxes pertain to the taxes paid by the Company withheld by its counterparty for the payment of its expenses and other purchases. These CWTs are initially recorded at cost as an asset under ‘Other assets’ account. At each end of the tax reporting deadline, these CWTs may either be offset against future income tax payable or be claimed as a refund from the taxation authorities at the option of the Company. If these CWTs are claimed as a refund, these will be recorded as a receivable under ‘Loans and receivables’ account. At each end of the reporting period, an assessment for impairment is performed as to the recoverability of these CWTs.

Input value-added tax (VAT)
This pertains to the 12% indirect tax paid by the Company in the course of its trade or business on local purchase of goods and services.

Investment Property (including those held in trust funds and insurance premium fund)
Property held for long-term rental yields or for capital appreciation or for both, is classified as investment property. These properties are initially measured at cost, which includes transaction costs, but excludes day-to-day servicing costs. Replacement costs are capitalized if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be reliably measured.

Investment properties are stated at fair value, which reflects the prevailing market conditions at the statement of income date. Gains or losses resulting from changes in the fair values of investment properties from those held in trust funds and insurance premium fund are recognized in the statement of income under ‘Trust fund income’ and ‘Interest and other income’, respectively, in the period in which they arise.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner occupation, commencement of an operating lease to another party or ending of construction or development.

Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Investment property is derecognized when it has been disposed of or when permanently withdrawn from use and no future benefit is expected from its disposal. Any gain or loss on the retirement or disposal of investment properties is recognized in statement of income in the year of derecognition.

Property and Equipment

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

The initial cost of an item of property and equipment comprises its purchase price and/or development cost, including any directly attributable costs of bringing the asset to its working condition and location for its intended use. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the item will flow to the Company and the cost of the item can be reliably measured. All other repairs and maintenance are charged to statement of income during the period in which these are incurred.

Depreciation and amortization are computed on a straight-line basis over the estimated useful life (EUL) of the individual significant components of property and equipment, or the term of the lease, whichever is shorter, for leasehold improvements, as follows:

	Years
Office condominium	20
Transportation equipment	3-5
Furniture, fixtures and equipment	3-5
Leasehold improvements	1-5
System software	3

The assets' residual values, EUL and depreciation and amortization method are reviewed periodically to ensure that the residual values, period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

An item of property and equipment is derecognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the book value of the asset) is included in statement of income in the year the asset is derecognized.

The Company classifies right-of-use assets as part of property and equipment. The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. Right-of-use assets are subject to impairment. Refer to the accounting policies section in impairment of nonfinancial assets.

Service Assets - Memorial Lots (including those held in trust funds)
Service assets - memorial lots are memorial lots to be sold and bundled with life and pension products with the intention of reducing its liabilities in the future when the benefits are claimed.

Based on the IC letter dated November 6, 2015, service assets - memorial lots bundled with life and pension products constitute neither equity nor debt securities. The cost of memorial lots is initially valued at acquisition cost at the time of purchase. Subsequently, the same is valued at fair value through profit or loss at the end of the applicable financial reporting period. The fair market value of the unsold memorial lots is determined by an independent licensed appraiser accredited by the BSP and/or SEC. Any cost incurred in the execution of the funeral service packaged with a memorial lot shall be determined and recognized in the books of the trust fund. However, for its service assets - memorial lots sold on an installment basis, these lots should be measured subsequently at the contract price agreed upon execution of the deed of sale.

The fair value changes are reflected under ‘Income from service assets - memorial lots’ account and ‘Trust fund income’ account in the statements of income for service assets outside trust fund and for service assets held under trust funds, respectively.

Inventories - Memorial Lots
Inventories are initially measured at acquisition cost at the time of transfer and are available for individual/retail sale. They are subsequently valued at lower of cost or net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion, marketing and distribution. Cost is determined using the weighted average cost formula method.

Impairment of Non-financial Assets
This accounting policy applies primarily to the Company’s property and equipment.

At each end of the reporting period, the Company assesses whether there is any indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Company makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset’s or cash generating unit (CGU)’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs.
Where the carrying amount of an asset (or CGU) exceeds its recoverable amount, the asset (or CGU) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU). An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset.

For non-financial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years.

Such reversal is recognized in statement of income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense are adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Accrued Expenses and Other Liabilities
Accrued expenses and other liabilities are recognized when due and measured on initial recognition at the fair value of the consideration received. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

Contract Liabilities
Contract liabilities are obligations to transfer goods or services to a customer from which the Company has received consideration. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due, whichever is earlier. Contract liabilities are recognized as revenue when the Company performs under the contract.

Leases
The Company determines at contract inception whether a contract is, or contains, a lease by assessing whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessor
Finance leases, where the Company transfers substantially all the risks and benefits incidental to ownership of the leased item to the lessee, are included in the statement of financial position under 'Loans and receivables' account. A lease receivable is recognized at an amount equal to the net investment in the lease. All income resulting from the receivables is included in 'Interest and other income' in the statement of income.

Leases where the Company does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the year in which they are earned.

Company as a lessee
The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognizes right-of-use assets representing the right to use the underlying assets and lease liabilities to make lease payments.

Refer to the accounting policy for property and equipment for the recognition and subsequent measurement of right-of-use assets.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. Lease liabilities are presented under 'Accrued expenses and other liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its leases that have a lease term of twelve (12) months or less from the commencement date and do not contain a purchase option, and low-value assets recognition exemption to its leases of office equipment that are considered of low value (i.e., below ₱250,000). Lease payments on short-term leases and leases of low-value assets are recognized as rent expense under 'General and administrative expense' on a straight-line basis over the lease term.

<u>Provisions</u>
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain and the expense relating to any provision is presented in statement of income net of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

<u>Pre-Need Reserves for Education and Pension Plans</u>
PNR for education and pension plans are calculated on the basis of the methodology and assumptions set out in the Amended Pre-need Rule 31, as follows:

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

On Currently-Being-Paid Plans

i. Provision for termination values applying the inactivity and surrender rate experience of the Company; and
ii. For the portion of currently-being-paid plans that will reach full payment, applying the full payment experience of the Company, the liability is equivalent to the present value of future maturity benefits reduced by the present value of future trust fund contributions required per Product Model discounted at the approved hurdle rate per Product Model of the Company.

On Lapsed Plans within the Allowable Reinstatement Period

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

On Fully Paid Plans

i. For those due for payment within the next five (5) years, the reserve is the present value of future maturity benefits discounted at the attainable rate, as determined and certified by the Company's trustee using industry best practices and principles which shall be indicated in such certification; and
ii. For those not yet due for payment within the next five (5) years, the reserve is the present value of future maturity benefits discounted at the approved hurdle rate per Product Model of the Company.

- The lapse and surrender rate assumptions are based on the Company's experience validated through the periodic studies from 2010 to 2012. The reinstatement rate assumptions are based on the Company's experience validated through the periodic studies from 2004 to 2007.

  The computation of the foregoing assumptions has been validated by the internal qualified actuary of the Company.

- Based on Company's experience, the probability of pre-termination or surrender of fully paid plans ranged from 7.00% to 13.00% in 2016 until 2020 and therefore considered significant for some products. The derecognition of liability shall be recorded at pre-termination date.

In 2025 and 2024, the Company used 5.75% and 4.50% as discount rate for all approved plans.

The above rates followed the IC CL No. 23-2012 which sets the guidelines for the discount rate to be used in the valuation of PNR as disclosed in Note 6

<u>PNR for Life Plans</u>
PNR for life plans are computed using the net level premium reserving method based on a prospective approach, and is in accordance with the Guidelines and Standards of the Actuarial Society of the Philippines.

The actuarial assumptions used in the valuation of reserves (e.g., interest rate, inflation rate, withdrawal rate, availment rate and other pertinent assumptions) are based on the provisions of SEC Circular No. 6 and subsequent SEC memos on its implementation. In valuing PNR, the Company used discount rates of 5.75% and 4.50% for all approved plans in 2025 and 2024.

The Company uses 100% surrender rates for premium-paying plans. After premium-paying period, 4% surrender rate is used for all plan types which is based on the Company's actual experience from 2020 to 2024 validated through the periodic studies, except for MyGFund and PhilPlans Memorial Fund plans which use a 1% surrender rate.

Insurance Premium Reserves
For insurance benefits purchased by the Company, IPR (which represents the cost of purchasing such benefits after the installment payment period) are also set up as additional liabilities of the Company. The total additional liabilities relating to IPR after the installment payment period is included in the 'Other reserves' account in the statement of financial position.

Defined Benefit Plan
The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset.

Net interest on the net defined benefit liability or asset is recognized as expense or income in the statement of income.

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

<u>Equity</u>
Capital stock is measured at par value for all shares issued. When the Company issues shares in excess of par, the excess is recognized as additional paid-in capital (APIC). Incremental costs incurred directly attributable to the issuance of new shares are treated as deduction from APIC.

Retained earnings represents the cumulative balance of periodic net income or loss, prior period adjustments, effect of changes in accounting policies in accordance with PAS 8*, Accounting Policies, Changes in Accounting Estimates and Errors*, and other capital adjustment, net of any dividend declaration.

Unrestricted retained earnings represent that portion which is free and can be declared as dividends to stockholders.

Restricted retained earnings represent that portion which has been restricted and, therefore, is not available for any dividend declaration. This includes accumulated trust fund income restricted to payments of benefits to plan holders and such related payments as allowed under the Pre-need Rules. Reversal of appropriation pertains to benefit payments to plan holders during the year.

The other comprehensive income recorded under equity in the statement of financial position includes:

- Unrealized gains (losses) on financial assets at FVOCI – comprise of cumulative changes in fair value of financial assets at FVOCI
- Remeasurement gains (losses) on defined benefit plan - pertain to the remeasurement comprising actuarial gains or losses on the present value of the defined benefit obligation, net of return on plan assets

Revenue Recognition
Revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.
The Company follows a five-step model to account for revenue arising from the contracts with customers. The five-step model follows:

a. Identify the contract(s) with customer
b. Identify the performance obligations in the contract
c. Determine the transaction price
d. Allocate the transaction price to the performance obligation
e. Recognize revenue when (or as) the entity satisfies a performance obligation

The Company exercises judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers.

The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements.

The following specific recognition criteria must be met before revenue is recognized within the scope of PFRS 15:

Sale of memorial lots
Revenue is recognized at a point when control of the memorial lots has been transferred to the buyer, which is generally upon transfer of legal title. However, in certain circumstances, right of use or control over the property is ceded to the customer upon full payment of the total consideration, even in the absence of a certificate of title.

Advance payment from customers upon which control over the memorial lots has not been transferred by the Company is initially recognized as contract liabilities under 'Accrued expenses and other liabilities' in the statement of financial position. These are subsequently derecognized when control is transferred to the customer.

Service fee, loading income, surcharge and amendment fees
Planholders are charged for plan administration services, surrenders and other contract fees. These fees and charges are recognized as revenue in the period in which the related services are performed. These are included under 'Interest and other income' in the statements of income.

Miscellaneous income
Miscellaneous income is recognized in the statement of income when earned.

Following are the revenue streams of the Company, which are covered by accounting standards other than PFRS 15:

Premiums revenue
Premiums from sale of pre-need plans are recognized as earned when collected.

Trust fund income
Income generated by the trust funds is included in the 'Investments in trust funds' account under the assets section of the statement of financial position and credited to trust fund income. This income is restricted to payments as enumerated in Note 10. This includes the following accounts:

- *Dividend income*
  The Company recognizes dividend income when the Company's right to receive payment is established.
- *Fair value gain/loss on financial assets at FVTPL and Gain/loss on sale of financial assets*
  The Company recognizes net trading and investment securities gains arising from the results of trading activities, all gains and losses from changes in fair value of financial assets at FVTPL, and gains and losses from disposal of debt securities at FVOCI.
- *Rental income*
  The Company accounts for rental income arising on leased properties on a straight-line basis over the lease terms of ongoing leases.
- *Fair value gain on investment properties and service assets - memorial lots*
  This pertains to changes in fair value of investment properties and service assets - memorial lots held in trust funds.

Income from service assets - memorial lots
This includes income from sale and changes in fair value of service assets - memorial lots not held in trust funds.

Interest income
For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as financial assets at FVOCI, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), including any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

The adjusted carrying amount is calculated based on the original effective interest rate. The change in carrying amount is recorded as interest income.

When a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3, the Company calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Company reverts to calculating interest income on a gross basis.

Costs of Contracts Issued
Changes in PNR (including trust fund contributions) and other reserves are recognized as expense during the year. Documentary stamp taxes and SEC registration fees are expensed as incurred.

Plan Benefits Expense
Plan benefits expense pertains to benefits availed of by the planholders/beneficiaries that include memorial services on life plans, maturities and termination benefits, except benefits paid from insurance coverage. Plan benefits expense is recognized upon maturity of the related plan.

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

Cost of sale of memorial lots
Cost of sale of memorial lots is recognized in the statement of income in the year these are incurred.

General and Administrative Expenses
General and administrative expenses constitute costs of administering the business and are recognized as expenses when incurred.

Income Tax
Income tax on profit and loss for the year comprises current and deferred tax. Income tax is determined in accordance with tax laws and is recognized in the statement of income, except to the extent that it relates to items directly recognized in OCI.

Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

Deferred tax
Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and,
- at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Movements in the deferred tax assets and liabilities are charged or credited to income for the year.

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

Contingencies

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

Events after the Reporting Date

The financial statements are adjusted to reflect events that occurred between the end of the reporting period and the date when the financial statements are authorized for issue, provided they give evidence of conditions that existed at the end of the reporting period. Events that are indicative of condition that arose after the reporting date are disclosed, but do not result in an adjustment of the financial statements themselves.

6. Significant Accounting Judgments and Estimates

The preparation of the financial statements in accordance with Philippine GAAP for pre-need companies requires the Company to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of changes in estimates are reflected in the financial statements as they become reasonably determinable.

Although judgments, estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, the actual outcome may differ from these estimates, possibly significantly in future periods when changes occur.

Judgments

(a) *Going concern assessment*
The management of the Company has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future.

(b) *Product classification*
Insurance contracts are those contracts where the Company (the insurer) has accepted significant insurance risk from another party (the planholders) by agreeing to compensate the planholders if a specified uncertain future event (the insured event) adversely affects the planholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

The Company has determined that the life plans it issues have significant insurance risk and therefore meets the definition of an insurance contract.

(c) *Evaluation of business model in managing financial instruments*
The Company developed business models which reflect how it manages its portfolio of financial instruments. The Company's business models need not be assessed at entity level or as a whole but applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Company) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument, the Company evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Company, various risks and key performance indicators being reviewed and monitored by responsible officers, as well as the manner of compensation for them.

The Company's Board of Directors (BOD) approved its documentation of business models which contains broad categories of business models. The Company's classification of financial assets now consists of amortized cost, FVOCI and FVTPL.

In addition, PFRS 9 emphasizes that if more than an infrequent and more than an insignificant sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Company considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Company can explain the reasons for those sales and why those sales do not reflect a change in the Company's objective for the business model.

(d) *Revenue recognition*
The Company recognizes revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. With respect to the sale of service assets - memorial lots, the Company determined that that there is one performance obligation in each of these contracts.

The Company has evaluated the timing of revenue recognition on the sale of property based on a careful analysis of the rights and obligations under the terms of the contract. The Company has concluded that contracts relating to the sale of service assets - memorial lots are recognized at a point in time when control transfers. Control is generally expected to transfer to the customer together with the certificate of title. However, in certain circumstances, right of use or control over the property is ceded to the customer upon full payment of the total consideration, even in the absence of certificate of title.

<u>Estimates</u>
(a) *Pre-need Reserves (PNR) and Other Benefit Reserves (OBR)*
PNR is set up for all pre-need benefits guaranteed and payable by the Company as defined in the pre-need plan contracts. The Company is guided by the Amended Pre-Need Rule 31 in the calculation of the PNR for education and pension plans.-For life plans, the PNR is computed using the net level premium reserving method based on a prospective approach, and is in accordance with the Guidelines and Standards of the Actuarial Society of the Philippines.

As of December 31, 2025 and 2024, based on the actuarial valuation report, the principal assumptions used in determining the PNR of the Company are shown below.

As of December 31, 2025 and 2024, the Company has used the same rates. A 5.75% discount rate is used in valuing the PNR for education, life, and pension plans, while for the products under life and pension plans, the Company used 4.50% discount rate.

PNR for life plans was set up for the memorial services and cash benefits guaranteed and payable by the pre-need company as defined in the life plan contracts. The Company is guided by existing IC regulatory rules/circulars and generally accepted actuarial principles in the calculation of the PNR. It uses assumptions based on Company experience. These actuarial assumptions include interest rate, surrender and lapse rate, reinstatement rate, expected number of deaths and other assumptions necessary to estimate the PNR. Estimates are made as to the expected number of deaths for each of the years in which the Company is exposed to risk. These estimates are based on claims data based on Company experience.

As of December 31, 2025 and 2024, the carrying value of PNR for education, pension and life plan are disclosed in Note 16.

2025

- **Education Plans**

	PNR using Attainable Interest Rate	
Type of Pre-Need Product	**Rate (%)**	**Amount**
Education plan (Repriced Gold)	**5.75%**	**₱480,950,801**
Education plan (Summa)	**5.75%**	**741,519,670**
Education plan (Prodigy)	**5.75%**	**266,145,706**
Education plan (Premiere & Pangako)	**5.75%**	**264,828,397**
Education plan (Gold)	**5.75%**	**1,893,391**
Education plan (New Gold)	**5.75%**	**159,129,312**
Education plan (STI)	**5.75%**	**19,605,984**
Education plan (Magna)	**5.75%**	**6,521,702**
		₱1,940,594,963

- **Pension Plans**

	PNR using Attainable Interest Rate	
Type of Pre-Need Product	**Rate (%)**	**Amount**
Pension plan (PMF Plus)	**4.50%**	**₱8,273,438**
Pension plan (My GFund)	**5.75%**	**139,312,290**
Pension plan (Nova Products)	**5.75%**	**2,514,820,452**
Pension plan (Future Fund Variants)	**5.75%**	**75,274,544**
Pension plan (Repriced Future Fund Variants)	**5.75%**	**395,213,054**
Pension plan (Builder Products)	**5.75%**	**163,788,232**

Type of Pre-Need Product	PNR using Attainable Interest Rate	
	Rate (%)	**Amount**
Pension plan (Participating Plans)	**5.75%**	**376,642,712**
Pension plan (Comprehensive)	**5.75%**	**12,548,438**
Pension plan (Kaban Products)	**5.75%**	**689,075,076**
Pension plan (Mega Products)	**5.75%**	**306,086,468**
Pension plan (Comprehensive-EPP)	**5.75%**	**50,799,462**
Pension plan (Futura)	**5.75%**	**339,686,276**
Pension plan (Pitaka Products)	**5.75%**	**61,788,378**
Pension plan (Alkansya Products)	**5.75%**	**75,749,231**
Pension plan (Pangarap/Plus)	**5.75%**	**50,229,150**
Pension plan (Booster Products)	**5.75%**	**3,912,676**
Pension plan (I/Plan Products)	**5.75%**	**1,891,575**
Pension plan (Standard)	**5.75%**	**–**
Pension plan (Surehealth Products)	**5.75%**	**387,037**
Pension plan (Standard-EPP)	**5.75%**	**1,307,048**
		₱5,266,785,537

- **Life Plan**

Type of Pre-Need Product	PNR using Attainable Interest Rate	
	Rate (%)	**Amount**
Life plan (Ultima)	**5.75%**	**₱1,436,614,151**
Life plan (Classic Memorial)	**5.75%**	**1,045,666,155**
Life plan (Payapa)	**5.75%**	**398,186,761**
Life plan (Heritage Memorial)	**4.50%**	**107,972,662**
Life plan (Nacional Memorial)	**4.50%**	**4,809,736**
Life plan (PMF)	**4.50%**	**54,558,403**
Life plan (Virtue)	**5.75%**	**201,766,447**
Life plan (Panatag)	**5.75%**	**143,465,501**
Life plan (Heritage)	**5.75%**	**367,766,061**
Life plan (Pamana)	**5.75%**	**103,672,217**
Life plan (Interment)	**5.75%**	**246,513,802**
Life plan (Inheritage (50/100)	**5.75%**	**33,617,298**
Life plan (Serenity)	**5.75%**	**37,214,072**
Life plan (Dignity)	**5.75%**	**23,579,634**
Life plan (MAP)	**5.75%**	**37,057,122**
Life plan (Nacional)	**5.75%**	**26,209,349**
Life plan (Parangal)	**5.75%**	**2,999,207**
		₱4,271,668,578

2024

- Education Plans

Type of Pre-Need Product	PNR using Attainable Interest Rate	
	Rate (%)	Amount
Education plan (Repriced Gold)	5.75%	₱960,501,065
Education plan (Summa)	5.75%	723,021,074
Education plan (Prodigy)	5.75%	322,712,655
Education plan (Premiere & Pangako)	5.75%	330,192,672
Education plan (New Gold)	5.75%	210,781,610
Education plan (Gold)	5.75%	10,513,761
Education plan (STI)	5.75%	18,968,079
Education plan (Magna)	5.75%	8,218,880
		₱2,584,909,796

- Pension Plans

Type of Pre-Need Product	PNR using Attainable Interest Rate	
	Rate (%)	Amount
Pension plan (PMF Plus)	4.50%	₱1,972,636
Pension plan (My GFund)	5.75%	117,081,484
Pension plan (Nova Products)	5.75%	2,504,042,769
Pension plan (Future Fund Variants)	5.75%	113,495,302
Pension plan (Repriced Future Fund Variants)	5.75%	530,357,427
Pension plan (Participating Plans)	5.75%	480,005,048
Pension plan (Kaban Products)	5.75%	642,303,673
Pension plan (Builder Products)	5.75%	193,032,927
Pension plan (Mega Products)	5.75%	306,932,999
Pension plan (Futura)	5.75%	278,967,757
Pension plan (Comprehensive-EPP)	5.75%	76,244,063
Pension plan (Comprehensive)	5.75%	26,095,893
Pension plan (Alkansya Products)	5.75%	88,082,498
Pension plan (Pitaka Products)	5.75%	73,129,878
Pension plan (Pangarap/Plus)	5.75%	65,213,326
Pension plan (Booster Products)	5.75%	444,716
Pension plan (I/Plan Products)	5.75%	11,428,723
Pension plan (Surehealth Products)	5.75%	706,451
Pension plan (Standard-EPP)	5.75%	1,212,752
Pension plan (Standard)	5.75%	98,068
		₱5,510,848,390

- Life Plan

Type of Pre-Need Product	PNR using Attainable Interest Rate	
	Rate (%)	Amount
Life plan (Ultima)	5.75%	₱1,377,772,119
Life plan (Classic Memorial)	5.75%	1,021,694,436
Life plan (Payapa)	5.75%	342,734,872
Life plan (Virtue)	5.75%	209,357,214
Life plan (Heritage)	5.75%	342,622,436
Life plan (Panatag)	5.75%	138,819,283
Life plan (Interment)	5.75%	219,441,317
Life plan (Pamana)	5.75%	99,398,750
Life plan (Serenity)	5.75%	35,880,865
Life plan (Inheritage (50/100)	5.75%	31,996,118
Life plan (Dignity)	5.75%	24,506,731
Life plan (MAP)	5.75%	34,724,952
Life plan (Nacional)	5.75%	25,008,021
Life plan (Parangal)	5.75%	2,868,704
Life Plan (Heritage Memorial)	4.50%	267,430,282
Life Plan (Nacional Memorial)	4.50%	14,772,824
Life Plan (PMF)	4.50%	8,356,536
		₱4,197,385,460

- Lapse and Surrender Rates
  The current year lapse rate assumptions are retained from prior year which are based on the Company's monitoring of withdrawals over 2011 to 2020. For surrender rates during paying period, the actively paying population is mostly comprised of products with QPU features, hence 100% surrender assumption on those who lapse was used. The surrender rate assumptions after paying period are based on the Company's updated experience study and are predicated based on the aggregate average ratios of Terminated Plans and Fully Paid Plans of Pension, Life, and Education plans for the recent 5 years, recent 4 years, and recent 3 years. It was observed that the annual surrender rates have been decreasing from 2022 to 2024 for all product types, hence the surrender rate is reduced to 4% from 6% for Pension and Education plans, and from 5% for Life plans, except for MyGFund and PhilPlans Memorial Fund Plus with a 1% surrender rate assumption.

  The reinstatement rate assumptions are based on the Company's experience validated through periodic studies from 2004 to 2007. Lapse and surrender rates vary by product, depending on product design and features such as premium-payment period and pre-termination benefits. In general, lapse rates are highest during the first year and decrease as the plans become paid-up. Where the probability of pre-termination of fully-paid plans was below 5.00%, no pre-termination rate was considered in determining the PNR. The derecognition of liability shall be recorded at pre-termination date.

  The lapse, surrender and reinstatement rates used by the Company in 2025 and 2024 are shown below:

a. Lapse rates

Life, Pension and Education

2025

	Non - Quick Paid-Up (QPU) and QPU Products					
Year	**1 Year**	**2 Years**	**3 Years**	**5 Years**	**7 Years**	**10 Years**
1	**0.00%**	**0.60%**	**0.60%**	**10.00%**	**5.38%**	**8.76%**
2	**-**	**0.60%**	**0.60%**	**6.20%**	**4.52%**	**7.82%**
3	**-**	**-**	**0.60%**	**3.85%**	**3.80%**	**6.97%**
4	**-**	**-**	**-**	**2.38%**	**3.20%**	**6.19%**
5	**-**	**-**	**-**	**1.48%**	**2.69%**	**5.50%**
6	**-**	**-**	**-**	**-**	**2.26%**	**4.88%**
7	**-**	**-**	**-**	**-**	**1.90%**	**4.34%**
8	**-**	**-**	**-**	**-**	**-**	**3.89%**
9	**-**	**-**	**-**	**-**	**-**	**3.51%**
10	**-**	**-**	**-**	**-**	**-**	**3.22%**

2024

	Non - Quick Paid-Up (QPU) and QPU Products					
Year	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
1	0.00%	0.60%	0.60%	10.00%	5.38%	8.76%
2	–	0.60%	0.60%	6.20%	4.52%	7.82%
3	–	–	0.60%	3.85%	3.80%	6.97%
4	–	–	–	2.38%	3.20%	6.19%
5	–	–	–	1.48%	2.69%	5.50%
6	–	–	–	–	2.26%	4.88%
7	–	–	–	–	1.90%	4.34%
8	–	–	–	–	–	3.89%
9	–	–	–	–	–	3.51%
10	–	–	–	–	–	3.22%

b. Surrender rates during premium-paying period

Life, Pension and Education

2025

	Non - Quick Paid-Up (QPU) and QPU Products					
Year	**1 Year**	**2 Years**	**3 Years**	**5 Years**	**7 Years**	**10 Years**
1	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
2		**100%**	**100%**	**100%**	**100%**	**100%**
3			**100%**	**100%**	**100%**	**100%**
4				**100%**	**100%**	**100%**
5				**100%**	**100%**	**100%**
6					**100%**	**100%**
7					**100%**	**100%**
8						**100%**
9						**100%**
10						**100%**

2024

	Non - Quick Paid-Up (QPU) and QPU Products					
Year	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
1	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
2	–	100.00%	100.00%	100.00%	100.00%	100.00%
3	–	–	100.00%	100.00%	100.00%	100.00%
4	–	–	–	100.00%	100.00%	100.00%
5	–	–	–	100.00%	100.00%	100.00%
6	–	–	–	–	100.00%	100.00%
7	–	–	–	–	100.00%	100.00%
8	–	–	–	–	–	100.00%
9	–	–	–	–	–	100.00%
10	–	–	–	–	–	100.00%

c. Surrender rates after premium-paying period

Life, Pension and Education

2025

	Non - Quick Paid-Up (QPU) and QPU Products					
Year	**1 Year**	**2 Years**	**3 Years**	**5 Years**	**7 Years**	**10 Years**
1	**4%**	**4%**	**4%**	**4%**	**4%**	**4%**
2		**4%**	**4%**	**4%**	**4%**	**4%**
3			**4%**	**4%**	**4%**	**4%**
4				**4%**	**4%**	**4%**
5				**4%**	**4%**	**4%**
6					**4%**	**4%**
7					**4%**	**4%**
8						**4%**
9						**4%**
10						**4%**

2024

	Non - Quick Paid-Up (QPU) and QPU Products					
Year	1 Year	2 Years	3 Years	5 Years	7 Years	10 Years
1	4%	4%	4%	4%	4%	4%
2	–	4%	4%	4%	4%	4%
3	–	–	4%	4%	4%	4%
4	–	–	–	4%	4%	4%
5	–	–	–	4%	4%	4%
6	–	–	–	–	4%	4%
7	–	–	–	–	4%	4%
8	–	–	–	–	–	4%
9	–	–	–	–	–	4%
10	–	–	–	–	–	4%

d. Reinstatement rates

Life, Pension and Education: 10.00% for 2025 and 10.00% for 2024

(b) *Sensitivity of PNR*
The key assumptions, to which the estimation of PNR is compared, are shown below. Any fluctuation on the assumption should be validated and observed before application in the computation of PNR:

- Interest Rates
Estimates are made as to future investment income arising from the assets that back up pre-need contracts. These estimates are based on current market returns, expectations about future economic and financial developments, and the Company's investment strategies.

2025

	Change in Assumptions	**Increase in Liabilities**	**Decrease in Income Before Tax**
Valuation interest rates	**5.50%**	**₱153,901,780**	**(₱153,901,780)**
	5.00%	**486,383,023**	**(486,383,023)**
	4.00%	**1,287,814,165**	**(1,287,814,165)**
	3.00%	**2,278,632,828**	**(2,278,632,828)**

2024

	Change in Assumptions	Increase in Liabilities	Decrease in Income Before Tax
Valuation interest rates	5.50%	₱158,027,722	(₱158,027,722)
	5.00%	499,178,265	(499,178,265)
	4.00%	1,307,760,855	(1,307,760,855)
	3.00%	2,294,151,543	(2,294,151,543)

- Lapse and Surrender Rates
Lapses relate to the termination of policies due to nonpayment of premiums. Surrenders relate to the voluntary termination of policies by planholders. Plan termination assumptions are determined using statistical measures based on the Company's experience and vary by product type, policy duration and sales trends.

An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.

2025

	Change in Assumptions	**Increase (Decrease) in Liabilities**	**Increase (Decrease)in Income Before Tax**
Lapsation and surrender rates	**+ 10.00%**	**(₱67,708,795)**	**₱67,708,795**
	-10.00%	**71,908,541**	**(71,908,541)**

2024

	Change in Assumptions	Increase (Decrease) in Liabilities	Increase (Decrease) in Income Before Tax
Lapsation and	+10.00%	(₱60,909,078)	₱60,909,078
surrender rates	-10.00%	64,089,172	(64,089,172)

(c) Insurance premium reserves
The Company purchases group insurance benefits from an insurance company. Since pre-need plans are limited pay where insurance coverage may be provided even after the premium payment period, insurance premiums are still paid to the insurance company for the cost of the insurance coverage even after the instalment paying period. Thus, the Company sets aside IPR to pay for insurance premiums due after the paying period. The IPR is the present value of all such insurance premiums payable to the insurance company. The calculation uses the same actuarial assumptions and considers the portion of future instalments allotted for insurance expenses.

IPR included in the 'Other reserves' account in the statement of financial position. Related balances are disclosed in Note 17.

(d) Fair value of service assets - memorial lots
The service assets - memorial lots are valued at fair value through profit or loss at the end of the applicable financial reporting period. The fair market value of the unsold memorial lots is determined by an independent licensed appraiser accredited by the SEC and valued using market data approach.

With this approach, the value of the service assets - memorial lots is based on sales and listings of comparable memorial lots registered in the vicinity. The technique of this approach requires the establishment of comparable memorial lots by reducing reasonable comparative sales and listings to a common denominator and adjustment of the differences between the subject memorial lots and those actual sales and listings regarded as comparable. The comparison was premised on the factors of location, characteristics of the lot, time element, quality and prospective use. It is possible that future results of operations could be affected by changes in these estimates brought about by the changes in the factors mentioned.

As of December 31, 2025 and 2024, the fair market values of service assets - memorial lots are disclosed in Notes 10, 11, 13 and 26.

(e) Fair values of investment properties
The Company carries its investment properties at fair value, with changes in fair value being recognized in the Company's statement of income. The Company engaged independent appraisers accredited by the SEC to determine fair value using income and market data approach.

With income approach, an indication of value is derived for income producing property by converting anticipated future benefits into current property value. With market data approach, the value of investment properties consider the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

As of December 31, 2025 and 2024, the fair market values of investment properties are disclosed in Notes 10, 11 and 26.

(f) Fair values of financial assets

The Company carries certain financial assets at fair value, which requires extensive use of accounting estimates and judgments. Fair value determinations for financial assets and liabilities are based generally on listed or quoted market prices. If prices are not readily determinable or if liquidating the positions is reasonably expected to affect market prices, fair value is based on either internal valuation models or management's estimate of amounts that could be realized under current market conditions, assuming an orderly liquidation over a reasonable period of time.

While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value of these financial assets and liabilities would affect profit and loss and other comprehensive income.

As of December 31, 2025 and 2024, the carrying amounts of financial assets measured at fair value are disclosed in Notes 8, 10, 11, and 26.

(g) Expected credit losses on financial assets

The Company reviews its financial assets and commitments at each reporting date to determine the amount of expected credit losses to be recognized in the statement of financial position and any changes thereto in the statement of income.

In particular, judgments and estimates by management are required in determining the following:

- whether a financial asset has had a significant increase in credit risk since initial recognition;
- whether default has taken place and what comprises a default;
- macro-economic factors that are relevant in measuring a financial asset's probability of default as well as the Company's forecast of these macro-economic factors;
- probability weights applied over a range of possible outcomes;
- sufficiency and appropriateness of data used and relationships assumed in building the components of the Company's expected credit loss models

The carrying values of allowance for expected credit losses on accounts not held in trust funds relating to cash and cash equivalents (excluding cash on hand), investments, investment securities at amortized cost under insurance premium fund and loans and receivables of the Company as of December 31, 2025 and 2024 are shown below:

	2025	2024
Cash and cash equivalents (Note 7)	**₱209,538**	₱275,322
Loans and receivable (Note 8)	**5,888,217**	5,645,968
Insurance Premium Fund (Note 11)	**132,009**	81,889
	₱6,229,764	₱6,003,179

Provision for (recovery of) credit losses on financial assets (Note 23) are as follows:

	2025	2024
Cash and cash equivalents (Note 7)	**(₱65,784)**	(₱248,363)
Loans and receivable (Note 8)	**242,259**	81,595
Insurance Premium Fund (Note 11)	**50,120**	(2,156)
	₱226,595	(₱168,924)

(h) *Recognition of deferred tax assets*
Deferred tax assets are established for tax benefits related to deductible temporary differences, carry forward of unused tax losses and/or tax credits. These assets are periodically reviewed for realization. Periodic reviews cover the nature and amount of deferred income and expense items, expected timing when assets will be used or liabilities will be required to be reported, reliability of historical profitability of businesses expected to provide future earnings and tax planning strategies which can be utilized to increase the likelihood that tax assets will be realized.

The details of the temporary differences with unrecognized deferred tax assets and recognized deferred tax assets and liabilities are disclosed in Note 25.

(i) *Pension and other employee benefits*
The cost of defined benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on the 1994 Group Annuity Mortality Table and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

The net pension liability as of December 31, 2025 and 2024 amounted to ₱13,281,507 and ₱4,876,783, respectively (see Note 18).

(j) *Contingencies*
The Company is currently involved in legal proceedings and other claims from third parties. The estimate of the probable costs for the resolution of these claims has been developed in consultation with legal counsel.

The Company does not believe that these proceedings will have a material adverse effect on the Company's financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates (see Note 30).

7. Cash and Cash Equivalents and Short-term Investments

Cash and Cash Equivalents
This account consists of:

	2025	2024
Revolving funds	**₱15,000**	₱15,000
Cash in banks	**119,055,443**	153,576,529
Cash equivalents	**311,365,906**	369,900,283
Subtotal	**430,436,349**	523,491,812
Less allowance for credit losses (Note 6)	**209,538**	275,322
Total	**₱430,226,811**	₱523,216,490

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are made for varying periods of up to three months or less, depending on the immediate cash requirements of the Company, and earn interest at the prevailing short-term rates that ranged from 4.63% to 6.00% and from 5.50% to 6.00% in 2025 and 2024, respectively.

The rollforward analysis of allowance for impairment credit losses follows:

	2025	2024
At January 1	**₱275,322**	₱523,685
Provision during the year (Note 23)	**(65,784)**	(248,363)
Balance at December 31	**₱209,538**	₱ 275,322

Interest income earned on cash and cash equivalents amounted to ₱1,805,641 and ₱4,200,501 in 2025 and 2024, respectively (see Note 21).

In 2025 and 2024, cash and cash equivalents were carried at Stage 1 and there were no transfers into and out of Stage 1.

Short-term Investments
Short-term investments earn interest at the prevailing market rates with maturities of more than three months to one year from dates of acquisition. The Company has no outstanding short-term investments as of December 31, 2025 and 2024.

Interest income earned on cash equivalents amounted to ₱19,095,003 and ₱23,248,203 in 2025 and 2024, respectively (see Note 21).

8. Financial Assets

The Company's financial assets are summarized by measurement categories as follows:

	2025	2024
Financial assets at FVTPL (Notes 6 and 26)	**₱25,890,331**	₱135,468,315
Investment securities at amortized cost	−	10,000,000
Loans and receivables - net	**144,758,208**	155,649,924
	₱170,648,539	₱301,118,239

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

a) Financial assets at FVTPL

	2025	2024
Investments in mutual funds	**₱25,705,111**	₱135,277,950
Equity securities	**185,220**	190,365
	₱25,890,331	₱135,468,315

The rollforward of financial assets at FVTPL not held in trust funds follows:

	2025	2024
Balance at January 1	**₱135,468,315**	₱130,391,482
Transfer to insurance premium fund (Note 11)	**(87,154,721)**	–
Fair value gain (losses) (Note 21)	**(22,423,263)**	5,076,833
Balance at December 31	**₱25,890,331**	₱135,468,315

b) Investment securities at amortized cost

	2025	2024
Investments in bonds	**₱–**	₱10,000,000

Interest income earned on financial assets at amortized cost amounted to ₱3,706,599 and ₱3,645,201 in 2025 and 2024, respectively (see Note 21).

c) Loans and receivables –net

	2025	2024
Cash facility loans	**₱75,551,120**	₱85,413,820
Due from related parties (Note 27)	**24,964,185**	30,759,644
Receivable from trustee bank	**31,269,031**	25,488,312
Receivable from credit card companies	**2,252,138**	2,298,033
Receivables from mortuary	**8,113,676**	8,638,454
Advances to officers and employees	**2,715,972**	3,275,121
Advances to agents and others	**3,869,729**	3,607,681
Advances to suppliers	**1,698,625**	1,698,625
Other receivables	**211,949**	116,192
	150,646,425	161,295,882
Less allowance for credit losses	**5,888,217**	5,645,958
	₱144,758,208	₱155,649,924

Cash facility loans consist mainly of interest-bearing loans; due in two (2) years or less, granted to planholders against the security of their respective accumulated pre-need plan credits. The interest on cash facility loans is 10.00% effective for the years ended December 31, 2025 and 2024.

Total processed and approved loan applications aggregated to 512 and 556 loans as of December 31, 2025 and 2024, respectively. Interest income from cash facility loans amounted to ₱6,018,728 and ₱4,904,145 in 2025 and 2024, respectively (see Note 21).

Receivable from trustee banks pertain to benefits advances for reimbursement which are due within 30 days.

Receivable from credit card companies pertains to credit card transactions from planholder's premium payment which are being cleared the following banking day.

Receivables from mortuary pertains to admin fee from rendered mortuary service which are due within 30 days.

Advances to agents and others consist of receivable from agents arising from unremitted premium collections, advances of commissions, receivable from counselors and loans.

Advances to officers and employees pertain to interest-bearing salary loans and car loans, cash advances for various sales, marketing, operational, financial and administrative activities, and benefits being advanced by the Company.

Advances to suppliers are non-interest-bearing transactions pertaining to payments made to regular contractors and suppliers for various renovations made by the Company.

Allowance for credit losses on loans and receivables are all related to impaired accounts which are classified as Stage 3 of credit exposure. The rollforward analysis of allowance for credit losses follows:

	2025			
	Advances to Agents	**Receivable from credit card companies**	**Other Receivables**	**Total**
Balance at January 1	**₱3,430,661**	**1,641,559**	**₱573,738**	**₱5,645,958**
Provision during the year (Note 23)	**242,259**	**–**	**–**	**242,259**
Balance at December 31	**₱3,672,920**	**1,641,559**	**₱573,738**	**₱5,888,217**

	2024			
	Advances to Agents	Receivable from credit card companies	Other Receivables	Total
Balance at January 1	₱3,349,066	14,755,434	₱573,738	₱18,678,238
Provision during the year (Note 23)	81,595			81,595
Reversal of provision during the year (Note 21)		(13,113,875)	–	(13,113,875)
Balance at December 31	₱3,430,661	1,641,559	₱573,738	₱5,645,958

9. Prepayments and Accrued Income

This account consists of:

	2025	2024
Prepaid expenses	**₱7,420,768**	₱12,697,782
Input tax	**3,990,738**	5,596,529
Interest receivable (Note 26)	**4,953,222**	4,211,101
Deposits (Note 26)	**2,197,373**	2,950,715
	₱18,562,101	₱25,456,127

Prepaid expenses pertain to advance payments made by the Company relative to supplies, rent and insurance.

Input tax refers to the excess VAT against output VAT for 2025 and 2024.

Interest receivable pertains to interest accrued arising from cash and cash equivalents.

Deposits consist mainly of rental deposits to be refunded to the Company by the respective lessors at the end of the lease term.

10. Investments in Trust Funds

Mandatory Investments in Trust Funds

The Company has trust funds which are being administered by local banks under trust agreements for the fulfilment of the Company's obligations under the pre-need life, pension and education plan agreements.

In compliance with Chapter VIII, Section 30 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 for the payment of: (a) the cost of benefits or services; (b) the termination values payable to the planholders; and (c) the insurance premium payments for insurance-funded benefits of memorial life plans and other costs necessary to ensure the delivery of benefits or services to planholders.

To determine the sufficiency and adequacy of the fund, an annual pre-need reserve valuation report establishing the reserve requirement and contractual liabilities of the pre-need company shall be made and submitted to the IC, within 120 days from end of the calendar year.

Upon approval by the IC of the pre-need reserve computation, any deficiency in the trust funds, when compared to the reserve liabilities as reported in the pre-need reserve valuation report, shall be funded by the pre-need company within sixty (60) days from such approval.

The status of the investments in trust funds against the pre-need reserves and plan benefits payable per plan category follows:

	December 31, 2025			
	Life	**Pension**	**Education**	**Total**
Investments in trust funds	**₱4,754,891,208**	**₱7,467,182,675**	**₱3,689,333,326**	**₱15,911,407,209**
Less: 'Pre-need reserves' (Note 16)	**4,271,668,578**	**5,266,785,537**	**1,940,594,963**	**11,479,049,078**
Excess of investments in trust funds over pre-need reserve	**483,222,630**	**2,200,397,138**	**1,748,738,363**	**4,432,358,131**
Less: 'Benefits payable' (Note 15)	**270,047,430**	**1,671,003,312**	**1,682,553,156**	**3,623,603,898**
Subtotal	**213,175,200**	**529,393,826**	**66,185,207**	**808,754,233**
Less: Adjustment on real estate (40% of appraisal increment) under Section 34 of Pre-need Code of the Philippines	–	–	**157,818,875**	**157,818,875**
Excess of investments in trust funds (Excess of pre-need reserves and benefits payable)	**₱213,175,200**	**₱529,393,826**	**(₱91,633,668)**	**₱650,935,358**

	December 31, 2024			
	Life	Pension	Education	Total
Investments in trust funds	₱4,471,334,289	₱7,789,070,822	₱4,565,132,991	₱16,825,538,102
Less: 'Pre-need reserves' (Note 16)	4,197,385,460	5,510,848,390	2,584,909,796	12,293,143,646
Excess of investments in trust funds over pre-need reserve	273,948,829	2,278,222,432	1,980,223,195	4,532,394,456
Less: 'Benefits payable' (Note 15)	294,226,099	1,880,558,660	1,850,540,274	4,025,325,033
Subtotal	(20,277,270)	397,663,772	129,682,921	507,069,423
Less: Adjustment on real estate (40% of appraisal increment) under Section 34 of Pre-need Code of the Philippines			218,501,099	218,501,099
Excess of investments in trust funds (Excess of pre-need reserves and benefits payable)	(₱20,277,270)	₱397,663,772	(₱88,818,178)	₱288,568,324

The computation of excess in investments limit is as follows:

	December 31, 2025			
Real estate	**₱–**	**₱–**	**₱265,476,924**	**₱265,476,924**
Single issuer limit - PSE	–	**213,903,423**	–	**213,903,423**
Single issuer limit - PLUS	–	–	**6,233,544**	**6,233,544**
Single entity limit – Long term commercial papers	–	**47,699,043**	–	**47,699,043**
Total excess in investment limits *	**₱–**	**₱261,602,466**	**₱271,710,468**	**₱533,312,934**

	December 31, 2024			
Real estate	₱–	₱–	₱322,282,573	₱322,282,573
Single issuer limit - PSE	–	234,435,075	–	234,435,075
Single entity limit – Long term commercial papers	–	23,646,290	–	23,646,290
Total excess in investment limits *	₱–	₱258,081,365	₱322,282,573	₱580,363,938

*Calculated based on IC CL No. 2022-37, *Amended Guidelines on Allowable Investments for Pre-need Trust Funds*

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

	December 31, 2025			
	Life	**Pension**	**Education**	**Total**
Assets				
Cash and cash equivalents (Note 26)	**₱78,199,138**	**₱331,549,442**	**₱144,026,365**	**₱553,774,945**
Financial assets at FVTPL (Note 26)	**936,964,973**	**2,070,540,518**	**408,444,975**	**3,415,950,466**
Financial assets at FVOCI (Note 26)	**3,137,189,131**	**3,542,407,517**	**809,476,566**	**7,489,073,214**
Receivables (Note 26)	**5,800,000**	**22,546,482**	**753,050,738**	**781,397,220**
Accrued income (Note 26)	**44,431,825**	**43,841,490**	**21,246,969**	**109,520,284**
Service assets	**690,485,157**	**1,884,946,975**	**825,642,074**	**3,401,074,206**
Investment properties	–	–	**1,063,723,000**	**1,063,723,000**
	4,893,070,224	**7,895,832,424**	**4,025,610,687**	**16,814,513,335**
Less liabilities				
Accrued expenses and other liabilities (Note 26)	**8,857,002**	**39,136,822**	**43,393,801**	**91,387,625**
Deferred tax liability	**129,322,014**	**389,512,927**	**292,883,560**	**811,718,501**
	₱4,754,891,208	**₱7,467,182,675**	**₱3,689,333,326**	**₱15,911,407,209**
Net equity				
Fund balance				
Balance at January 1	**₱4,507,880,574**	**₱7,818,067,149**	**₱4,565,661,555**	**₱16,891,609,278**
Additional contributions	**253,532,942**	**210,183,514**	**169,660,350**	**633,376,806**
Withdrawals	**(159,796,757)**	**(923,527,362)**	**(1,030,832,909)**	**(2,114,157,028)**
	₱4,601,616,759	**₱7,104,723,301**	**₱3,704,488,996**	**₱15,410,829,056**

(Forward)

	December 31, 2025			
	Life	**Pension**	**Education**	**Total**
Net income (net of provision for income tax of (₱5,861,296) in 2025) (Notes 20 and 25)	**₱165,011,166**	**₱369,538,478**	**(₱20,466,801)**	**₱514,082,843**
Balance at December 31	**4,766,627,925**	**7,474,261,779**	**3,684,022,195**	**15,924,911,899**
Revaluation reserve for financial assets at FVOCI				
Balance at January 1	**(₱36,546,285)**	**(₱28,996,327)**	**(₱528,564)**	**(₱66,071,176)**
Transfer to profit or loss	**13,348,502**	**37,581,652**	**3,576,866**	**54,507,020**
Fair value gains	**11,461,066**	**(15,664,429)**	**2,262,829**	**(1,940,534)**
Balance at December 31	**(11,736,717)**	**(7,079,104)**	**5,311,131**	**(13,504,690)**
	₱4,754,891,208	**₱7,467,182,675**	**₱3,689,333,326**	**₱15,911,407,209**

	December 31, 2024			
	Life	Pension	Education	Total
Assets				
Cash and cash equivalents (Note 26)	₱72,808,292	₱252,988,775	₱122,202,332	₱447,999,399
Financial assets at FVTPL (Note 26)	981,473,684	2,420,877,171	761,069,986	4,163,420,841
Financial assets at FVOCI (Note 26)	2,840,735,643	3,250,783,297	656,425,760	6,747,944,700
Receivables (Note 26)	3,200,000	23,251,400	1,154,767,449	1,181,218,849
Accrued income (Note 26)	45,131,149	45,505,609	15,244,116	105,880,874
Service assets	658,367,376	2,339,968,511	896,116,610	3,894,452,497
Investment properties	–	–	1,329,216,000	1,329,216,000
	4,601,716,144	8,333,374,763	4,935,042,253	17,870,133,160
Less liabilities				
Accrued expenses and other liabilities (Note 26)	9,051,936	62,483,721	11,519,477	83,055,134
Deferred tax liability	121,329,919	481,820,220	358,389,785	961,539,924
	₱4,471,334,289	₱7,789,070,822	₱4,565,132,991	₱16,825,538,102
Net equity				
Fund balance				
Balance at January 1	₱4,375,480,872	₱8,255,761,975	₱5,370,008,345	₱18,001,251,192
Additional contributions	160,931,690	231,558,882	287,792,913	680,283,485
Withdrawals	(156,045,625)	(1,272,620,317)	(1,339,319,482)	(2,767,985,424)
	4,380,366,937	7,214,700,540	4,318,481,776	15,913,549,253
Net income (net of provision for income tax of ₱62,617,305 in 2024) (Notes 20 and 25)	127,513,637	603,366,609	247,179,779	978,060,025
Balance at December 31	4,507,880,574	7,818,067,149	4,565,661,555	16,891,609,278
Revaluation reserve for financial assets at FVOCI				
Balance at January 1	(₱21,591,363)	(₱6,520,883)	₱2,107,064	(₱26,005,182)
Transfer to profit or loss	4,630,440	14,048,399	(419,089)	18,259,750
Fair value gains	(19,585,362)	(36,523,843)	(2,216,539)	(58,325,744)
Balance at December 31	(36,546,285)	(28,996,327)	(528,564)	(66,071,176)
	₱4,471,334,289	₱7,789,070,822	₱4,565,132,991	₱16,825,538,102

Assets Held in Trust Funds

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

a) *Cash and cash equivalents*

The breakdown of the cash and equivalents follows:

	2025	2024
Savings deposit	**₱80,189,432**	₱61,089,400
Special savings deposit	**16,068,991**	149,300,000
Time deposit certificates	**201,094,514**	224,019,690
Demand deposit	**256,422,008**	13,590,309
	₱553,774,945	₱447,999,399

Cash and cash equivalents earn interest ranging from to 3.62% to 5.38% in 2025 and from 4.88% to 6.13% in 2024.

Interest income earned on cash and cash equivalents amounted to ₱12,428,959 and ₱15,736,660 in 2025 and 2024, respectively (see Note 20).

b) Financial assets

The breakdown of financial assets follows:

Financial assets at FVTPL

	2025	2024
Equity securities - listed shares	**₱2,941,366,006**	₱3,479,264,144
Investments in mutual funds	**474,584,460**	684,156,697
	₱3,415,950,466	₱4,163,420,841

Dividend income from listed equity securities amounted to ₱106,826,340 and ₱96,210,193 in 2025 and 2024, respectively (see Note 20).

Financial assets at FVOCI

	2025	2024
Government securities	**₱6,991,804,309**	₱6,194,435,288
Private bonds	**497,268,905**	470,063,066
Commercial papers	–	83,446,346
	₱7,489,073,214	₱6,747,944,700

Interest income from debt securities classified as FVOCI amounted to ₱477,384,948 and ₱422,500,983 in 2025 and 2024, respectively (see Note 20).

Movements in 'Unrealized gains (losses) on financial assets at FVOCI' follow:

	2025	2024
Balance at January 1	**(₱66,071,176)**	(₱26,005,182)
Changes in fair value	**(1,940,534)**	(58,325,744)
Transfers to profit or loss	**54,507,020**	18,259,750
Balance at December 31	**(₱13,504,690)**	(₱66,071,176)

c) Receivables

In 2021, service assets also include commercial land in EDSA corner T. Benitez St. Barangay West Triangle, Quezon City. As of December 31, 2021, the fair value of these service assets - EDSA Property amounted to ₱1,911,814,000. On April 7, 2022, BPI Asset Management and Trust Corporation, the trustee bank of the Education trust fund has executed the Contract to Sell with a related party of the Company for the investment property located at EDSA corner T. Benitez St. Barangay West Triangle, Quezon City. This property consisted of two (2) parcel of lots with a total area of seven thousand two hundred ninety seven (7,297) square meters. The total purchase price for the property is ₱1,882,626,000, which will be paid in installment.

As of December 31, 2025 and 2024, the carrying book value of the receivables amounted to ₱781,397,220 and ₱1,181,218,849, respectively (Note 26):

	2025	2024
Service assets:		
Heritage Lots	**₱28,346,482**	₱29,051,400
EDSA property	**753,050,738**	1,152,167,449
	₱781,397,220	₱1,181,218,849

d) Accrued income

Accrued income pertains to interest accrued arising from cash and cash equivalents and debt securities with interest rates ranging from 3.60% to 11.25% in 2025 and from 2.63% to 11.25% in 2024. Total accrued income amounted to ₱109,520,284 and ₱105,880,874 as of December 31, 2025 and 2024, respectively.

e) Service assets - memorial lots

In June 2015, the Company acquired 5,286 memorial lots from different assignors for a total consideration of ₱1,291,312,000. These memorial lots as evidenced by the Heritage Park investment certificates held by the trustee banks are intended for bundling with the life and pension plans of the Company.

In accordance with the IC letter to the Company dated November 6, 2015, the Company measured these service assets - memorial lots at fair market value through profit or loss.

Service assets - memorial lots sold on an installment basis are measured at the contract price agreed upon execution of the deed of sale.

As of December 31, 2025 and 2024, the fair value of these service assets - memorial lots amounted to ₱3,401,074,206 and ₱3,894,452,497 respectively (Notes 6 and 26), and the related deferred tax liability amounted to ₱680,202,771 and ₱779,455,675, respectively.

As of December 31, 2025 and 2024, the acquisition cost of these service assets - memorial lots amounted to ₱680,263,116 and ₱776,629,800, respectively, and the total number of lots is 729 and 839, respectively.

As of December 31, 2025 and 2024, the fair values of these service assets - memorial lots were based on valuation performed by independent qualified professional appraisers dated January 6, 2026 and December 1, 2022, respectively. The fair value of these service assets was determined based on the published selling prices of similar properties in the same vicinity as of the reporting date. Considering the lot type, lots' size, shape, capacity, memorial structure topography, current zoning classification and the prevailing land uses and development in the area, a cemetery lot would represent the highest and best use of the site. The higher the price per square meter, the higher the fair value.

As of December 31, 2025 and 2024, the service assets - memorial lots are classified under Level 3 of the fair value hierarchy. Under this level, the fair value of assets and liabilities are measured using a valuation technique which uses observable inputs, either directly or indirectly, that have significant effect on the recorded fair value.

Description of valuation techniques used and key inputs to valuation on service assets - memorial lots follow:

			Range (weighted average)	
Location	**Valuation techniques**	**Key inputs**	**2025**	2024
Heritage Memorial Park, Brgy. Fort Bonifacio, Taguig City, Metropolitan Manila				
Lawn lot	Market data approach	Market value per lot	**₱276,000**	₱270,000
		Lot size	**2.44 sq.m.**	2.44 sq.m.
		Asking price	**₱350,000**	₱ 300,000
		Adjustment factor		
		Bargaining allowance	**-10%**	-10%
Garden lot	Market data approach	Market value per lot	**₱2,770,000**	₱2,700,000
		Lot size	**19.52 sq.m.**	19.52 sq.m.
		Asking price	**₱3,594,000**	₱3,000,000
		Adjustment factor		
		Bargaining allowance	**-10%**	-10%
Estate lot	Market data approach	Market value per lot	**₱18,681,000**	₱18,360,000
		Lot size	**39.04 sq.m.**	39.04 sq.m.
		Asking price	**₱20,985,000**	₱20,400,000
		Adjustment factor		
		Bargaining allowance	**-10%**	-10%

As of December 31, 2025 and 2024, the service assets of the Company are covered under IC CL No. 2022-37 in which the liquidation thereof is prescribed within 3 years.

f) *Investment properties held in trust funds*

The rollforward analysis of this account follows:

	2025	2024
Balance at January 1	**₱1,329,216,000**	₱1,329,216,000
Disposal	**(265,493,000)**	–
Balance at December 31	**₱1,063,723,000**	₱1,329,216,000

The comparison of the acquisition cost and the fair value of investment properties are as follows:

	2025	2024
Acquisition cost	**₱537,660,082**	₱600,879,003
Accumulated fair value gain	**526,062,918**	728,336,997
Fair value as at December 31	**₱1,063,723,000**	₱1,329,216,000

As of December 31, 2025 and 2024, the related deferred tax liability amounted to ₱131,515,730 and ₱182,084,249, respectively.

Investment properties consist of commercial land in National Road, Barangay Real, Calamba City and a land with commercial building in Barangay Bel-Air, Salcedo Village, Makati City.

On October 30, 2025, BDO Unibank Inc. – Trust and Investments Group, the trustee bank of the Education trust fund executed the Deed of absolute sale with a related party of the Company for the investment property located at Barrio Real, Calamba City, Laguna. This property consisted of a total area of six thousand two hundred thirty seven (6,237) square meters. With a total purchase price of ₱261,954,000, the Education trust fund account recognized a loss of ₱3,539,000 (Note 20).

Rent income derived from this investment property amounted to ₱27,337,513 and ₱28,114,966 in 2025 and 2024, respectively (see Note 20). Direct expenses incurred from this asset amounted to ₱3,427,942.61and ₱5,618,012 in 2025 and 2024, respectively.
The fair values of investment properties were based on valuation performed by independent qualified professional appraiser for the trustee bank and were arrived at using the Market Data and Discounted Cash Flow Analysis approach.

In Market Data approach, the values are based on sales and listings of comparable property registered in the vicinity. The technique of this approach requires the establishment of comparable property by reducing reasonable comparative sales and listings to a common denominator. This is done by adjusting the differences between the subject property and those actual sales and listings regarded as comparable. The properties used as basis of comparison are situated within the immediate vicinity of the subject property.

In Discounted Cash Flow Analysis approach, the lessor's interest of the land is estimated by computing the present worth of all future income stream stipulated in the lease contract, and is then discounted as an annuity throughout the remaining life of the lease contract at an interest rate consistent with the prevailing investment rate involving risk similar to the property under review.

The Company has determined that the highest and best use of the investment properties has been determined to be for commercial use.

As of December 31, 2025 and 2024, the investment properties are classified under Level 3 of the fair value hierarchy. Under this level, the fair value of assets and liabilities are measured by using a valuation technique which uses inputs that have significant effect on the fair value that are not based on observable market data.

Description of valuation techniques used and key inputs to valuation on investment properties follow:

	2025			
Location	**Date of valuation**	**Valuation techniques**	**Significant unobservable inputs**	**Range (weighted average)**
National Road, Barangay Real, Calamba City	**December 7, 2023**	**Discounted cash flow analysis approach**	**Unit price (P/sq.m.)**	**₱40,000**
			Discount rate	**9.16%**
			Escalation rate	**8.00%**
Sen. Gil J. Puyat Avenue, Barangay Bel-Air, Salcedo, Village, Makati City	**September 18, 2023**	**Market data approach**	**Unit price (P/sq.m.)**	**₱400,000 to ₱1,413,760**
			Lot area (sq.m.)	**1,425 sq.m**
			Adjustment factors	
			Location	**-20%**
			Size	**-10%**
			Time Element	**-10%**
			Market Resistance	**-15%**

	2024			
Location	Date valuation	Valuation techniques	Significant unobservable inputs	Range (weighted average)
National Road, Barangay Real, Calamba City	December 7, 2023	Discounted cash flow analysis approach	Unit price (P/sq.m.)	₱40,000
			Discount rate	9.16%
			Escalation rate	8.00%
Sen. Gil J. Puyat Avenue, Barangay Bel-Air, Salcedo Village, Makati City	September 18, 2023	Market data approach	Unit price (P/sq.m.)	₱400,000 to ₱1,413,760
			Lot area (sq.m.)	1,425 sq.m
			Adjustment factors	
			Location	-20%
			Size	-10%
			Time Element	-10%
			Market Resistance	-15%

Significant increases (decreases) in price per square meter and size of investment properties would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in discount would result in a significantly lower (higher) fair value of the properties.

Significant Unobservable Inputs

Size	Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of the lot size differences on land value.
Location	Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road.
Time Element	An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time. In which case, the current data is superior to historic data.
Discount	Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent.

g) *Accrued expenses and other liabilities*

The breakdown of the accrued expenses and other liabilities follows:

	2025	2024
Accounts payable	**₱43,950,385**	₱65,653,354
Taxes payable	**31,491,628**	616,542
Accrued expenses	**7,733,278**	9,635,029
Miscellaneous	**8,212,334**	7,150,209
	₱91,387,625	₱83,055,134

h) Deferred tax liability

The breakdown of deferred tax liability on investment properties and service assets - memorial lots and investment properties follows:

	2025	2024
Service assets	**₱680,202,771**	₱779,455,675
Investment properties	**131,515,730**	182,084,249
	₱811,718,501	₱961,539,924

Total contributions to the trust funds amounted to ₱633,376,806 and ₱680,283,485 in 2025 and 2024, respectively.

Withdrawals from the trust fund consist of the following:

	2025			
	Life	**Pension**	**Education**	**Total**
Benefits paid	**₱165,069,712**	**₱941,470,297**	**₱1,047,957,181**	**₱2,154,497,190**
Cancelled/Redeposited	**(5,272,955)**	**(17,942,935)**	**(17,124,272)**	**(40,340,162)**
Total	**₱159,796,757**	**₱923,527,362**	**₱1,030,832,909**	**₱2,114,157,028**

	2024			
	Life	Pension	Education	Total
Benefits paid	₱158,311,628	₱1,284,184,414	₱1,345,299,407	₱2,787,795,449
Cancelled/Redeposited	(2,266,003)	(11,564,097)	(5,979,925)	(19,810,025)
Total	₱156,045,625	₱1,272,620,317	₱1,339,319,482	₱2,767,985,424

To ensure the liquidity of the trust fund to guarantee the delivery of the benefits provided for under the plan contract and likewise obtain sufficient capital growth to meet the growing actuarial reserve liabilities, all investments of the trust funds of a pre-need company shall be limited to the following and subject to limitations under Chapter VIII, Section 34 of the Pre-need Code: Investments in Trust Fund and IC circular letter.

11. Insurance Premium Fund

This account consists of:

	2025	2024
Assets		
Cash in banks	**₱957,293**	₱414,559
Short-term investments	**25,812,542**	72,650,685
Financial assets at FVTPL (Note 26)	**154,817,918**	84,370,843
Financial assets at amortized cost (Note 26)	**49,867,991**	49,918,111

(Forward)

	2025	2024
Inventories - memorial lots	**₱104,167**	₱104,167
Investment properties	**49,488,000**	49,488,000
Service assets	**41,464,864**	43,159,605
Subtotal	**322,512,775**	300,105,970
Less: Accrued expenses and other liabilities	**28,388**	25,857
Deferred tax liability	**1,921,919**	1,921,919
	₱320,562,468	₱298,158,194

The roll forward analysis of the account follows:

	2025	2024
Balance at January 1	**₱298,158,194**	₱264,848,898
Additional contributions	**131,149,850**	28,023,197
Withdrawals during the year	**(95,449,189)**	(37,523,439)
	333,858,855	255,348,656
Gain (loss) on market appreciation of investment property, net of deferred tax liability	**–**	2,108,250
Income from service assets	**1,782,539**	285,648
Fair value changes on financial assets at FVTPL (Note 21)	**(16,243,486)**	39,095,427
Net income, net of final tax	**1,164,560**	1,320,213
Balance at December 31	**₱320,562,468**	₱298,158,194

The analysis of insurance premium fund income is as follows:

	2025	2024
Net income, net of final tax	**₱1,164,560**	₱1,320,213
Provision for credit losses (Notes 6 and 23)	**50,120**	46,930
	₱1,214,680	₱1,367,143

As of December 31, 2025 and 2024, the insurance premium fund has an excess over insurance premium reserve of ₱138,680,901 and ₱115,227,216, respectively.

	2025	2024
Insurance premium fund	**₱320,562,468**	₱298,158,194
Less: 'Other reserves' (Note 17)	**181,881,567**	182,930,978
Excess of insurance premium funds over other reserves	**₱138,680,901**	₱115,227,216

a) Cash in banks and accrued income

Cash in banks earns interest at the prevailing bank deposit rates. Accrued income pertains to interest accrued arising from cash in banks with interest rates ranging from 4.63% to 6.00% and from 4.88% to 6.13% in 2025 and 2024, respectively.

Interest income earned on cash in banks amounted to ₱55 in 2025 and ₱62 in 2024 (see Note 21).

b) *Financial assets at FVTPL*

Financial assets consist of listed equity securities and UITF.

	2025	2024
Equity securities - listed shares	**₱40,039,585**	₱57,997,735
Mutual fund	**113,362,509**	24,993,108
Investments in UITF	**1,415,824**	1,380,000
	₱154,817,918	₱84,370,843

Fair value changes on financial assets at FVTPL amounted to (₱16,243,486) in 2025 and ₱39,095,427 in 2024, respectively (see Note 21).

In 2025, the Company transferred investment in mutual funds amounting to ₱87,154,721 as additional contribution to insurance premium fund.

c) *Financial assets at amortized cost*

As of December 31, this account consists of:

	2025	2024
Private bonds	**₱50,000,000**	₱50,000,000
Less allowance for expected credit losses (Note 6)	**132,009**	81,889
	₱49,867,991	₱49,918,111

These investments, which will mature in 2029, bear interest rates ranging from 6.25% to 7.82% in 2025 and 2024.

The rollforward analysis of allowance for expected credit losses follows:

	2025	2024
Balance at January 1	**₱81,889**	₱34,959
Provision for credit losses (Note 23)	**50,120**	46,930
Balance at December 31 (Note 6)	**₱132,009**	₱81,889

d) *Inventories - memorial lots*

In December 2015, the Company acquired from an affiliate, Philippine Life Financial Assurance Corporation (PhilLife), 2,291 memorial lots at Golden Haven Memorial Park, Barangay Pulang Lupa, Las Piñas City amounting to ₱120,043,090. In the same year, the Company also acquired 96 memorial lots at the same location from the one of the Company's stockholders for a total purchase price of ₱10,000,000.

These memorial lots are intended for individual sale and are not offered as part of any pre-need plan packages. As of December 31, 2025 and 2024, the inventory of memorial lots amounted to ₱104,167 for both periods, representing one (1) lot in each year. There were no sales of memorial lots in 2025, while total sales in 2024 amounted to ₱14,866,825. Correspondingly, no cost of sales was recognized in 2025, whereas cost of sales in 2024 amounted to ₱9,895,833. These amounts are presented separately in the statements of income.

The commission expense arising from the sale of Golden Haven memorial lots, presented under ‘Other direct cost and expenses’ in the statements of income amounted to nil and ₱612,575 in 2025 and 2024, respectively.

e) *Investment properties*

The roll forward analysis of this account follows:

	2025	2024
Balance at January 1	**₱49,488,000**	₱46,677,000
Fair value gains (losses) (Note 21)	–	2,811,000
Balance at December 31	**₱49,488,000**	₱49,488,000

The comparison of the acquisition cost and the fair value of the investment property as of December 31, 2025 and 2024 follows:

	2025	2024
Acquisition cost	**₱41,800,326**	₱41,800,326
Fair value gain (losses)	**7,687,674**	7,687,674
Balance at December 31	**₱49,488,000**	₱49,488,000

The investment properties pertains to warehouse condominium in San Antonio, Makati City.

San Antonio, Makati City
On June 9, 2016, the Company acquired a warehouse condominium located in San Antonio, Makati City amounting to ₱41,800,326. As of December 31, 2025 and 2024, the fair value of this investment property amounted to ₱49,488,000.

As of December 31, 2025 and 2024, an appraisal dated December 22, 2025 and December 17, 2024, respectively, was made for the purpose of expressing an opinion on the fair value of the property. The value of the condominium units was arrived at using Sales Comparison Approach. This is a comparative approach to value that considers the sales of similar or substitute properties and related market data and establishes a value estimate by processes involving comparison.

Listings and offerings may also be considered. The properties used as basis for comparison are situated within the subject building or in other comparable condominium buildings nearby. Comparison would be premised on the factors such as floor level location, interior finishes, parking slot allocation, and facilities offered and the time element.

As of December 31, 2025 and 2024, the investment properties are classified under Level 3 of the fair value hierarchy. Under this level, the fair value of assets and liabilities are measured by using other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Description of valuation techniques used and key inputs to valuation on investment properties follow:

2025 **Location**	**Valuation techniques**	**Significant unobservable inputs**	**Range (weighted average)**
Warehouse condominium	Sales comparison approach	Estimated computed value per sq.m	₱68,334 to 98,357
		Net price (/sq.m.)	₱113,890 to ₱163,929
		Internal factor	
		Location (building)	-10%
		Size	-10%
		Parking slot allocation	0%
		Condition	-20%
		Time element	0%
		Internal factor	-40%

2024 Location	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Warehouse condominium	Sales comparison approach	Estimated computed value per sqm	₱68,334 to ₱98,357
		Net price (/sq.m.)	₱113,890 to ₱163,929
		Internal factor	
		Location (building)	-10%
		Size	-10%
		Parking slot allocation	0%
		Condition	-20%
		Time element	0%
		Internal factor	-40%

f) Service Assets – Memorial Lots

The roll forward analysis of this account follows:

	2025	2024
Balance at January 1	**₱43,159,605**	₱44,114,312
Disposals	**(3,477,280)**	(1,240,356)
Income from service assets - memorial lots	**1,782,539**	285,649
Balance at December 31	**₱41,464,864**	₱43,159,605

g) Deferred tax liability

The breakdown of deferred tax liability on the accumulated fair value changes on investment properties held under insurance premium fund follows:

	2025	2024
Balance at January 1	**₱1,921,919**	₱1,219,170
Provision for the year (Note 25)	–	702,749
Balance at December 31	**₱1,921,919**	₱1,921,919

12. **Property and Equipment**

The roll forward analysis of this account follows:

	2025					
	Office Condominium	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold/Bldg Improvements	Software Development	Total
Cost						
Balance as at January 1	₱57,575,917	₱5,925,000	₱18,967,186	₱12,235,302	₱42,484,976	₱137,188,381
Additions	–	–	1,495,806	1,938,921	3,526,878	6,961,606
Disposals and retirement	–	(3,808,036)	–	–	–	(3,808,036)
Balance as at December 31	₱57,575,917	2,116,964	20,462,992	14,174,223	46,011,854	140,341,951
Accumulated Depreciation and Amortization						
Balance as at January 1	37,244,022	3,381,592	15,071,379	3,259,712	37,067,082	96,023,787
Depreciation and amortization (Note 23)	2,528,941	2,029,534	2,304,947	3,883,226	4,399,670	15,146,319
Disposal and retirement	–	(4,776,035)	–	–	–	(4,776,035)
Balance at December 31	39,772,963	635,091	17,376,326	7,142,938	41,466,752	106,394,071
Net Book Value	₱17,802,954	₱1,481,873	₱3,086,666	₱7,031,285	₱4,545,102	₱33,947,880

	2024					
	Office Condominium	Transportation Equipment	Furniture, Fixtures and Equipment	Leasehold/Bldg Improvements	Software Development	Total
Cost						
Balance as at January 1	₱57,575,917	₱3,808,036	₱16,399,378	₱4,101,465	₱40,286,158	₱122,170,954
Additions	–	2,116,964	2,567,808	8,133,837	2,198,818	15,017,427
Disposals and retirement	–	–	–	–	–	–
Balance as at December 31	57,575,917	5,925,000	18,967,186	12,235,302	42,484,976	137,188,381
Accumulated Depreciation and Amortization						
Balance as at January 1	34,425,600	2,408,288	13,289,983	597,728	33,021,911	83,743,510
Depreciation and amortization (Note 23)	2,818,422	973,304	1,781,396	2,661,984	4,045,171	12,280,277
Disposal and retirement	–	–	–	–	–	–
Balance at December 31	37,244,022	3,381,592	15,071,379	3,259,712	37,067,082	96,023,787
Net Book Value	₱20,331,895	₱2,543,408	₱3,895,807	₱8,975,590	₱5,417,894	₱41,164,594

Gain on sale of property and equipment amounted to ₱1,087,848 and nil in 2025 and 2024, respectively (see Note 21).

Fully depreciated property and equipment amounting to ₱47,813,579 and ₱23,689,984 as of December 31, 2025 and 2024, respectively, are still in active use.

There are no property and equipment pledged as security to obligations as of December 31, 2025 and 2024.

13. Service Assets – Memorial Lots

The roll forward analysis of this account follows:

	2025	2024
Balance at January 1	**₱4,121,705,209**	₱4,497,650,718
Disposals	**(239,462,842)**	(337,887,470)
Transfers to Trust Fund	**(47,520,000)**	(165,240,000)
Transfers from Trust Fund	**237,060,000**	105,570,000
Cancellations	**–**	270,000
Income from service assets - memorial lots	**4,727,340**	21,341,962
Balance at December 31	**₱4,076,509,707**	₱4,121,705,210

As part of its business plan, the Company bundles memorial lots with its life plans and classifies these memorial lots as 'service assets - memorial lots' in the statement of financial position.

Transfers include withdrawals from UnionBank Trust and ATRAM Trust amounting to ₱150,120,000 and ₱86,940,000, respectively, and contribution to ATRAM Trust amounting to ₱47,520,000 in 2025, and withdrawals from UnionBank Trust and ATRAM Trust amounting to ₱33,750,000 and ₱71,820,000, respectively, and contribution to ATRAM Trust amounting to ₱165,240,000 in 2024.

In accordance with the IC letter to the Company dated November 6, 2015, the Company measured these service assets - memorial lots at fair value through profit or loss. Details follow:

	2025	2024
Fair value	**₱4,076,509,707**	₱4,121,705,210
Acquisition cost	**(861,846,457)**	(886,808,760)
Accumulated fair value increase	**3,214,663,250**	3,234,896,450
Deferred tax liability	**₱803,665,812**	₱808,724,112

The increase (decrease) in fair value in 2025 and 2024 amounting to ₱4,727,340 and ₱21,341,962 respectively, is presented as part of "Income from service assets - memorial lots" in the statements of income.

The provision for income tax – deferred amounted to (₱43,828,355) and (₱57,493,588) in 2025 and 2024, respectively (see Note 25).

As of December 31, 2025 and 2024, the fair value of these service assets - memorial lots were based on valuation performed by independent qualified professional appraisers. The fair value of these service assets was determined based on the published selling prices of similar properties in the same vicinity as of the reporting date. Considering the lot type, lots' size, shape, capacity, memorial structure topography, current zoning classification and the prevailing land uses and development in the area, a cemetery lot would represent the highest and best use of the site.

As of December 31, 2025 and 2024, the service assets - memorial lots are classified under Level 3 of the fair value hierarchy. Under this level, the fair value of assets and liabilities is measured by using a valuation technique which uses inputs that have significant effect on the fair value that are not based on observable market data.

Description of valuation techniques used and key inputs to valuation on service assets - memorial lots follow:

Location	Valuation techniques	Key inputs	Range (weighted average) 2025	2024
Heritage Memorial Park, Brgy. Fort Bonifacio, Taguig City Metropolitan, Manila				
Lawn lot	Market data approach	Market value per lot	**₱276,000**	₱270,000
		Lot size	**2.44 sq.m.**	2.44 sq.m.
		Asking price	**₱350,000**	₱300,000
		Adjustment factor		
		Bargaining allowance	**-10%**	-10%
Garden lot	Market data approach	Market value per lot	**₱2,770,000**	₱2,700,000
		Lot size	**19.52 sq.m.**	19.52 sq.m.
		Asking price	**₱3,594,000**	₱3,000,000
		Adjustment factor		
		Bargaining allowance	**-10%**	-10%
Estate lot	Market data approach	Market value per lot	**₱18,681,000**	₱18,360,000
		Lot size	**39.04 sq.m.**	39.04 sq.m.
		Asking price	**₱20,985,000**	₱20,400,000
		Adjustment factor		
		Bargaining allowance	**-10%**	-10%

14. Other Assets

This account consists of:

	2025	2024
Prepaid taxes	**₱101,934,312**	₱96,375,689
Others	**657,000**	657,000
	₱102,591,312	₱97,032,689

Prepaid taxes represent tax withheld at source by counterparties which can be utilized against future income tax payable.

Others pertains to deed of assignment for a lot and PLDT stocks certificates acquired as requirement for installation of lines.

15. **Accrued Expenses and Other Liabilities**

This account consists of:

	2025	2024
Benefits payable (Notes 10 and 26)	**₱3,623,603,898**	₱4,025,325,033
Contract liabilities (Note 26)	**453,732,806**	419,938,459
Accounts payable (Note 26)	**370,911,185**	424,742,103
Payors' deposits (Note 26)	**70,820,908**	77,820,575
Counselors' bond reserves (Note 26)	**28,214,810**	26,491,774
Accrued expenses (Note 26)	**15,414,543**	15,859,076
Due to related parties (Notes 26 and 27)	**5,308,163**	5,398,764
Others	**78,394,597**	79,269,977
	₱4,646,400,910	₱5,074,845,761

The rollforward analysis of benefits payable follows:

	December 31, 2025			
	Life	**Pension**	**Education**	**Total**
Balance at January 1	**₱294,226,099**	**₱1,880,558,660**	**₱1,850,540,274**	**₱4,025,325,033**
Additions	**16,955,613**	**584,528,548**	**894,653,836**	**1,496,137,997**
Payments	**(41,134,282)**	**(794,083,896)**	**(1,062,640,954)**	**(1,897,859,132)**
Balance at December 31	**₱270,047,430**	**₱1,671,003,312**	**₱1,682,553,156**	**₱3,623,603,898**

	December 31, 2024			
	Life	Pension	Education	Total
Balance at January 1	₱322,114,810	₱2,090,332,869	₱2,159,436,178	₱4,571,883,857
Additions	10,967,190	955,123,689	997,766,530	1,963,857,409
Payments	(38,855,901)	(1,164,897,898)	(1,306,662,434)	(2,510,416,233)
Balance at December 31	₱294,226,099	₱1,880,558,660	₱1,850,540,274	₱4,025,325,033

Benefits payable consists mainly of payable arising from unclaimed matured life, pension and education plans including those enrolled under fund management services. It also includes dividends payable to each planholder who qualify for dividends under their participating plans.

Contract liabilities represent advance payment from customers on sale of memorial lots which shall be recognized as revenue in the statement of income when control over the memorial lots is transferred to the customer, which is generally upon transfer of legal title or upon full payment of the total consideration in the absence of certificate of title.

Accounts payable and payor's deposits consist mainly of payable to suppliers arising from purchases of various office supplies, equipment and other capital expenditures. It also includes installment premiums received from planholders who applied for new business or reinstatement of plans, but premiums remain unapplied due to incomplete requirements. The payors' deposits are refundable to planholders upon receipt of request for reimbursements from the planholders. In 2025, the Company reversed payables which have been outstanding for more than three (3) years and recognized gain amounting to ₱66.95 million. The Company also performed clean-up of cash loan-related accounts and reversed payables amounting to ₱1.19 million and ₱34.54 million in 2025 and 2024, respectively (see Note 21).

Counselors' bond reserves represent the aggregate amount of deductions from agents' commissions, bonuses and other cash incentives to accumulate a reserve. Upon separation of an agent from the Company, his accountability will be charged against this reserve.

Accrued expenses mainly pertain to accruals of operating expenses, conventions, and government contributions.

Due to related parties mainly pertains to the outstanding payable of the Company for the acquisition of software, memorial lots and shared expenses.

Others consist of excess payments on cash facility loans, taxes payable, due to insurer and reserves for legal contingencies.

16. **Pre-need Reserves**

Based on the actuarial certification issued by the consulting actuary accredited by the IC, the balance of the pre-need reserves as of December 31, 2025 and 2024 is ₱11,479,049,078 and ₱12,293,143,646, respectively.

This account consists of:

	2025	2024
Life (Note 6)	**₱4,271,668,578**	₱4,197,385,460
Pension (Note 6)	**5,266,785,537**	5,510,848,390
Education (Note 6)	**1,940,594,963**	2,584,909,796
	₱11,479,049,078	₱12,293,143,646

The following table represents breakdown of the increase (decrease) in this account:

	2025	2024
Life	**₱74,283,119**	₱638,741,312
Pension	**(244,062,853)**	(502,240,692)
Education	**(644,314,833)**	(548,344,066)
	(₱814,094,567)	(₱411,843,446)

Movements in the pre-need reserves follow:

Life Plan

	2025	2024
Balance at January 1	**₱4,197,385,460**	₱3,558,644,148
Net premium consideration	**199,561,624**	432,858,231
Liability released for payments of death, maturity and surrender benefits and claims	**(111,576,503)**	(87,464,732)
Accretion of investment income	**246,202,743**	220,879,816
Actuarial gains (gain/loss) - decrements	**(259,904,746)**	72,467,997
Adjustment due to change in surrenders, lapses and interest rate assumptions	**–**	–
Balance at December 31	**₱4,271,668,578**	₱4,197,385,460

Pension Plan

	2025	2024
Balance at January 1	**₱5,510,848,390**	₱6,013,089,081
Net premium consideration	**197,664,148**	388,639,926
Liability released for payments of death, maturity and surrender benefits and claims	**(781,656,173)**	(1,162,654,469)
Accretion of investment income	**322,869,525**	359,453,513
Actuarial losses	**17,059,647**	(87,679,661)
Adjustment due to change in surrenders, lapses and interest rate assumptions	**–**	–
Balance at December 31	**₱5,266,785,537**	₱5,510,848,390

Education Plan

	2025	2024
Balance at January 1	**₱2,584,909,796**	₱3,133,253,862
Net premium consideration	**21,733,970**	22,359,188
Liability released for payments of death, maturity and surrender benefits and claims	**(886,573,523)**	(744,613,405)
Accretion of investment income	**149,577,820**	180,995,485
Actuarial gains	**70,946,900**	(7,085,334)
Adjustment due to change in surrenders, lapses and interest rate assumptions	**–**	–
Balance at December 31	**₱1,940,594,963**	₱2,584,909,796

17. **Other Reserves**

IPR included in the "Other reserves" account in the statement of financial position amounted to ₱181,881,567 and ₱182,930,978 as of December 31, 2025 and 2024, respectively.

	2025	2024
Life	**₱102,087,625**	₱94,191,917
Pension	**65,209,408**	71,209,525
Education	**14,584,534**	17,529,536
	₱181,881,567	₱182,930,978

The following table presents the breakdown of the increase/(decrease) in this account:

	2025	2024
Life	**₱7,895,708**	₱3,543,135
Pension	**(6,000,117)**	(1,147,565)
Education	**(2,945,002)**	(2,764,144)
	(₱1,049,411)	(₱368,574)

Movements in the other reserves follow:

Life Plan

	2025	2024
Balance at January 1	**₱94,191,917**	₱90,648,783
Premiums received	**8,257,202**	2,812,968
Liability released for payments of death, maturity and surrender benefits and claims	**(756,564)**	(795,067)
Liability releases for payments of fully paid plans		–
Accretion of investment income	**5,492,243**	5,302,967
Actuarial losses	**(5,097,173)**	(3,777,734)
Balance at December 31	**₱102,087,625**	₱94,191,917

Pension Plan

	2025	2024
Balance at January 1	**₱71,209,525**	₱72,357,090
Premiums received	**1,110,753**	713,122
Liability released for payments of death, maturity and surrender benefits and claims	**(2,207,528)**	(2,030,117)
Liability releases for payments of fully paid plans		–
Accretion of investment income	**3,823,692**	4,186,801
Actuarial losses	**(8,727,034)**	(4,017,371)
Balance at December 31	**₱65,209,408**	₱71,209,525

Education Plan

	2025	2024
Balance at January 1	**₱17,529,536**	₱20,293,679
Premiums received	**196,820**	219,933
Liability released for payments of death, maturity and surrender benefits and claims	**(805,928)**	(713,558)
Liability releases for payments of fully paid plans		–
Accretion of investment income	**897,926**	1,081,103
Actuarial gains (losses)	**(3,233,820)**	(3,351,621)
Balance at December 31	**₱14,584,534**	₱17,529,536

18. **Net Pension Liability**

The Company has a defined benefit pension plan, covering substantially all of its employees, which requires contributions to be made to a separately administered fund. The plan is administered by a local trustee bank.

The following tables summarize the components of net retirement benefit expense recognized in the statements of income and the funded status and amounts recognized in the statements of financial position for the plan:

Net pension liability

	2025	2024
Benefit obligation	**(₱110,713,127)**	(₱122,167,307)
Plan assets	**97,431,620**	117,290,524
Net pension liability	**(₱13,281,507)**	(₱4,876,783)

Net retirement benefit expense

	2025	2024
Current service cost	**₱6,231,499**	₱6,561,588
Interest cost - net	**298,947**	165,626
Net retirement benefit expense (Note 24)	**₱6,530,446**	₱6,727,214

Changes in net defined benefit obligation (DBO) of funded funds follow:

	Present Value of DBO	**Fair Value of Plan Assets**	**Net Retirement Liability (Asset)**
January 1, 2025	**₱122,167,307**	**₱117,290,524**	**₱4,876,783**
Net Benefit Cost in Statement of Income			
Current service cost	**6,231,499**	–	**6,231,499**
Net interest cost	**7,488,856**	**7,189,909**	**298,947**
Benefits paid (other than settlement)	**(30,008,805)**	**(30,008,805)**	–
Sub-total	**(16,288,450)**	**(22,818,896)**	**6,530,446**
Remeasurements in OCI			
Return on plan assets (excluding amount included in net interest)	–	**(1,914,541)**	**1,914,541**
Actuarial changes arising from experience adjustments	**3,104,365**	–	**3,104,365**
Actuarial changes arising from changes in financial assumptions	**1,729,905**	–	**1,729,905**
Sub-total	**4,834,270**	**(1,914,541)**	**6,748,811**
Contributions		**4,874,533**	**(4,874,533)**
December 31, 2025	**₱110,713,127**	**₱97,431,620**	**₱13,281,507**

	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability (Asset)
January 1, 2024	₱114,938,691	₱112,182,837	₱2,755,854
Net Benefit Cost in Statement of Income			
Current service cost	6,561,588	–	6,561,588
Net interest cost	6,907,815	6,742,189	165,626
Benefits paid (other than settlement)	(10,559,098)	(10,559,098)	–
Sub-total	2,910,305	(3,816,909)	6,727,214
Remeasurements in OCI			
Return on plan assets (excluding amount included in net interest)	–	(2,581,922)	2,581,922
Actuarial changes arising from experience adjustments	5,128,914	–	5,128,914
Actuarial changes arising from changes in financial assumptions	(810,603)	–	(810,603)
Sub-total	4,318,311	(2,581,922)	6,900,233
Contributions	–	11,506,518	(11,506,518)
December 31, 2024	₱122,167,307	₱117,290,524	₱4,876,783

The actual return on plan assets amounted to ₱5,275,368 and ₱4,160,267 in 2025 and 2024, respectively.

The carrying value of the fund is as follows:

	2025	2024
Cash	**₱329**	₱321
Investments:		
Debt instruments	**77,015,262**	92,546,201
Equity instruments	**13,387,811**	19,430,687
Investment funds	**6,272,819**	4,465,240
Others	**874,482**	989,572
Trust fee and other payables	**(119,083)**	(141,497)
Net equity	**₱97,431,620**	₱117,290,524

Movements in ‘Remeasurement gains (losses) on defined benefit plan’ in OCI follow:

	2025	2024
Balance at beginning of year	**(₱28,780,738)**	(₱23,605,563)
Remeasurement gains (losses) on retirement plan in OCI:		
Return on plan assets (excluding amount included in net interest)	**(1,914,541)**	(2,581,922)
Due to experience adjustments	**(3,104,365)**	(5,128,914)
Due to changes in financial assumptions	**(1,729,905)**	810,603
Remeasurement gains (losses) during the year	**(6,748,811)**	(6,900,233)
Tax effect	**1,687,203**	1,725,058
Remeasurement gains (losses) during the year, net of tax	**(5,061,608)**	(5,175,175)
Balance at end of year, net of tax	**(₱33,842,346)**	(₱28,780,738)

The cost of defined benefit pension plan as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions.

Discount rate used in computing for the present value of the obligation of the Company was 6.09% and 6.13% as of December 31, 2025 and 2024.

The principal assumptions used in determining pension benefit obligations for the defined benefit plan are shown below:

	2025	2024
Discount rates:	**6.09%**	6.13%
Rate of salary increase	**4.00%**	4.00%
Average years of service	**12.83**	12.15
Mortality rate	**1994 GAMT**	1994 GAMT

The Company applies asset-liability matching techniques to maximize investment returns at the least risk to reduce contribution requirements while maintaining a stable retirement fund. Retirement funds are invested to ensure that liquid funds are available when benefits become due, to minimize losses due to investment pre-terminations and maximize opportunities for higher potential returns at the least risk.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the December 31, 2025 and 2024, assuming if all other assumptions were held constant:

	2025		2024	
	Change	**Amount**	Change	Amount
Discount rate				
a. Discount rate	**1%**	**(₱6,121,461)**	1%	**(₱6,391,121)**
b. Discount rate	**-1%**	**6,822,890**	-1%	**7,076,628**
Salary increase rate				
a. Salary increase	**1%**	**6,950,680**	1%	**7,288,498**
b. Salary increase	**-1%**	**(6,443,221)**	-1%	**(6,915,311)**
Attrition rates				
a. Attrition rate scale	**10%**	**664,854**	10%	**827,118**
b. Attrition rate scale	**-10%**	**(664,854)**	-10%	**(827,188)**

Shown below is the maturity analysis of the undiscounted benefit payments:

	2025	2024
1 year and less	**₱21,771,454**	₱26,448,184
More than 1 year to 5 years	**73,158,414**	59,130,708
More than 5 years to 10 years	**71,348,048**	86,949,746
More than 10 years to 15 years	**50,754,213**	45,119,669
More than 15 years to 20 years	**57,730,788**	35,853,977
More than 20 years	**37,005,984**	19,314,904
Total	**₱311,768,901**	₱272,817,188

The weighted average duration of the defined benefit obligation is equivalent to 16 years and 11 years in 2025 and 2024, respectively.

19. **Equity**

Capital stock
As of December 31, 2025 and 2024, the Company's authorized capital stock consists of 15,000,000 shares with a par value of ₱100 per share or ₱1,500,000,000. As mentioned in Note 3 to the financial statements, the SEC imposed the minimum paid-up capital of ₱100,000,000 for pre-need companies selling at least three (3) types of plan.

The outstanding and issued capital stock amounted to ₱700,000,000 as of December 31, 2025 and 2024 representing 7,000,000 shares at ₱100 par value per share.

Retained earnings
Restricted retained earnings include accumulated trust fund income net of any reversal of appropriations during the year. These are automatically restricted to payments of benefits of planholders and such other related payments as allowed in the Pre-need Rules (see Notes 10 and 20). The portion of retained earnings corresponding to the cumulative fair value gains of service assets - memorial lots and investment properties are not available for distribution as dividends until realized through sale.

The roll forward analysis showing the results of the Company's operations follows:

	2025		
	Restricted	**Unrestricted**	**Total**
Balance at January 1	**₱–**	**₱3,264,878,908**	**₱3,264,878,908**
Net income (loss)	**487,199,776**	**(461,577,557)**	**25,622,219**
Reversal of appropriations	**(487,199,776)**	**487,199,776**	**–**
Balance at December 31	**₱–**	**₱3,290,501,127**	**₱3,290,501,127**

	2024		
	Restricted	Unrestricted	Total
Balance at January 1	₱–	₱3,752,237,464	₱3,752,237,464
Net income (loss)	972,884,806	(1,460,243,362)	(487,358,556)
Reversal of appropriations	(972,884,806)	972,884,806	–
Balance at December 31	₱–	₱3,264,878,908	₱3,264,878,908

Capital management framework
The Company maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect its planholders. The level of capital maintained is higher than the minimum capital requirements of the IC. The Company considers the entire equity in determining the capital.

The Company manages capital through a process that determines future projected capital requirements through the development of long-term financial plans and projections that consider the impact on the surplus of new business, profitability of in-force business and other major corporate initiatives that will affect capitalization levels. The results of the financial plans and projections provide basis in the determination of capitalization changes and surplus distribution decisions.

The Company has fully complied with the externally imposed minimum capital requirement of ₱100,000,000 during the reported financial periods and no changes were made to its capital base, objectives, policies and processes from the previous year.

20. **Trust Fund Income**

This account consists of:

	2025	2024
Fair value gain/(loss) on financial asset at FVTPL	**(₱26,906,752)**	₱471,326,286
Interest income:		
Financial assets at FVOCI (Note 10)	**417,713,873**	417,557,725
Cash and cash equivalents (Note 10)	**12,428,959**	15,736,660
Dividend income on listed equity financial assets (Note 10)	**106,826,340**	96,210,193
Gain (loss) on sale of financial assets (Note 10)		
Financial assets at FVTPL	**(83,701,930)**	(60,919,761)
Financial assets at FVOCI (Note 10)	**54,507,020**	18,259,750
Trust fees and other investment expenses	**(97,782,297)**	(47,179,176)
Rental income (Note 10)	**27,337,513**	28,114,966
Unrealized foreign exchange gain (loss) on trust fund investments	**17,105,975**	28,834,905
Income from service assets	**63,210,075**	4,943,258
Loss on sale of investment property (Note 10)	**(3,539,000)**	–
	₱487,199,776	₱972,884,806

Trust fees and other investment expenses pertain to the amount paid to the trustee banks as compensation for their services and other expenses and charges incurred in connection with the administration, preservation, maintenance and protection of the fund.

21. **Interest and Other Income**

This account consists of:

	2025	2024
Interest income on:		
Short-term investments (Note 7)	**₱19,095,003**	₱23,248,203
Cash facility loans (Note 8)	**6,018,728**	4,904,145
Financial asset at amortized cost (Note 8)	**3,706,599**	3,645,201
Cash and cash equivalents (Note 7)	**1,805,641**	4,200,501
Insurance premium fund (Note 11)	**55**	62
Fair value changes on financial assets at FVTPL:		
Not held in trust fund (Note 8)	**(22,423,263)**	5,076,833
Insurance premium fund (Note 11)	**(16,243,486)**	39,095,427
Gain on extinguishment of liability (Note 15)	**66,945,613**	–
Income from servicing	**12,791,081**	13,292,532
Service fee and loading income	**6,864,315**	7,848,878
Income from shared services	**6,384,784**	7,366,299
Reversal of cash loan (Note 15)	**1,192,558**	34,535,204
Reversal of provision for credit losses (Note 8)	–	13,113,875

	2025	2024
Rental income (Note 29)	**₱891,471**	₱2,960,444
Fair value gain on investment property held in insurance premium fund (Note 11)	–	2,811,000
Surcharge and amendment fees	**1,100,531**	1,736,633
Gain on sale of property and equipment (Note 12)	**1,087,848**	–
Miscellaneous income	**47,407,341**	7,919,551
	₱136,624,819	₱171,754,788

Service fee relates to one time service charge to a new planholder to cover underwriting and processing of application while loading income is the imputed interest corresponding to different plan types and modes of payment other than annual mode.

Surcharge and amendment fees consist of charges for the plan administration services, surrenders and other contract fees.

Income from servicing pertains to the referral commissions of the Company from mortuaries.

Income from shared services is derived from legal, audit, and IT-related services.

Gain on extinguishment of liability pertains to reversal of liability and clearing accounts which were outstanding for more than three (3) years.

Miscellaneous income consists mainly of processing and penalty fees from cash facility loans, income from promos, overages of cashiers.

22. Other Direct Costs and Expenses

This account consists of:

	2025	2024
Commissions	**₱94,621,044**	₱79,134,618
Insurance	**24,350,749**	20,057,187
	₱118,971,793	₱99,191,805

The Commissions under other direct costs and expenses include basic commissions, productivity and regular agent's bonuses for the sales counselors and overriding commissions (ORC), producer’s bonus and bonus ORC for the agency leaders including expenses for management and referral fees for all sold plans. This includes commission expense on the sale of memorial lots (Golden Haven).

Other related incentives for all performing agents and agency leaders hitting their sales goals are also given in form of short-term drives which include but not limited to Monthly Drives and long term drives such as the Globetrotters and Associates Learning Conference International (ALCI).

Insurance expense pertains to the sold plans’ insurance premium for the cost of level term, increasing term, or group year term, accidental death and dismemberment (AD & D) and total permanent disability (TPD).

23. General and Administrative Expenses

This account consists of:

	2025	2024
Employees' compensation and benefits expense (Notes 18 and 24)	**₱132,266,263**	₱128,762,993
Professional fees	**53,293,675**	48,584,502
Electronic data processing	**17,855,110**	21,593,799
Depreciation and amortization (Note 12)	**15,146,319**	12,280,277
Advertising and promotions	**12,240,227**	11,868,906
Training	**2,832,391**	10,137,873
Repairs and maintenance	**7,976,527**	7,799,113
Rent expense (Note 29)	**9,820,431**	6,878,733
Postage, telephone and telegraph	**2,193,592**	4,528,120
Taxes and licenses	**1,317,047**	4,441,499
Entertainment and representation	**243,489**	3,286,146
Heat, light and water	**3,292,885**	2,471,072
Transportation and travel	**3,083,093**	2,266,863
Stationery and office supplies	**1,169,441**	623,597
Provisions for (recovery of) credit losses (Notes 7 and 8)	**226,595**	(168,924)
Miscellaneous	**8,077,571**	7,358,251
	₱271,034,656	₱272,712,820

Provisions for (recovery of) credit losses include allowance for credit losses recorded under 'Cash and cash equivalents and short term investments', 'Investments securities at amortized cost' and 'Loans and receivables'.

Miscellaneous expense consists mainly of insurance expense, service fees from collections, prizes and awards, bank service charges, deposit pick up fees, contributions and donations, and other miscellaneous losses.

Insurance expense pertains to the insurance coverage on condominium and various vehicles.

Service fees from collections are the fees or discount rate charged by the acquiring credit card companies from the payment made via credit card, ATM card, or auto charged transactions, service fees from premium collections by the companies under salary allotment and/or group businesses, and tie-up collecting agencies.

Prizes and awards are also given in recognition for the agents and leaders extra ordinary sales performance thereby qualifying or meeting the company's established contests and drive parameters which normally happens during the National Awards Convention (NAC).

24. Employees' Compensation and Benefits Expense

This account consists of:

	2025	2024
Compensation	**₱119,909,892**	₱117,246,636
Net retirement benefit expense (Note 18)	**6,530,446**	6,727,214
Social security costs	**5,825,925**	4,789,143
	₱132,266,263	₱128,762,993

25. Income Tax

Income tax includes the current tax at the rate of 25.00%, and final taxes paid at the rate of 20.00% for peso deposits and 7.50% for foreign currency deposits which are final withholding taxes on gross interest income from deposit substitutes. These income taxes, as well as the deferred tax provisions, are presented as provision for (benefit from) income tax in the statement of income.

Benefit from income tax consists of:

	2025	2024
Not held in trust funds		
Deferred (Notes 11 and 13)	**(₱43,828,355)**	(₱56,790,839)
Final	**4,720,508**	5,966,271
Held in trust funds		
Deferred	**(111,014,238)**	(89,100,240)
Final	**84,131,171**	83,925,021
	(₱65,990,914)	(₱55,999,787)

Final tax represents final taxes on interest income from investments in trust funds, insurance premium fund, short-term investments and cash and cash equivalents.

As of December 31, 2025 and 2024, the deferred tax liabilities amounting to ₱800,305,385 and ₱807,320,578, respectively, pertain to the tax effects of the increase in fair value of service assets - memorial lots and net pension liability.

	2025	2024
DTL on service assets (Note 13)	**₱811,586,167**	₱816,914,156
DTA on net pension liability (Note 19)	**(11,280,782)**	(9,593,578)
	₱800,305,385	₱807,320,578

As of December 31, 2025 and 2024, the Company has unrecognized deferred tax assets pertaining to the following items as discussed in Note 6:

	2025	2024
NOLCO	**₱11,357,755,479**	₱12,828,047,994
Allowance for expected credit losses	**5,888,217**	5,645,958
Other accrued expenses	**14,656,075**	15,174,913
	₱11,378,299,771	₱12,848,868,865

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. The Company assesses the unrecognized deferred tax assets and will recognize previously unrecognized deferred tax assets to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered. The NOLCO is available for offset against future taxable income for the next three (3) years, except for the NOLCO incurred for the year 2020 and 2021 which is available for offset against future taxable income for the next five (5) years pursuant to RA 11494 (Bayanihan to recover as ONE act).

As of December 31, 2025, the Company has NOLCO which can be claimed as deduction from future taxable income, as follows:

Year Incurred	NOLCO	Applied	Expired	Balance	Expiration
2020	₱6,639,212,341	₱–	₱6,639,212,341	₱–	2025
2021	6,171,150,720	–	–	6,171,150,720	2026
2022	2,344,212,498	–	2,344,212,498	–	2025
2023	2,297,946,414	–	–	2,297,946,414	2026
2024	2,014,738,362	–	–	2,014,738,362	2027
2025	873,919,983	–	–	873,919,983	2028
	₱20,341,180,318	₱–	₱8,983,424,839	₱11,357,755,479	

The reconciliation of the statutory income tax to effective income tax follows:

	2025	2024
Statutory income tax	**25%**	25%
Tax effects of:		
Trust fund income	**75%**	11%
Change in pre-need reserve and other reserves	**127%**	5%
Interest income subject to final tax	**1%**	1%
Non-deductible expenses	**–**	–
Non-taxable income	**(65%)**	(32%)
Change in unrecognized deferred tax assets	**–**	–
Effective income tax	**163%**	10%

26. Management of Financial and Insurance Risks

Governance Framework

The primary objective of the Company's financial risk management framework is to protect it from events that hinder the sustainable achievement of the Company's performance objectives, including failing to exploit opportunities. The Company recognizes the importance of having efficient and effective risk management systems in place.

The Company has established risk management functions with clear terms of reference for the BOD, its committees and the associated executive management committees. Further, a clear organization structure with documented delegated authorities and responsibilities from the BOD to executive management committees and senior managers has been developed.

Lastly, a company policy framework which sets out the risk appetite of the Company, risk management, control and business conduct standards for the Company's operations has been put in place. Each policy has a member of senior management who is charged with overseeing compliance with the policy throughout the Company.

The BOD has approved the Company's risk management policies and meets at least quarterly to approve on any commercial, regulatory and own organizational requirements in such policies. The policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets, alignment of underwriting and reinsurance strategy to the corporate goals and specify reporting requirements.

Regulatory Framework
The operations of the Company are subject to the regulatory requirements of the IC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions (e.g., pre-need funds are managed by trustee banks and nature of investments that the trust funds can be invested in).

Insurance Risk
The risk under an insurance contract is the risk that an insured event will occur, including the uncertainty of the timing of the claim. The principal risk the Company faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, and actual benefits paid being greater than originally estimated.

The Company principally writes life plans where memorial services are provided upon the death of the policyholder. The Company has developed an underwriting policy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

In addition, the Company has a Group Insurance Agreement with its insurance provider in order to pass on insurance risks, the extent of which depends on the benefit features of the memorial life products.

Financial Instruments
Due to the short-term nature of cash and cash equivalents, loans and receivables, accrued income and accrued expenses and other liabilities, their carrying values reasonably approximate fair values at year-end.

The fair value of financial instruments classified as financial assets at FVOCI that are actively traded in organized exchange or active markets is determined by reference to quoted market or broker bid prices, at the close of business on the reporting date. For units in open-ended investment companies and mutual funds, fair value is by reference to published net asset value per share.

Fair Value Hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

The table below shows the fair value of the Company's financial and nonfinancial assets as of December 31:

	2025	2024
Level 1		
Financial Assets		
Held in trust funds		
Financial assets at FVTPL (Note 10)	**₱2,446,346,707**	₱3,064,294,152
Financial assets at FVOCI (Note 10)	**6,991,804,309**	6,194,435,288
Held under insurance premium fund		
Financial assets at FVTPL (Note 11)	**154,817,918**	84,370,843
	₱9,592,968,934	₱9,343,100,283
Level 2		
Financial Assets		
Held in trust funds		
Financial assets at FVTPL (Note 10)	**₱969,603,758**	₱1,099,126,688
Financial assets at FVOCI (Note 10)	**497,268,905**	553,509,412
Not held in trust funds		
Financial assets at FVTPL (Notes 6 and 8)	**25,980,331**	135,468,315
Investment securities at amortized cost	**–**	10,000,000
Held under insurance premium fund		
Investment securities at amortized cost (Note 11)	**49,867,991**	49,918,111
	₱1,542,720,985	₱1,848,022,526
Level 3		
Service Assets		
Held in trust funds (Notes 6 and 10)	**₱3,401,074,206**	₱3,894,452,497
Not held in trust funds (Notes 6 and 13)	**4,076,509,707**	4,121,705,210
Investment Properties		
Held in trust funds (Notes 6 and 10)	**1,063,723,000**	1,329,216,000
Held under insurance premium fund (Notes 6 and 11)	**49,488,000**	49,488,000
	₱8,590,794,913	₱9,394,861,707

Financial Risk

The Company is exposed to financial risk through its financial assets, financial liabilities, and pre-need liabilities. In particular, the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its pre-need contracts. The most important components of this financial risk are credit risk, liquidity risk and market risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements.

To mitigate these risks and to assure the planholders of the adequacy of the funds to meet maturing obligations, the pre-need trust funds are managed by trustee banks, as required by the IC. Investing activities of trustee banks are guided by the investment regulations of the IC. On a regular basis, the trustee banks report their fund performance and recommended investment strategies to the Investment Committee. The Investment Committee approves investment strategies that are consistent with the internal guidelines and policies of the Company.

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

The Company manages the level of credit risk it accepts through setting up of exposure limits by each counterparty or group of counterparties and industry segments, monitoring compliance with credit risk policy and review of credit risk policy for pertinence and changing environment.

In respect of investment securities, the Company, through its trustee banks, secures satisfactory credit quality by setting maximum limits of portfolio securities with a single or group of issuers.

The trustee banks employ a credit review process to assess credit quality and to establish exposure limits to avoid over-concentration of credits. These are presented to the Investment Committee and provide the trustee banks the investment parameters.

Credit risk exposure in respect of all other counterparties is managed by setting standard business terms that are required to be met by all counterparties. Commissions due to intermediaries are netted off against amounts receivables from them to reduce the risk of doubtful debts. Likewise, deductions from agents' commissions and bonuses and other cash incentives are made to establish bond reserves. The credit risk in respect of customer balances, incurred on nonpayment of premiums or contributions, will only persist during the grace period specified in the plan contract on the expiry of which the plan is either paid up or terminated.

The table below shows the maximum exposure to credit risk for the components of the statements of financial position before considering gross effects of collateral or other credit enhancements except for Cash Facility Loan wherein the Plan Termination Value of collateralized plan is sufficient or more than enough to pay the loan when the loan was approved including the entire interest for the paying period which is already deducted upon payment of the loan proceeds.

<u>Assets Not Held in Trust Funds</u>

	2025	2024
Cash and cash equivalents (excluding cash on hand)	**₱430,421,349**	₱523,476,812
Loans and Receivables:		
Cash facility loans	**75,551,120**	85,413,820
Due from related parties	**24,964,185**	30,759,644
Receivable from credit card companies	**2,252,138**	2,298,033
Receivable from trustee bank	**31,269,031**	25,488,312
Receivable from mortuary	**8,113,676**	8,638,454
Advances to officers and employees	**2,715,972**	3,275,121
Advances to agents and others	**3,869,729**	3,607,681
Advances to suppliers	**1,698,625**	1,698,625
Interest receivable (included under 'Prepayments and accrued income')	**4,953,222**	4,211,101
Other receivables	**211,949**	116,190
Financial assets:		
Financial assets at FVTPL	**25,890,331**	135,468,315
Other assets:		
Deposits (included under 'Prepayments and accrued income')	**2,197,373**	2,950,715
	₱614,108,700	₱827,402,823

Assets Held in Trust Funds

	2025	2024
Cash and cash equivalents	**₱553,774,945**	₱447,999,399
Loans and Receivables:		
Receivables	**781,397,220**	1,181,218,849
Accrued income	**109,520,284**	105,880,874
Financial Assets:		
Financial assets at FVTPL	**3,415,950,466**	4,163,420,841
Financial assets at FVOCI	**7,489,073,214**	6,747,944,700
	₱12,349,716,129	₱12,646,464,663

Assets under Insurance Premium Fund

	2025	2024
Cash in banks	**₱957,293**	₱414,559
Financial Assets:		
Financial assets at FVTPL	**154,817,918**	84,370,843
Financial assets at amortized cost	**49,867,991**	49,918,111
	₱205,643,202	₱134,703,513

For cash facility loans, the termination value of the plan as of loan date may be applied against the outstanding loan balance as payment for the entire loan, inclusive of interest, penalty and other additional charges without need of prior demands.

Credit quality
As of December 31, 2025 and 2024, the financial assets are viewed by management as high grade and there are no past due or impaired financial assets as of reporting date. The Company only invests in high grade financial assets.
In coordination with the Company's trustee banks, the Company determines the credit quality of its investments using the credit rating of the IC, as well as the ratings provided by private credit rating agencies.

The credit quality of treasury exposures is generally monitored through the external ratings of eligible external credit assessment rating institutions.

Credit Quality	External Rating												
Investment Grade (High grade)	Aaa	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3	Ba1	Ba2	Ba3
Non-Investment Grade (Standard grade)	B1	B2	B3	Caa1	Caa2	Caa3	Ca1	Ca2	Ca3	C1	C2	C3	
Impaired (Substandard grade)	D												

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

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

The tables below provide information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of counterparties.

Assets Not Held in Trust Funds

	December 31, 2025			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and receivables*				
Neither past due nor impaired				
Investment - High Grade	**₱579,923,242**	**₱–**	**₱–**	**₱579,923,242**
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	**6,097,755**	**6,097,755**
	579,923,242	**–**	**6,097,755**	**586,020,997**
Financial assets at FVTPL				
Neither past due nor impaired				
Investment - High Grade	**25,890,331**			**25,890,331**
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	25,890,331			**25,890,331**
Investment securities at amortized cost				
Neither past due nor impaired				
Investment - High Grade	**–**	–	–	**–**
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	–	–	–	**–**
	₱605,813,573	**₱–**	**₱6,097,755**	**₱611,911,328**

	December 31, 2024			
	Stage 1	Stage 2	Stage 3	Total
Loans and receivables*				
Neither past due nor impaired				
Investment - High Grade	₱683,062,513	₱–	₱–	₱683,062,513
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	5,921,280	5,921,280
	683,062,513	–	5,921,280	688,983,793
Financial assets at FVTPL				
Neither past due nor impaired				
Investment - High Grade	135,468,315	–	–	135,468,315
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	135,468,315	–	–	135,468,315
Investment securities at amortized cost				
Neither past due nor impaired				
Investment - High Grade	–	–	–	–
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	–	–	–	–
	₱818,530,828	₱–	₱5,921,280	₱824,452,108

**Includes cash and cash equivalents, other receivables, refundable deposits and interest receivable*

Assets Held in Trust Funds

	December 31, 2025			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and receivables*				
Neither past due nor impaired				
Investment - High Grade	**₱1,444,692,449**	**₱–**	**₱–**	**₱1,444,692,449**
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	₱1,444,692,449	–	–	**₱1,444,692,449**
Financial assets at FVTPL				
Neither past due nor impaired				
Investment - High Grade	**3,415,950,466**			**3,415,950,466**
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	3,415,950,466			**3,415,950,466**
Financial assets at FVOCI				
Neither past due nor impaired				
Investment - High Grade	**7,489,073,214**			**7,489,073,214**
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	7,489,073,214			**7,489,073,214**
	₱12,349,716,129	**₱–**	**₱–**	**₱12,349,716,129**

	December 31, 2024			
	Stage 1	Stage 2	Stage 3	Total
Loans and receivables*				
Neither past due nor impaired				
Investment - High Grade	₱1,735,099,122	₱–	₱–	₱1,735,099,122
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	₱1,735,099,122	–	–	₱1,735,099,122
Financial assets at FVTPL				
Neither past due nor impaired				
Investment - High Grade	4,163,420,841	–	–	4,163,420,841
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	4,163,420,841	–	–	4,163,420,841
Financial assets at FVOCI				
Neither past due nor impaired				
Investment - High Grade	6,747,944,700	–	–	6,747,944,700
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	6,747,944,700	–	–	6,747,944,700
	₱12,646,464,663	₱–	₱–	₱12,646,464,663

**Includes cash and cash equivalents and accrued income.*

<u>Assets Held under Insurance Premium Fund</u>

	December 31, 2025			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and receivables				
Neither past due nor impaired				
Investment - High Grade	**₱957,293**	**₱–**	**₱–**	**₱957,293**
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	₱957,293	–	–	**₱957,293**
Financial assets at FVTPL				
Neither past due nor impaired				
Investment - High Grade	**154,817,918**			**154,817,918**
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	154,817,918			**154,817,918**
Financial assets at amortized cost				
Neither past due nor impaired				
Investment - High Grade	**49,867,991**			**49,867,991**
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	49,867,991			**49,867,991**
	₱205,643,202	**₱–**	**₱–**	**₱205,643,202**

	December 31, 2024			
	Stage 1	Stage 2	Stage 3	Total
Loans and receivables				
Neither past due nor impaired				
Investment - High Grade	₱414,559	₱–	₱–	₱414,559
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	₱414,559	–	–	₱414,559
Financial assets at FVTPL				
Neither past due nor impaired				
Investment - High Grade	84,370,843	–	–	84,370,843
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	84,370,843	–	–	84,370,843
Financial assets at amortized cost				
Neither past due nor impaired				
Investment - High Grade	49,918,111	–	–	49,918,111
Investment - Medium Grade	–	–	–	–
Non-investment Grade	–	–	–	–
Impaired	–	–	–	–
	49,918,111	–	–	49,918,111
	₱134,703,513	₱–	₱–	₱134,703,513

Liquidity risk
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments.

The following policies and procedures are in place to mitigate the Company's exposure to liquidity risk:

- A liquidity risk policy setting out the assessment and determination of what constitutes liquidity risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to the top management. The policy is regularly reviewed for pertinence and for changes in the risk environment.

- Guidelines on asset allocations, portfolio limit structures and maturity profiles of assets and liabilities, in order to ensure sufficient funding available to meet pre-need obligations.
- Setting up contingency funding plans which specify minimum proportions of funds to meet claims and surrenders.

Cash and cash equivalents, short-term investments, financial assets at FVTPL and financial assets at FVOCI are used for the Company's liquidity requirements. Please refer to the terms and maturity profile of these financial assets under the maturity profile section. Financial assets at FVOCI could be sold when needed in order to meet the Company's short-term liquidity needs.

<u>Maturity Profiles</u>
The tables below summarize the maturity profile of the financial assets and liabilities of the Company based on remaining obligations where maturity profiles are determined on the contractual maturities or estimated timing of net cash outflows. Repayments which are subject to notice are treated as if notice were to be given immediately.

2025	**Up to a year**	**1-3 years**	**3-5 years**	**Over 5 years**	**No Maturity Date**	**Total**
Assets Not Held in Trust Funds						
Loans and receivables:						
Cash and cash equivalents*	**₱430,436,349**	**₱–**	**₱–**	**₱–**	**₱–**	**₱430,436,349**
Cash facility loans	**75,551,120**	–	–	–	–	**75,551,120**
Due from related parties	**24,964,185**	–	–	–	–	**24,964,185**
Receivable from credit card companies	**2,252,138**	–	–	–	–	**2,252,138**
Receivable from trustee bank	**31,269,031**	–	–	–	–	**31,269,031**
Receivable from mortuary	**8,113,676**					**8,113,676**
Advances to officers and employees	**2,715,972**		–	–	–	**2,715,972**
Advances to agents and others	**3,869,729**	-	–	–	–	**3,869,729**
Interest receivable (included under Prepayments and accrued income')	**4,953,222**	–	–	–	–	**4,953,222**
Advances to suppliers	**1,698,625**	–	–	–	–	**1,698,625**
Other receivables	**211,949**	–	–	–	–	**211,949**
Financial assets:						
Financial assets at FVTPL	**25,890,331**	–	–	–	–	**25,890,331**
Deposits (included under 'Prepayments and accrued income')	**2,197,373**	–	–	–	–	**2,197,373**
	₱614,123,700	**₱**	**₱–**	**₱–**	**₱–**	**₱614,123,700**
Assets Held in Trust Funds						
Loans and receivables:						
Cash and cash equivalents	**₱553,774,945**	**₱–**	**₱–**	**₱–**	**₱–**	**₱553,774,945**
Receivable	**781,397,220**	–	–	–	–	**781,397,220**
Accrued income	**109,520,284**	–	–	–	–	**109,520,284**
Financial assets						
Financial assets at FVTPL	**3,415,950,466**	–	–	–	–	**3,415,950,466**
Financial assets at FVOCI	174,622,369	564,842,547	1,333,069,952	5,416,538,346	–	7,489,073,214
	₱5,035,265,284	**₱564,842,547**	**₱1,333,069,952**	**₱5,416,538,346**	**₱–**	**₱12,349,716,129**
Assets under Insurance Premium Fund						
Loans and receivables:						
Cash in banks	**₱957,293**	**₱–**	**₱–**	**₱–**	**₱–**	**₱957,293**
Accrued income	–	–	–	–	–	–
Financial assets:						
Financial assets at FVTPL	**154,817,918**	–	–	–	–	**154,817,918**
Financial assets at amortized cost	49,867,991		–	–	–	49,867,991
	₱205,643,202	**₱**	**₱–**	**₱–**	**₱–**	**₱205,643,202**
Liabilities Not Held in Trust Funds						
Other financial liabilities						
Benefits payable	**₱3,623,603,898**	**₱–**	**₱–**	**₱–**	**₱–**	**₱3,623,603,898**
Accounts payable, payors' deposits and others	**441,652,519**	–	–	–	–	**441,652,519**
Contract liabilities	**453,732,806**	–	–	–	–	**453,732,806**
Counselors' bond reserves	**28,214,810**	–	–	–	–	**28,214,810**
Accrued expenses	**15,414,543**	–	–	–	–	**15,414,543**
Due to related parties	**5,308,163**	–	–	–	–	**5,308,163**
Deposits on cash facility loans	**11,600,801**	–	–	–	–	**11,600,801**
Due to insurer	**(14,315)**	–	–	–	–	**(14,315)**
	₱4,579,513,225	**₱–**	**₱–**	**₱–**	**₱–**	**₱4,579,513,225**

(Forward)

2025	**Up to a year**	**1-3 years**	**3-5 years**	**Over 5 years**	**No Maturity Date**	**Total**
Liabilities Held in Trust Funds						
Accrued expenses and other liabilities	**₱91,387,625**	**₱–**	**₱–**	**₱–**	**₱**	**₱91,387,625**
Liabilities under Insurance Premium Fund		–	–	–	–	
Accrued expenses and other liabilities	**₱28,388**	**₱–**	**₱–**	**₱–**	**₱**	**₱28,388**

2024	Up to a year	1-3 years	3-5 years	Over 5 years	No Maturity Date	Total
Assets Not Held in Trust Funds						
Loans and receivables:						
Cash and cash equivalents*	₱523,491,811	₱–	₱–	₱–	₱–	₱523,491,811
Cash facility loans	85,413,820	–	–	–	–	85,413,820
Due from related parties	30,759,644	–	–	–	–	30,759,644
Receivable from credit card companies	2,298,033	–	–	–	–	2,298,033
Receivable from trustee bank	25,488,312	–	–	–	–	25,488,312
Receivable from mortuary	8,638,454					8,638,454
Advances to officers and employees	3,275,121		–	–	–	3,275,121
Advances to agents and others	3,607,681	-	–	–	–	3,607,681
Interest receivable (included under Prepayments and accrued income')	4,211,101	–	–	–	–	4,211,101
Advances to suppliers	1,698,625	–	–	–	–	1,698,625
Other receivables	116,190	–	–	–	–	116,190
Financial assets:						
Financial assets at FVTPL	135,468,315	–	–	–	–	135,468,315
Deposits (included under 'Prepayments and accrued income')	2,950,715	–	–	–	–	2,950,715
	₱827,417,822	₱	₱–	₱–	₱–	₱827,417,822
Assets Held in Trust Funds						
Loans and receivables:						
Cash and cash equivalents	₱447,999,399	₱–	₱–	₱–	₱–	₱447,999,399
Receivable	1,181,218,849	–	–	–	–	1,181,218,849
Accrued income	105,880,874	–	–	–	–	105,880,874
Financial assets						
Financial assets at FVTPL	4,163,420,841	–	–	–	–	4,163,420,841
Financial assets at FVOCI	6,747,944,700				–	6,747,944,700
	₱12,646,464,663	₱	₱	₱	₱–	₱12,646,464,663
Assets under Insurance Premium Fund						
Loans and receivables:						
Cash in banks	₱414,561	₱–	₱–	₱–	₱–	₱414,561
Accrued income	–	–	–	–	–	–
Financial assets:						
Financial assets at FVTPL	84,370,843	–	–	–	–	84,370,843
Financial assets at amortized cost	49,918,110		–	–	–	49,918,110
	₱134,703,514	₱	₱–	₱–	₱–	₱134,703,514
Liabilities Not Held in Trust Funds						
Other financial liabilities						
Benefits payable	₱4,025,325,033	₱–	₱–	₱–	₱–	₱4,025,325,033
Accounts payable, payors' deposits and others	502,441,615	–	–	–	–	502,441,615
Contract liabilities	419,938,459	–	–	–	–	419,938,459
Counselors' bond reserves	26,491,774	–	–	–	–	26,491,774
Accrued expenses	15,859,067	–	–	–	–	15,859,067
Due to related parties	5,398,764	–	–	–	–	5,398,764
Deposits on cash facility loans	11,565,762	–	–	–	–	11,565,762
Due to insurer	(33,747)	–	–	–	–	(33,747)
	₱5,006,986,727	₱–	₱–	₱–	₱–	₱5,006,986,727
Liabilities Held in Trust Funds						
Accrued expenses and other liabilities	₱83,055,134	₱–	₱–	₱–	₱	₱83,055,134
Liabilities under Insurance Premium Fund		–	–	–	–	
Accrued expenses and other liabilities	₱25,857	₱–	₱–	₱–	₱	₱25,857

The following table shows the maturity profile of PNR (Note 16) and IPR (Note 17) based on the estimated timing of the net cash outflows using the recognized liability amounts:

2025

	Up to a year	1-3 years	3-5 years	Over 5 years	Total
PNR	**₱834,683,632**	**₱1,064,942,947**	**₱551,084,453**	**₱9,028,338,046**	**₱11,479,049,078**
IPR	**1,270,765**	**4,458,552**	**3,806,594**	**172,345,656**	**181,881,567**
	₱835,954,397	**₱1,069,401,499**	**₱554,891,047**	**₱9,200,683,702**	**₱11,660,930,645**

2024

	Up to a year	1-3 years	3-5 years	Over 5 years	Total
PNR	₱778,420,535	₱1,686,481,047	₱861,692,919	₱8,966,549,145	₱12,293,143,646
IPR	1,179,728	6,320,606	5,916,604	169,514,040	182,930,978
	₱779,600,263	₱1,692,801,653	₱867,609,523	₱9,136,063,185	₱12,476,074,624

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

The following policies and procedures are in place to mitigate the Company's exposure to market risk:

- The trustee banks take positions in debt and other fixed income securities. The trustee banks' risk management activities are aimed at optimizing interest income, managing duration and portfolio diversification across various tenors. The trustee banks monitor portfolio positions and facilitate strategy formulation.
- A market risk policy setting out the assessment and determination of what constitutes market risk for the Company. Compliance with the policy is monitored and exposures and breaches are reported to top management. The policy is reviewed regularly for pertinence and for changes in the risk environment.
- Asset allocation and portfolio limit structure to ensure that assets back specific planholders liabilities and those assets are held to deliver income and gains for planholders which are in line with expectations of the planholders.
- Stipulated diversification benchmarks by type of instrument.

Cash and cash equivalents, short-term investments and AFS equity securities are used for the Company's liquidity requirements. Please refer to the terms and maturity profile of these financial assets under the maturity profile section. AFS equity securities could be sold when needed in order to meet the Company's short-term liquidity needs.

Currency risk
Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company's principal transactions are carried out in Philippine Pesos and its exposure to foreign exchange risk arises primarily with respect to the United States Dollar.

The Company's financial assets are denominated in the same currencies as its liabilities, which mitigate the foreign currency exchange rate risk. Thus, the main foreign currency exchange rate risk arises from recognized assets and liabilities denominated in currencies other than those in which liabilities are expected to be settled.

The table below summarizes the Company's exposure to foreign currency exchange rate risk as of December 31:

	2025		2024	
	USD	**PHP**	USD	PHP
Assets				
Cash and cash equivalents	**$50,890**	**₱2,992,606**	$28,143	₱1,632,671
Financial assets	**8,369,240**	**492,153,134**	7,145,686	414,549,835
	$8,420,130	**₱495,145,740**	$7,173,829	₱416,182,506

The exchange rates used to restate the Company's US Dollar-denominated assets and liabilities as of December 31, 2025 and 2024 follow:

	2025	2024
US Dollar - Philippine Peso exchange rate	**P58.805 to US$1.00**	**P58.014 to US$1.00**

The analysis below is performed for the effect of a reasonably possible movement of the currency rate against the Philippine Peso with all other variables held constant, on profit or loss. There is no other impact on the Company's other comprehensive income other than those already affecting profit or loss.

	2025
Change in Exchange Rates	**Impact on Income Before Income Tax Increase (decrease)**
1.81%	**₱8,962,084**
-1.81%	**(8,962,084)**

	2024
Change in Exchange Rates	Impact on Income Before Income Tax Increase (decrease)
4.46%	₱18,578,632
-4.46%	(18,578,632)

The Company determined the reasonably possible change in foreign currency using the three (3) years volatility of the USD to PHP.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in

The following table shows the information relating to the financial assets that are exposed to interest rate risk and presented by maturity profile:

	2025					
	Range of Interest Rates	**Up to a year**	**1-3 years**	**3-5 years**	**Over 5 years**	**Total**
Cash and cash equivalents:						
Held under insurance premium fund	**0%-0.25%**	**₱957,293**	**₱–**	**₱–**	**₱–**	**₱957,293**
Held in trust funds	**0.25%-2.50%**	**553,774,945**				**553,774,945**
Cash and cash equivalents	**1.75 %-2.50%**	**430,436,349**	–	–	–	**430,436,349**
Not held in trust funds:						
Cash and cash equivalents	**1.75%-2.50%**	–	–	–	–	–
Loans and receivables:						
Not held in trust funds						
Cash facility loan	**15.00%**	**75,551,120**	–	–	–	**75,551,120**
Financial asset- debt securities:						
Held in trust funds	**1.63%-11.25%**	**174,622,369**	**564,842,547**	**1,333,069,952**	**5,416,538,346**	**7,489,073,214**
Held under insurance premium fund	**6.73%**	–	**49,867,991**	–	–	**49,867,991**
		₱1,235,342,076	**₱614,710,538**	**₱1,333,069,952**	**5,416,538,346**	**₱8,599,660,912**

	2024					
	Range of Interest Rates	Up to a year	1-3 years	3-5 years	Over 5 years	Total
Cash and cash equivalents:						
Held under insurance premium fund	0%-0.25%	₱414,559	₱–	₱–	₱–	₱414,559
Held in trust funds	0.25%-2.50%					
Cash and cash equivalents	1.75 %-2.50%	447,999,399	–	–	–	447,999,399
Not held in trust funds:						
Cash and cash equivalents	1.75%-2.50%	523,216,490	–	–	–	523,216,490
Loans and receivables:						
Not held in trust funds						
Cash facility loan	15.00%	85,413,820	–	–	–	85,413,820
Financial asset- debt securities:						
Held in trust funds	1.63%-11.25%	6,747,944,700				6,747,944,700
Held under insurance premium fund	6.73%		49,918,111		–	49,918,111
		₱7,804,988,968	₱49,918,111	₱		₱7,854,907,079

The analysis below is performed for reasonably possible movement of the interest rates (due to changes in fair value of financial assets at FVOCI) with all other variables held constant, showing the impact on equity.

	2025
Change in Yield Rate	**Impact on Equity Increase (Decrease)**
+1%	**₱1,432,908,392**
-1%	**(650,480,568)**

	2024
Change in Yield Rate	Impact on Equity Increase (Decrease)
+1%	₱1,149,162,053
-1%	(526,073,592)

Price risk

The Company's price risk exposure at year-end relates to financial assets whose values will fluctuate as a result of changes in market prices, principally, equity financial assets.

Such financial assets are subject to price risk due to changes in market values of instruments arising either from factors specific to individual instruments or their issuers or factors affecting all instruments traded in the market.

The Company's market risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plan, and limits on investment in each country, sector and market.

Based on the sensitivity of the financial assets to movements in the benchmark index and portfolio risk index, +/-3.43% change in December 31, 2025 and +/-3.60% change in December 31, 2024 to the index may result in an increase or decrease in equity by ₱102,759,861 and ₱137,325,363 in 2025 and in 2024, respectively.

The Company determined the reasonably possible change in PSE index using the specific adjusted beta for each equity security for three (3) years.

27. Related Party Transactions

Parties are related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions and the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

The Company, in its regular conduct of business, has transactions with its related parties consisting primarily of noninterest-bearing advances.

Details of related party transactions follow:

	2025			
Category	Amount/ Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions
Parent:				
Maestro Holdings, Inc.				
Management fees expenses	**(₱24,000,000)**	**(₱2,240,000)**	Payable on or before the 10th day of the following month; non-interest bearing	Unsecured; unimpaired
STI	**(330,000)**	–	non-interest bearing	Unsecured; unimpaired
STI Education Group				
Rental expenses				
Heat light & water &association dues				
Entities under common control:				
Rosehills Memorial Management Phils, Inc.				
Commission and referral fees on the sale of memorial lots and pre-need plans service cost	**(20,266,297)**	**(5,693,539)**	Payable within 30 days Non-interest bearing	Unsecured; unimpaired
Admin fee for mortuary services	**7,631,930**	**2,228,143**		
Philhealthcare, Inc. (Philcare)				
Shared services	**(3,333,612)**	**(1,719,128)**	30 days; non-interest bearing	Unsecured; unimpaired
Shared services & others	**2,789,028**	**2,789,028**	30 days; non-interest bearing	Unsecured; unimpaired
Payment of healthcard for employees & qualified agents	**(6,085,898)**	–	30 days upon receipt of billing/non-interest bearing	Unsecured; unimpaired

Category	Amount/ Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions
	2025			
PhilFirst Insurance				
Advances made for rent and utilities	**(₱1,132,778)**	**₱284.88**	30 days upon receipt of billing/non-interest bearing	Unsecured; unimpaired
Shared Services	**23,256.24**	–	30 days upon receipt of billing	Unsecured; unimpaired
Non life insurance	**(565,918)**	**(86,858.44)**	Non-interest bearing	Unsecured; unimpaired
PhilLife				
Purchases of life insurance – planholders	**(40,231,450)**	**(3,501,979)**	30 days upon receipt of billing/non-interest bearing	Unsecured; unimpaired
Shared Services		**(199)**		
Purchase of Group Insurance for employees and others	**(416,808)**	–	30 days upon receipt of billing/non-interest bearing	Unsecured; unimpaired
Experience Refund	**20,242,464**	**19,425,352**	30 days uponreceipt of billing/non-interest bearing	Unsecured; unimpaired
Shared Services	**1,465,633**	**817,312**		Unsecured; unimpaired
Comm & Sense				
Rent, utilities & condo dues	**1,916,771**	**1,916,771**	30 days upon receipt of billing/non-interest bearing	Unsecured; unimpaired
Advertising and other communication cost	**(2,000,000)**	–	30 days upon receipt of billing/non-interest bearing	Unsecured; unimpaired
PhisFirst Condo	**(3,228,018)**	–		

Category	Amount/ Volume	Outstanding Balance Receivable (Payable)	Terms	Conditions
	2024			
Parent:				
Maestro Holdings, Inc.				
Management fees expenses	(₱24,000,000)	(₱1,940,000)	Payable on or before the 10th day of the following month; non-interest bearing	Unsecured; unimpaired
STI	(330,000)	–	non-interest bearing	Unsecured; unimpaired
STI Education Group				
Rental Expenses	(3,946,117.20)			
Heat light & water &Association dues	(558,003.50)			
Entities under common control:				
Rosehills Memorial Management Phils, Inc.				
Commission and referral fees on the sale of memorial lots and pre-need plans	(35,066,414.35)	(75,221.30)	Payable within 30 days Non-interest bearing	Unsecured; unimpaired
Admin fee for Mortuary Services	7,631,930.64	2,373,304.65		

Category	Amount/ Volume	2024 Outstanding Balance Receivable (Payable)	Terms	Conditions
Philhealthcare, Inc. (Philcare)				
Shared Services	₱3,836,164	(₱2,073,674.29)	30 days; non-interest bearing	Unsecured; unimpaired
Shared services & others		2,633,732.45	30 days; non-interest bearing	Unsecured; unimpaired
Shared Services & condominium dues & others	(2,539,207.95)		30 days; non-interest bearing	Unsecured; unimpaired
Payment of healthcard for employees & qualified agents	(6,852,907.78)	–	30 days upon receipt of billing/non-interest bearing	Unsecured; unimpaired
Rental Expense	(2,631,995.84)	–		
PhilFirst Insurance				
Advances made for rent and utilities	(369,567.19)	271,339	30 days upon receipt of billing/non-interest bearing	Unsecured; unimpaired
Shared Services	419,751	–	30 days upon receipt of billing	Unsecured; unimpaired
Non life insurance	(833,150.55)	(49,614.39)	Non-interest bearing	Unsecured; unimpaired
PhilLife				
Purchases of life insurance – planholders	(42,375,726.81)	(3,325,090)	30 days upon receipt of billing/non-interest bearing	Unsecured; unimpaired
Purchase of Group Insurance for employees	(310,535.22)		30 days upon receipt of billing/non-interest bearing	Unsecured; unimpaired
Staffing Services & others	(119,977.48)			
Experience Refund	23,010,615	23,010,615	30 days uponreceipt of billing/non-interest bearing	Unsecured; unimpaired
Shared Services	3,249,265	1,874,454.38		Unsecured; unimpaired
Comm & Sense				
Rent, utilities & condo dues	1,718,276	3,019,089.31	30 days upon receipt of billing/non-interest bearing	Unsecured; unimpaired
Advertising and other communication cost	(7,354,466.44)	–	30 days upon receipt of billing/non-interest bearing	Unsecured; unimpaired
PhisFirst Condo	(6,032,226.60)	–		

Terms and conditions of transactions with related parties

Outstanding balances at year end are unsecured, interest free (except as otherwise indicated) and settlement occurs in cash. There have been no guarantees provided or received for any related party payables or receivables. The Company has not recognized any impairment losses on amounts due from related parties for the years ended December 31, 2025 and 2024.

This assessment is undertaken at each financial year through a review of the financial position of the related party and the market in which the related party operates.

Remunerations of Key Management
Key management personnel of the Company include all officers with position of vice president and up. Compensation of key management personnel amounted to ₱29,028,780 and ₱34,378,007 in 2025 and 2024, respectively.

28. Compliance with PNUCA

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

	2025	2024
Total premium collections	**₱702,473,031**	₱693,175,418
Number of lapsed plans	**766**	402
Number of lapsed plans reinstated	**253**	37
Contract price of lapsed plans	**135,009,604**	72,636,309
Contract price of lapsed plans reinstated	**45,800,510**	5,185,955

29. Leases and Commitments

Operating lease commitments - Company as Lessee

The Company entered into various non-cancelable lease agreements covering its Branch offices in various locations with terms of between one (1) and (5) years.

Some leases include a clause to enable upward revision of the rental charges on an annual basis based on prevailing market conditions.

Rent expenses charge against current operations (included in 'General and Administrative' expenses in the statements of income) amounted to ₱9,492,369 and ₱6,878,733 in 2025 and 2024, respectively. Rent expense in 2025 and 2024 pertain to expenses from short-term lease and leases of low value assets.

Operating lease commitments – Company as a lessor
The Company has entered into operating leases on its investment property to its affiliates and third party. Income from these leases is included in the "Interest and other income" account in the statement of income.

Rent income amounted to ₱891,471 and ₱2,960,444 in 2025 and 2024, respectively (see Note 21).

Future minimum rentals receivable under non-cancellable operating leases as of December 31, 2025 and 2024 follows:

	2025	2024
Within one (1) year	**₱–**	₱1,804,190
More than one (1) year	**–**	3,883,519
	₱–	₱5,687,709

In 2025, the amount is nil due to non-renewal of contract of lease.

30. **Contingencies**

Tax assessments for taxable year 2009
Last December 6, 2013, the Company received a Preliminary Assessment Notice (PAN) from the BIR dated November 29, 2013 covering calendar year 2009 for alleged deficiency VAT, income withholding taxes and documentary stamp taxes totaling ₱425,032,469 (inclusive of interest and penalties as of December 31, 2013).

The Company protested the assessment and submitted its reply to the BIR on December 19, 2013. On December 26, 2013, however, the Company received a Formal Letter of Demand from the BIR on the alleged deficiency taxes of taxable year 2009 with the same amount assessed as indicated in the PAN.

On January 24, 2015, the Company, through its legal counsel, filed a protest letter on the findings noted by the BIR and requested a reconsideration of such findings.

On June 29, 2016, the Company received a Final Decision on the Disputed Assessment (FDDA) from the BIR in response to the Company's protest letter dated January 24, 2015 in relation to the Company's tax assessment for taxable year 2009. Based on the FDDA, the amount of tax assessment was reduced from ₱425,032,469 to ₱416,578,540.

On July 29, 2016, the Company filed a petition for Review with the Court of tax Appeals (CTA) to reverse and set aside the FDDA of the Commissioner of Internal Revenue (CIR) finding the Company liable for deficiency taxes as shown above.

On November 10, 2016, the Company received the CIR's response on the protest letter dated November 3, 2016 in which the Company immediately responded with a reply on November 21, 2016 and filed the judicial affidavits on February 10, 2017. Likewise, the Company has filed the Pre-Trial Brief on February 13, 2017.

A Petition for Review against the alleged deficiency taxes on the disputed assessment has already been submitted to the CTA by the independent CPA last September 11, 2017. Based on the said Petition, the recomputed deficiency taxes, inclusive of penalties, are as follows:

Tax type	Amount
Income tax	₱16,230,341
Value added tax (VAT)	2,446,956
Documentary stamp tax (DST)	251,241
Total	₱18,928,538

Based on the letter provided by the Company's external legal counsel last March 2, 2018, the latter believes that there is a strong legal argument in favor of the Company considering:

- The assessment was issued beyond 3-year prescriptive period, and there was no valid waiver considering certain defects in its execution;
- The BIR did not conduct a fair audit, and did not consider the Company's explanations in the administrative investigation, constituting a violation of the Company's right to administrative due process; and
- Trust fund contributions of the Company are not subject to VAT as established by legislative history on the 'gross receipts' of pre-need companies and supported by jurisprudence. In particular, the Supreme Court in the 2017 case of Medicard Philippines, Inc. vs. Commisioner of

Internal Revenue has recognized that money held in trust are not taxable receipts of the taxpayer but earmarked by law for a specific purpose.

On March 6, 2019, the BIR presented a Revenue Officer as its only witness before the CTA. Based on the update provided by the Company's external legal counsel, the following points were established during the hearing:

- There are recent CTA cases which declare that procedural due process is not satisfied with the mere issuance of PAN without giving the taxpayer an opportunity to respond thereto. If the BIR does not wait for a taxpayer to reply to the PAN nor consider the argument raised therein, the right to due process of the taxpayer is violated.
- The BIR's witness tried to explain to the Court that in any case, Philplans was given the opportunity to contest the FLD. However, there are also CTA decisions which state that the fatal infirmity that attended the issuance of the FLD prior to the lapse of the period to respond to the PAN is not cured thereby.
- The Revenue Officer was also not mentioned in the Letter of Authority ('LOA') to audit Philplans. This is in violation of Section 6 of the Tax Code which provides that every revenue officer must have authority arising from a valid LOA before it conducts the audit of a taxpayer. The Supreme Court has already declared that assessments done by revenue officers without a valid LOA are null and void.

The Company's external legal counsel believes that the above may serve as additional arguments to the Company's Petition for the cancellation of the Final Decision on Disputed Assessment.

On June 17, 2020, the CTA Second Division ruled in favor of the Company and cancelled the FDDA due to failure of the BIR to comply with procedural due process. Specifically, the CTA found that the audit was conducted by a BIR personnel not authorized in the letter of Authority. Thus, the CTA Second Division cancelled the deficiency Income Tax, VAT and DST assessment for calendar year 2009 amounting to ₱416,578,540.

Management believes that it has a strong case against the BIR. In the opinion of management, the eventual liability under these claims, if any, will not have a material or adverse effect on the Company's financial position and results of operations. Consequently, the Company did not provide for any loss contingency on the tax case as of December 31, 2021.

On September 1 and September 11, 2020, respectively, BIR's Motion for Reconsideration (MR) and Court of Tax Appeal's (CTA) ordered Philplans to comment on BIR's MR on 21 September 2020. The issues in BIR's MR are purely legal, 1. Whether the defense of lack of LOA can be used, even if it was not raised in the Petition for Review; and 2. Whether Revenue Officer can be deemed without authority to conduct the audit because he was not identified in the LOA, but acted pursuant to a Memorandum of Assignment.

The primary argument of the BIR in its appeal to the CTA En Banc (EB) is that CTA Division ruled in favor of Philplans on the basis that BIR had no Letter of Authority. The BIR is saying the CTA Division cannot rule on the issue of its lack of authority, since Philplans never raised the same in its Petition. Philplans replied as follows:

1. It is established jurisprudence that the court may rule on issues even if not raised by the parties, especially where the factual basis is established in court;
2. Philplans established thru court records that BIR has no authority; and

3. Philplans filed its case in 2016, whereas the CTA based its decision on a 2017 Supreme Court case. Philplans could not have really raised the 2017 case in its 2016 Petition; thus/but the CTA is not prevented from relying on a later doctrine.

The CTA EB Resolution set the referred case for mediation on February 22, 2021. The mediation proceedings give the BIR and the taxpayer the opportunity to discuss possible settlement of the case. This is consistent with the Tax Code, which allows for compromise at 40% of the basic tax, on the ground of doubtful validity of the assessment.

In the case of Philplans, the basic deficiency assessment and the possible compromise/ settlement amount acceptable to the BIR is as follows:

	Basic Deficiency Assessment	40% Compromise
Income Tax	₱70,007,854	₱28,003,142
VAT	128,693,503	51,477,401
DST	114,874	45,950
Total	₱198,816,231	₱79,526,493

To note, the CTA Division decided in favor of Philplans and cancelled the assessment because of absence of the Letter of Authority (LOA) in favor of the BIR officers who conducted the audit. Jurisprudence has been consistent on the requirement of a valid LOA for there to be a valid assessment.

During the mediation hearing on February 22, 2021, the mediator asked the parties (*i.e.,* the BIR and Philplans) if they are willing to enter into a compromise. The management of Philplans proceeded with the case and did not enter into a compromise/settlement with the BIR.

On November 9, 2021, the CTA En Banc, rendered its decision affirming the CTA Second Division's Decision in favor of the Company. Management believes that it has a strong case against the BIR. In the opinion of management, the eventual liability under these claims, if any, will not have a material or adverse effect on the Company's financial position and results of operations. Consequently, the Company did not provide for any loss contingency on the tax case as of December 31, 2022.

On February 21, 2022, the BIR filed a motion for reconsideration regarding the decision dated November 9, 2021, and was denied for lack of merit dated March 29, 2022.

On April 24, 2023, the Company received a court decision from the Supreme Court that the Petition for review on Certiorari filed by the Commissioner of Internal Revenue is denied. The decision, dated November 9, 2021, and the resolution, dated March 29, 2022, of the Court of Tax Appeals En Banc in Case No. CTA EB No. 2351 are affirmed.

31. Current and Non-current Classification

As of December 31, 2025 and 2024, the Company's classification of its accounts is as follows:

	2025		
	Current	**Non-current**	**Total**
Assets			
Cash and cash equivalents	**₱430,226,811**	**₱–**	**₱430,226,811**
Financial assets:			
Financial assets at FVTPL	**25,890,331**	–	**25,890,331**
Investment securities at amortized cost	–	–	–
Loans and receivables-net	**144,758,208**	–	**144,758,208**
Prepayments and accrued income	**18,562,101**	–	**18,562,101**
Investments in trust funds	**4,769,255,291**	**11,142,151,918**	**15,911,407,209**
Insurance premium fund	**231,427,358**	**89,135,110**	**320,562,468**
Property and equipment	–	**33,947,880**	**33,947,880**
Service assets - memorial lots	–	**4,076,509,707**	**4,076,509,707**
Other assets	–	**102,591,312**	**102,591,312**
Total Assets	**₱5,620,120,100**	**₱15,444,335,927**	**₱21,064,456,027**
Liabilities			
Accrued expenses and other liabilities	**₱4,646,400,910**	**₱–**	**₱4,646,400,910**
Pre-need reserves	**834,683,632**	**10,644,365,446**	**11,479,049,078**
Other reserves	**1,270,765**	**180,610,802**	**181,881,567**
Net pension liability	–	**13,281,507**	**13,281,507**
Deferred tax liability	–	**800,305,385**	**800,305,385**
Total Liabilities	**₱5,482,355,307**	**₱11,638,563,140**	**₱17,120,918,447**

	2024		
	Current	Non-current	Total
Assets			
Cash and cash equivalents	₱523,216,490	₱–	₱523,216,490
Financial assets:			
Financial assets at FVTPL	135,468,315	–	135,468,315
Investment securities at amortized cost		10,000,000	10,000,000
Loans and receivables-net	154,543,096	1,106,827	155,649,923
Prepayments and accrued income	25,456,127	–	25,456,127
Investments in trust funds	5,613,873,798	11,211,664,304	16,825,538,102
Insurance premium fund	207,328,341	90,829,853	298,158,194
Property and equipment	–	41,164,594	41,164,594
Service assets - memorial lots	–	4,121,705,209	4,121,705,209
Other assets	–	97,032,691	97,032,691
Total Assets	₱6,659,886,167	₱15,573,503,478	₱22,233,389,645
Liabilities			
Accrued expenses and other liabilities	₱5,074,845,761	₱–	₱5,074,845,761
Pre-need reserves	778,420,535	11,514,723,111	12,293,143,646
Other reserves	1,179,728	181,751,250	182,930,978
Net pension liability	–	4,876,783	4,876,783
Deferred tax liability	–	807,320,578	807,320,578
Total Liabilities	₱5,854,446,024	₱12,508,671,722	₱18,363,117,746

32. **Note to Statements of Cash Flows**

As of December 31, 2025 and 2024, details of the Company's non-cash investing activities follow:

	2025	2024
Contribution of service assets - memorial lots	**₱–**	₱220,320,000
Contribution of financial assets at FVTPL	**87,154,721**	–

The Company contributed corporate service assets to ATRAM trust fund amounting to nil and ₱220,320,000 in 2025 and 2024, respectively.

33. **Approval of Financial Statements**

The accompanying financial statements were approved and authorized for release by the BOD on May 15, 2026.

34. **Supplementary Information Required under Revenue Regulations 15-2010**

The Company reported and/or paid the following types of taxes in 2025:

Value-added Tax (VAT)
The Company's services are subject to output VAT while its purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12%.

a. Net receipts and output VAT declared in the Company's VAT returns follow:

	Net sales/receipts	Output VAT
Taxable sales		
Sales of services	₱309,485,873	₱37,138,305
Others	726,965,752	87,235,890
	1,036,451,625	124,374,195
Exempt sales	398,273,269	–
	₱1,434,724,894	₱124,374,195

The Company has no output VAT arising from commissions and zero-rated sales.

b. Input VAT for 2025 follows:

Balance at January 1	₱5,596,529
Current year's purchases/payments for:	
Services lodged under other accounts	16,675,191
	22,271,720
Claims for tax credit	(18,280,982)
Balance at December 31	₱3,990,738

Claims for tax credit amounting to ₱18,280,982 was deducted from output VAT paid for the year 2025.

Information on the Company's Importations
The Company has no importations during the year since the Company is not involved in importation.

Withholding Taxes
Details of withholding taxes for the year ended December 31, 2025 follows:

Expanded withholding taxes	₱21,226,693
Withholding taxes on compensation and benefits	15,355,627
Final withholding taxes	127,816
Withholding VAT	–
	₱36,710,136

Fringe Benefit Taxes
Fringe benefit taxes for the year ended December 31, 2025 amounted to ₱817,449.

Other Taxes and Licenses
This includes all other taxes, local and national, including licenses and permit fees, and documentary stamp taxes lodged under the caption "Taxes and licenses" account under the "General and administrative expenses" and "Cost of contracts issued" sections in the statements of income.

Details consist of the following:

Cost of contracts issued:	
IC registration fee	₱1,043,216
Documentary stamp taxes	1,796,375
General and administrative expenses:	
License and permits fees	1,299,685
Real property tax	17,362
	₱4,156,638

Tax Assessment and Cases
The Company has no outstanding tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR as of December 31, 2025.