

Financial Statements of  
**Cosmopolitan CLIMBS Life Plan, Inc.**

---

December 31, 2024 and 2023

And

Report of Independent Auditors

## File Upload



**All files successfully uploaded**

**Transaction Code:**

**AFS-0-BCGHEA7H03S3ZVRPRNZW4SSVT08J6B8D5H**

**Submission Date/Time:**

**Apr 28, 2025 04:21 PM**



**QUILAB &  
GARSUTA**

Certified Public Accountants

Contact Information

2F, Executive Centrum Building, J.R. Borja Street  
Cagayan de Oro City, Philippines, 9000  
(063) 88-856-4401, 0917-7121352  
quilabgarsuta.com

Current Accreditations

BOA, BIR, SEC, BSP, IC  
CDA, NEA, MISEREOR, KNH

## CERTIFICATION BY EXTERNAL AUDITORS

### INSURANCE COMMISSION

1071 United Nations Avenue, Manila

Gentlemen:

In connection with our engagement in the audit of the financial statements of **Cosmopolitan CLIMBS Life Plan, Inc.** for the year ended December 31, 2024, we hereby certify:

1. That we have nothing to report to the Insurance Commission (IC) with regard to items enumerated under Section 8.1 of IC Circular No. 2024-03, that came to our attention during the audit (e.g., material findings involving fraud or error, losses amounting to at least 10% of the total assets, going concern issues, material breach of laws, material internal control weaknesses, findings on matters of corporate governance, etc.);
2. That there were no weaknesses or breach in the internal control and risk management of the Company that are material enough to warrant modifications of our report nor were there matters that came to our attention that need our direct reporting to the Insurance Commission (IC);
3. That the engagement partner, manager and auditor-in-charge of the engagement and the members of their immediate families do not have any direct or indirect financial interest with the Company, and their independence is not considered impaired under the circumstances specified in the Code of Professional Ethics for Certified Public Accountants.

This certification is issued in compliance with the requirements mandated by the Insurance Commission (IC) in its Circular No. 2024-03, dated January 29, 2024.

Done this 28<sup>th</sup> day of April 2025, at Cagayan de Oro City, Philippines.

**ANA MARIAE MICHELLE D. QUILAB-ARRABACA**  
Engagement Partner

**SUBSCRIBED AND SWORN** to before me this 28th day of April 2025 affiant exhibited to me her PRC Identification Number 0121076 valid until June 28, 2026.

Doc. No. 1445  
Page No. 89  
Book No. 77  
Series of 2025.

**ATTY. MARINER LEZARD ROSABAL**  
Notary Public until December 31, 2026  
Notarial Commission No. 2025-41  
IBP No. 487549/Dec. 26, 2024  
PTR Receipt No. 6077742A/Dec. 6, 2024  
MCLE No. VIII-0014509/Roll No. 53682  
TIN 947-407-463



## Cosmopolitan CLIMBS Life Plan Inc.

4/f CLIMBS Bldg Tiano-Pacana Sts., Cagayan de Oro City, Philippines 9000

Tel. No: (088) 880-1574, Hotline No: 0998 953 4937.

Email add: cclpi.prenneed@gmail.com, Website: www.cclpi.com.ph

### STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Cosmopolitan CLIMBS Life Plan, Inc., is responsible for the preparation and fair presentation of its financial statements for the years ended December 31, 2024 and 2023, in accordance with Philippine Financial Reporting Standards (PFRSs), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.


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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements and submits the same to the stockholders.

Quilab & Garsuta, CPAs, the independent auditors appointed by the Board of Directors for the periods December 31, 2024 and 2023, have audited the financial statements of the Company in accordance with Philippine Standards on Auditing (PSAs), and in its report to the Board of Directors, have expressed their opinions on the fairness of presentation upon completion of such audits.

April 11, 2025, Cagayan de Oro City, Philippines.

  
**RENATO S. DYCHANGO, JR.**  
Chairman, Board of Directors

  
**ALVIN Y. TAN UNJO**  
Treasurer

  
**MANSUETO V. DELA PEÑA**  
President and Chief Executive Officer

  
**SEVERINO B. PEDROZA, JR.**  
Chief Finance Officer



## REPORT OF INDEPENDENT AUDITORS

Contact Information

2F, Executive Centrum Building, J.R. Borja Street  
Cagayan de Oro City, Philippines, 9000  
(063) 88-856-4401, 0917-7121352  
quilabgarsuta.com

Current Accreditations

BOA, BIR, SEC, BSP, IC  
CDA, NEA, MISEREOR, KNH

The Board of Directors  
**Cosmopolitan CLIMBS Life Plan, Inc.**  
4F, CLIMBS Building, Tiano-Pacana Streets,  
Cagayan de Oro City

### Report on the Financial Statements

Opinion

We have audited the financial statements of Cosmopolitan CLIMBS Life Plan, Inc. (Company), which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, comprising of a summary of material accounting policy information and other explanatory notes, collectively referred to as 'financial statements.'

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Cosmopolitan CLIMBS Life Plan, Inc. as of December 31, 2024 and 2023, and of its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

The Company's management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our

opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in 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 audits. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

#### **Report on the Supplementary Information Required by Supervising Agencies of the Company**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The following supplementary information are presented as compliance to the requirements by the corresponding supervising Government agencies in the prudential reporting of the Company and are not required parts of the basic financial statements. Such information is the responsibility of management.

<i>Supervising Government</i>	<i>Nature of Information</i>	<i>Presented in</i>
BIR Revenue Regulation 15-2010	Supplementary Information on Taxes, Licenses and Fees	Note 30
Securities Regulation Code Rule 68 (2019 Version)	Reconciliation of Retained Earnings Available for Dividend Declaration	Annex I

The forgoing information has been subjected to the auditing procedures applied in our audits 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.

**QUILAB & GARSUTA, CPAs**

By:



**ANA MARIAE MICHELLE D. QUILAB-ARRABACA**

Partner

CPA Cert. No. 121076

TIN No. 948-844-710

CDA CEA No. 1883-SP, 2024-2029

PRC/BOA Cert. No. 7787, 2023-2026

BIR 16-007506-000-2022, 2022-2024

121076-SEC Group B, 2020-2024

121076-BSP Group B, 2020-2024

121076-IC Group A, 2020-2024

PTR No. 6133948 A

January 2, 2025

Cagayan de Oro City

April 11, 2025

Cagayan de Oro City, Philippines

## STATEMENTS OF FINANCIAL POSITION

Cosmopolitan CLIMBS Life Plan, Inc.

December 31,	2024	2023
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 5)	₱54,051,161	₱43,138,756
Investments in financial instruments (Note 10)	20,375,000	40,521,167
Trade and other receivables – net (Note 6)	2,094,963	3,063,581
Prepaid expenses (Note 7)	3,464,164	3,116,567
Total Current Assets	79,985,288	89,840,071
<b>Non-Current Assets</b>		
Property and equipment – net (Note 8)	7,208,033	7,455,505
Right-of-use assets – net (Note 9)	11,095,999	3,365,978
Investment in Trust Fund – Life Plan (Note 11)	294,058,564	197,834,896
Investments in financial instruments (Note 10)	98,057,041	95,321,798
Insurance Premium Fund (Note 12)	11,837,987	7,441,803
Other assets (Note 13)	1,474,721	1,003,430
Total Non-Current Assets	423,732,345	312,423,410
	<b>₱503,717,633</b>	<b>₱402,263,481</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Note 14)	₱50,411,879	₱44,532,588
Deposits for future subscriptions (Note 17)	5,000,000	7,000,000
Lease liabilities (Note 9)	2,201,719	1,102,343
Total Current Liabilities	57,613,598	52,634,931
<b>Non-Current Liabilities</b>		
Aggregate reserves for risks (Note 15)	236,973,818	159,720,072
Lease liabilities (Note 9)	9,186,847	2,497,654
Retirement benefit obligation (Note 16)	498,108	3,024,920
Total Non-Current Liabilities	246,658,773	165,242,646
Total Liabilities	304,272,371	217,877,577
<b>Shareholders' Equity</b>		
Share capital (Note 17)	160,483,938	158,483,938
Net earnings of Trust Fund – Life Plan (Note 18)	22,830,543	10,416,520
Retained earnings, appropriated (Note 17)	10,862,841	5,104,331
Retained earnings, unappropriated	6,612,992	8,897,977
Revaluation reserves – net (Notes 11 and 16)	(1,345,052)	1,483,138
Total Shareholders' Equity	199,445,262	184,385,904
	<b>₱503,717,633</b>	<b>₱402,263,481</b>

See Notes to Financial Statements.



## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Cosmopolitan CLIMBS Life Plan, Inc.

<i>Years Ended December 31,</i>	<b>2024</b>	<b>2023</b>
<b>REVENUE</b>		
Premiums (Note 19)	<b>₱171,883,362</b>	₱153,420,399
Trust fund income (Notes 11 and 18)	<b>15,517,529</b>	8,306,690
Investment income (Note 20)	<b>8,400,907</b>	7,653,090
Miscellaneous	<b>3,771,909</b>	3,207,729
Total Revenue	<b>199,573,707</b>	172,587,908
<b>COSTS AND EXPENSES</b>		
Cost of contracts issued:		
Increase in aggregate reserves for risks (Note 15)	<b>77,253,746</b>	61,456,181
Collection costs (commissions) (Note 19)	<b>25,802,644</b>	31,087,336
Plan benefits paid (Note 15)	<b>15,981,787</b>	12,233,793
Other direct costs and expenses (Note 21)	<b>4,720,183</b>	4,308,892
Total cost of contract issued	<b>123,758,360</b>	109,086,202
Salaries, wages and employees' benefits (Note 22)	<b>25,557,923</b>	19,700,203
General and administrative (Note 23)	<b>17,932,460</b>	16,996,303
Depreciation and amortization (Notes 8, 9 and 13)	<b>7,443,920</b>	3,845,086
Total Costs and Expenses	<b>174,692,663</b>	149,627,794
<b>PROFIT BEFORE INCOME TAX EXPENSE</b>	<b>24,881,044</b>	22,960,114
<b>INCOME TAX EXPENSE</b> (Note 24)		
Current	<b>5,238,775</b>	5,083,736
Deferred	<b>(455,088)</b>	–
Net	<b>4,783,687</b>	5,083,736
<b>PROFIT FOR THE YEAR</b>	<b>20,097,357</b>	17,876,378
<b>OTHER COMPREHENSIVE INCOME</b>		
<i>Item that will not be recycled subsequently to profit or loss</i>		
Remeasurement loss on defined benefit obligation (Note 16)	<b>(234,986)</b>	(372,628)
Fair value gains (losses) on investment in Trust Fund – Life Plan (Note 11)	<b>(2,593,204)</b>	6,618,470
Net	<b>(2,828,190)</b>	6,245,842
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱17,269,167</b>	₱24,122,220

See Notes to Financial Statements.

## STATEMENTS OF CHANGES IN EQUITY

Cosmopolitan CLIMBS Life Plan, Inc.

December 31,	2024	2023
<b>SHARE CAPITAL</b> <i>(Note 17)</i>		
<b>Ordinary (Common) Shares</b>		
Opening balances	₱138,683,938	₱137,812,500
Additional subscriptions received during the year	2,000,000	871,438
Closing balances	140,683,938	138,683,938
<b>Preference Shares</b>	19,800,000	19,800,000
Total Share Capital	160,483,938	158,483,938
<b>RETAINED EARNINGS OF TRUST FUND – LIFE PLAN</b>		
Opening balances	10,416,520	3,771,168
Income from investments in trust fund <i>(Note 18)</i>	12,414,023	6,645,352
Closing balances	22,830,543	10,416,520
<b>RETAINED EARNINGS – APPROPRIATED</b>		
Opening balances	5,104,331	2,474,485
Appropriation during the year <i>(Note 17)</i>	5,758,510	2,629,846
Closing balances	10,862,841	5,104,331
<b>RETAINED EARNINGS – UNAPPROPRIATED</b>		
Opening balances	8,897,977	8,668,486
Profit for the year	7,683,334	11,231,026
Appropriation during the year <i>(Note 17)</i>	(5,758,510)	(2,629,846)
Dividends declared during the year <i>(Note 17)</i>	(4,209,809)	(8,371,689)
Closing balances	6,612,992	8,897,977
<b>REVALUATION RESERVES</b>		
<b>Revaluation Reserve on FVTOCI Investments</b>		
Opening balances	1,855,766	(4,762,704)
Other comprehensive income for the year <i>(Note 11)</i>	(2,593,204)	6,618,470
Closing balances	(737,438)	1,855,766
<b>Remeasurement Reserve from Defined Benefit Plan</b>		
Opening balances	(372,628)	–
Net change during the year <i>(Note 16)</i>	(234,986)	(372,628)
Closing balances	(607,614)	(372,628)
Total Reserves	(1,345,052)	1,483,138
	<b>₱199,445,262</b>	<b>₱184,385,904</b>

See Notes to Financial Statements.

## STATEMENTS OF CASH FLOWS

Cosmopolitan CLIMBS Life Plan, Inc.

Years Ended December 31,

2024

2023

### CASH FLOWS FROM OPERATING ACTIVITIES

Profit before income tax expense	₱24,881,044	₱22,960,114
Add (deduct) adjustments:		
Depreciation of property and equipment – net (Note 8)	5,106,537	2,459,169
Amortization of other assets (Note 13)	220,232	286,126
Depreciation of right-of-use assets (Note 9)	2,117,151	1,099,791
Increase in actuarial reserve liabilities (Note 15)	77,253,746	61,456,181
Provision for impairment on trade and other receivables (Note 6)	26,341	91,863
Interest expense on lease liability (Note 9)	278,976	231,357
Provision for retirement benefits (Note 16)	187,330	1,023,793
Investments and trust fund income (Notes 11, 18 and 20)	(23,918,436)	(15,959,780)
Net cash provided from operations	86,152,921	73,648,614
Changes in working capital, excluding cash and cash equivalents:		
Decrease (increase) in trade and other receivables (Note 6)	942,277	(144,337)
Decrease (increase) in prepaid expenses (Note 7)	(347,597)	924,274
Increase in trade and other payables (Note 14)	6,977,462	10,348,810
Net cash generated from operations	93,725,063	84,777,361
Income taxes paid (Note 24)	(5,992,061)	(3,602,261)
Net Cash Provided from Operating Activities	87,733,002	81,175,100

### CASH FLOWS FOR INVESTING ACTIVITIES

Decrease (increase) in investments in financial instruments (Note 10)	17,410,924	(19,031,471)
Increase in investment in Trust Fund – Life Plan (Note 11)	(98,816,872)	(74,006,772)
Additions to Insurance Premium Fund (Note 12)	(4,396,184)	(1,381,287)
Investments and trust fund income (Notes 11, 18 and 20)	23,918,436	15,959,780
Acquisition of property and equipment – net (Note 8)	(4,859,065)	(2,371,560)
Decrease (increase) in other non-current assets (Note 13)	(691,523)	202,891
Net Cash Used for Investing Activities	(67,434,284)	(80,628,419)

### CASH FLOW FROM FINANCING ACTIVITIES

Dividends declared during the year (Note 17)	(4,209,809)	(8,371,689)
Contributions to retirement plan assets (Note 16)	(2,949,128)	–
Payment of lease principal and interest (Note 9)	(2,227,376)	(1,258,500)
Payments received from capital stock subscriptions (Note 17)	–	871,438
Net Cash Used for Financing Activities	(9,386,313)	(8,758,751)

<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>10,912,405</b>	<b>(8,212,070)</b>
---	-------------------	--------------------

<b>OPENING CASH AND CASH EQUIVALENTS</b>	<b>43,138,756</b>	<b>51,350,826</b>
--	-------------------	-------------------

<b>CLOSING CASH AND CASH EQUIVALENTS (Note 5)</b>	<b>₱54,051,161</b>	<b>₱43,138,756</b>
---	--------------------	--------------------

See Notes to Financial Statements.

## NOTES TO FINANCIAL STATEMENTS

Cosmopolitan CLIMBS Life Plan, Inc.

*As of and for the Years Ended December 31, 2024 and 2023*

---

### **Note 1**

#### **General Information**

The Cosmopolitan CLIMBS Life Plan, Inc. (henceforth referred to as 'Company') was registered by the Securities and Exchange Commission (SEC) on December 7, 2016. It obtained its secondary license from the Insurance Commission (IC) on August 9, 2017. It received from IC its Permit to Offer Pre-Need Plans on December 22, 2017. The Company officially started commercial operations at the beginning of 2018.

The Company was organized 'to engage in the pre-need business and develop and sell contractual plans for the benefit of plan-holders, subscribers, or purchasers thereof'. It embodies the synergy of the cooperative system and a private funeral company and strongly positioned itself to break the pre-need industry's growth of only 2.97% as played by the top 3 major companies in the industry. CLIMBS Life and General Insurance Cooperative, a grassroot insurance cooperative with national network of primary cooperative members and Cosmopolitan Funeral Homes Inc., a corporation providing funeral, mortuary and allied services with branches nationwide, joined together to ensure that the Company delivers to the cooperative members and the community at large affordable, efficient and reliable care and service in times of need.

The Company presently sells memorial life plans.

The Company's area of operations covers the whole country. The Company's Head Office is located at the 4<sup>th</sup> Floor, CLIMBS Building, Tiano-Pacana Streets, Cagayan de Oro City. It maintains sub-offices in key cities and regions of the country.

---

### **Note 2**

#### **Statement of Compliance with Philippine Financial Reporting Standards (PFRS)**

##### **Statement of Compliance**

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

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

Because the Company is a supervised entity by the Insurance Commission (IC), it also abides by the regulations of the Commission particularly those that are set forth in the Pre-need Rule 31, As Amended: *Accounting Standards for Pre-Need Plans and Pre-need Uniform Chart of Accounts (PNUCA)*, and all applicable IC Circular Letters and accounting requirements. These regulations and requirements are substantially compliant with PFRSs.



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

In the current year, the Company has applied a number of amendments to PFRS Accounting Standards issued by the International Accounting Standards Board (IASB) and adopted by the FSRSC (as Philippine Financial Reporting Standards) that are mandatorily effective for an accounting period that begins on or after January 1, 2024. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

*Amendments to PAS/IAS 7 Statement of Cash Flows and PFRS 7 Financial Instruments: Disclosures titled Supplier Finance Arrangements*

The amendments add a disclosure objective to PAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, PFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The amendments contain specific transition provisions for the first annual reporting period in which the Company applies the amendments. Under the transitional provisions an entity is not required to disclose:

- Comparative information for any reporting periods presented before the beginning of the annual reporting period in which the entity first applies those amendments
- The information otherwise required by PAS/IAS 7:44H(b)(ii)–(iii) as at the beginning of the annual reporting period in which the entity first applies those amendments.

The Company has no supplier finance arrangements.

*Amendments to PAS/IAS 1 Classification of Liabilities as Current or Non-current*

The Company has adopted the amendments to PAS/IAS 1, published in January 2020, for the first time in the current year. The amendments affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

*Amendments to PAS/IAS 1 Presentation of Financial Statements—Non-current Liabilities with Covenants*

The Company has adopted the amendments to PAS/IAS 1, published in November 2022, for the first time in the current year. The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g., a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is

required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The Company has no non-current liabilities with covenants.

*Amendments to PFRS 16 Leases—Lease Liability in a Sale and Leaseback*

The Company has adopted the amendments to PFRS 16 for the first time in the current year. The amendments to PFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in PFRS 15 *Revenue from Contracts with Customers* to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognize a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

The amendments do not affect the gain or loss recognized by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognized a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in PFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

As part of the amendments, the IASB amended an Illustrative Example in IFRS 16 and added a new example to illustrate the subsequent measurement of a right-of-use asset and lease liability in a sale and leaseback transaction with variable lease payments that do not depend on an index or rate. The illustrative examples also clarify that the liability that arises from a sale and leaseback transaction that qualifies as a sale applying IFRS 15 is a lease liability.

A seller-lessee applies the amendments retrospectively in accordance with PAS/IAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied PFRS 16.

*New and Revised IFRS Accounting Standards in Issue But Not Yet Effective*

At the date of authorization of these financial statements, the Company has not applied the following new and revised IFRS Accounting Standards (which will become PFRS Accounting Standards) that have been issued but are not yet effective and in some cases had not yet been adopted by the FSRSC.

- PFRS 17 *Insurance Contracts* (including the June 2020 and December 2021 amendments to IFRS 17)
- Amendments to PAS 7 *Statement of Cash Flows* and PFRS 7 *Financial Instruments: Disclosures* titled *Supplier Finance Arrangements*
- Amendments to IAS 21 *Lack of Exchangeability*
- IFRS 18 *Presentation and Disclosures in Financial Statements*
- IFRS 19 *Subsidiaries without Public Accountability: Disclosures*

The Board of Directors does not expect that the adoption of the standards listed above will have a material impact on the financial statements of the Company in future periods, except if indicated below, when applicable.

*IFRS 17 Insurance Contracts*

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 *Insurance Contracts*. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium

allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

In June 2020, the IASB issued Amendments to IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 was published. The amendments defer the date of initial application of IFRS 17 (incorporating the amendments) to annual reporting periods beginning on or after 1 January 2023. At the same time, the IASB issued Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4) that extends the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 to annual reporting periods beginning on or after 1 January 2023.

In December 2021, the IASB issued Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendment to IFRS 17) to address implementation challenges that were identified after IFRS 17 was published. The amendment addresses challenges in the presentation of comparative information. IFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The FSRSC adopted the amendments on December 15, 2021 and 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 (IC) which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

The Company has determined that the life plan it issues has significant insurance risk and therefore meets the definition of an insurance contract. Presently, these are accounted for under PFRS 4, which will be superseded by PFRS 17 beginning January 1, 2025. The Company is working closely with its actuaries and the pre-need industry association it belongs to and relies on guidance from the Insurance Commission (IC) as it seeks understanding in the implementation of the provision of PFRS 17.

*Amendments to PAS 7 Statement of Cash Flows and  
PFRS 7 Financial Instruments: Disclosures titled Supplier Finance Arrangements*

The FSRSC has adopted the amendments to IAS 7 and IFRS 7 on June 19, 2023, to be effective beginning January 1, 2025. The amendments add a disclosure objective to PAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, PFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The amendments contain specific transition provisions for the first annual reporting period in which the Company applies the amendments. Under the transitional provisions an entity is not required to disclose:

- Comparative information for any reporting periods presented before the beginning of the annual reporting period in which the entity first applies those amendments
- The information otherwise required by PAS 7:44H(b)(ii)–(iii) as at the beginning of the annual reporting period in which the entity first applies those amendments.

The Company has no supplier finance arrangements.

*Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates titled Lack of Exchangeability*  
The amendments specify how to assess whether a currency is exchangeable, and how to determine the

exchange rate when it is not. The amendments state that a currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

An entity assesses whether a currency is exchangeable into another currency at a measurement date and for a specified purpose. If an entity is able to obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, the currency is not exchangeable into the other currency.

The assessment of whether a currency is exchangeable into another currency depends on an entity's ability to obtain the other currency and not on its intention or decision to do so.

When a currency is not exchangeable into another currency at a measurement date, an entity is required to estimate the spot exchange rate at that date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions.

The amendments do not specify how an entity estimates the spot exchange rate to meet that objective. An entity can use an observable exchange rate without adjustment or another estimation technique. Examples of an observable exchange rate include: (a) a spot exchange rate for a purpose other than that for which an entity assesses exchangeability, and (b) the first exchange rate at which an entity is able to obtain the other currency for the specified purpose after exchangeability of the currency is restored (first subsequent exchange rate).

An entity using another estimation technique may use any observable exchange rate—including rates from exchange transactions in markets or exchange mechanisms that do not create enforceable rights and obligations—and adjust that rate, as necessary, to meet the objective as set out above.

When an entity estimates a spot exchange rate because a currency is not exchangeable into another currency, the entity is required to disclose information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows.

The amendments add a new appendix as an integral part of IAS 21. The appendix includes application guidance on the requirements introduced by the amendments. The amendments also add new Illustrative Examples accompanying IAS 21, which illustrate how an entity might apply some of the requirements in hypothetical situations based on the limited facts presented.

In addition, the IASB made consequential amendments to IFRS 1 to align with and refer to the revised IAS 21 for assessing exchangeability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2025, with earlier application permitted. An entity is not permitted to apply the amendments retrospectively. Instead, an entity is required to apply the specific transition provisions included in the amendments.

The Board of Directors of the Company anticipates that the application of these amendments may not have any impact on the Company's financial statements in future periods.

#### *IFRS 18 Presentation and Disclosures in Financial Statements*

The FSRSC has adopted PFRS 18 on October 10, 2024, to be effective beginning January 1, 2027. PFRS 18 replaces PAS 1, carrying forward many of the requirements in PAS 1 unchanged and complementing them with new requirements. In addition, some PAS 1 paragraphs have been moved to PAS 8 and PFRS 7. Furthermore, minor amendments were made to PAS 7 and PAS 33 *Earnings per Share*.



PFRS 18 introduces new requirements to: (1) present specified categories and defined subtotals in the statement of profit or loss, (2) provide disclosures on management-defined performance measures (MPMs) in the notes to the financial statements, and (3) improve aggregation and disaggregation.

An entity is required to apply PFRS 18 for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. The amendments to PAS 7 and PAS 33, as well as the revised PAS 8 and PFRS 7, become effective when an entity applies PFRS 18. PFRS 18 requires retrospective application with specific transition provisions.

The Board of Directors of the Company anticipates that the application of these amendments may have an impact on the Company's financial statements in future periods.

*IFRS 19 Subsidiaries without Public Accountability: Disclosures*

IFRS 19 permits an eligible subsidiary to provide reduced disclosures when applying IFRS Accounting Standards in its financial statements. A subsidiary is eligible for the reduced disclosures if it does not have public accountability and its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it.

An entity is only permitted to apply PFRS 19 if, at the end of the reporting period: (1) it is a subsidiary (this includes an intermediate parent), (2) it does not have public accountability, and (3) its ultimate or any intermediate parent produces consolidated financial statements available for public use that comply with PFRS Accounting Standards.

A subsidiary has public accountability if: (1) its debt or equity instruments are traded in a public market or it is in the process of issuing such instruments for trading in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets), or (2) it holds assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses (for example, banks, credit unions, insurance entities, securities brokers/dealers, mutual funds and investment banks often meet this second criterion).

Eligible entities can apply IFRS 19 in their consolidated, separate or individual financial statements. An eligible intermediate parent that does not apply IFRS 19 in its consolidated financial statement may do so in its separate financial statements.

The new standard is effective for reporting periods beginning on or after 1 January 2027 with earlier application permitted. If an entity elects to apply IFRS 19 for a reporting period earlier than the reporting period in which it first applies IFRS 18, it is required to apply a modified set of disclosure requirements set out in an appendix to IFRS 19. If an entity elects to apply IFRS 19 for an annual reporting period before it applied the amendments to IAS 21, it is not required to apply the disclosure requirements in IFRS 19 with regard to Lack of Exchangeability.

The Board of Directors of the Company does not anticipate that IFRS 19 (to become PFRS 19 in the Philippines) will be applicable to the financial statements of the Company.

---

**Note 3**

**Summary of Material Accounting Policy Information**

The material accounting policies that have been used in the preparation of these financial statements are summarized below. The Company's management expects these policies to influence the decisions of users of the financial statements. Accounting policies related to immaterial transactions or events were no longer disclosed.

*Going Concern*

The Board of Directors has at the time of approving the financial statements, a reasonable expectation that the

Company has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

#### Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

#### Financial Instruments

Financial assets and financial liabilities are recognized in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value, except for trade and other receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Although the Company does not have all of the following financial instruments in its financial statements, the policies governing the accounting of these financial instruments are discussed in detail to allow for the proper understanding of the policies governing such financial instruments.

#### Financial Assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognized financial assets are

measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of Financial assets

Debt instruments that meet the following conditions are measured subsequently at amortized cost: (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI): (a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset: (a) the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met [see (iii) below]; and (b) the Company may irrevocably designate a debt investment that meets the amortized cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch [see (iv) below].

(i) Amortized Cost and Effective Interest Method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortized cost of the debt instrument on initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognizes interest income by

applying the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition. The calculation does not revert to a gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

The Company's financial assets at amortized costs includes cash and cash equivalents and trade and other receivables.

Cash and Cash Equivalents

Cash and cash equivalents are carried in the financial statements at cost. Cash comprise unrestricted cash on hand, deposits held at call with banks, and time deposits with banks that can be pre-terminated anytime without significant risk of change in value. It also include designated cash for insurance premium fund. Cash equivalents (including those invested in trust funds and financial instruments) represent short-term, highly liquid investments maturing within 90 days from the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and Other Receivables

Trade and other receivables are outstanding balances from debtors less the allowance for impairment losses. Receivables are recognized when the Company becomes party to the contract, which happens when the goods or services are dispatched. They are derecognized when the rights to receive the cash flows have expired e.g., due to the settlement of the outstanding amount or where the Company has transferred substantially all the risks and rewards associated with that contract. Other receivables are stated at invoice value less an allowance for impairment losses. Trade and other receivables are subsequently measured at amortized cost as the business model is to collect contractual cash flows and the debt meets the SPPI criterion.

(ii) Debt Instruments Classified as at FVTOCI

The investment in trust fund – life plan administered by a trustee includes investments in debt instruments that are classified as at FVTOCI. The investments are initially measured at fair value plus transaction costs. Subsequently, changes in the carrying amount of these investments as a result impairment gains or losses (see below), and interest income calculated using the effective interest method (see (i) above) are recognized in profit or loss.

The amounts that are recognized in profit or loss are the same as the amounts that would have been recognized in profit or loss if these investments had been measured at amortized cost. All other changes in the carrying amount of these investments are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When these investments are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

(iii) Equity Instruments Designated as at FVTOCI

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive incomes and accumulated in the investments revaluation reserve. The cumulative gain or loss is not reclassified to profit or loss on disposal of the equity investments, instead, it is transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss in accordance with PFRS 9 unless the dividends clearly represent a recovery of part of the cost of the investment.



The Company designated all investments in equity instruments that are not held for trading as at FVTOCI on initial recognition.

A financial asset is held for trading if: (1) it has been acquired principally for the purpose of selling it in the near term; or (2) on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has evidence of a recent actual pattern of short-term profit-taking; or (3) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

(iv) Financial Assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI [see (i) to (iii) above] are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition [see (iii) above].
- Debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria [see (i) and (ii) above] are classified as at FVTPL. In addition, debt instruments that meet either the amortized cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. The Company has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship (the Company has no hedge investments). The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial assets and is included in the 'Investment Income' line item (Note 20). Fair value is determined in the manner described in the Company's material accounting policy information.

Impairment of Financial Assets

The Company recognizes a loss allowance for expected credit losses on investments in debt instruments that are measured at amortized cost or at FVTOCI, trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognizes lifetime ECL (expected credit losses) for trade and receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant Increase in Credit Risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- An actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- Significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost;
- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor; and
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if: (1) the financial instrument has a low risk of default; (2) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and (3) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of Default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable: (1) when there is a breach of financial covenants by the debtor; or (2) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events: (a) significant financial difficulty of the issuer or the borrower; (b) a breach of contract, such as a default or past due event (see (ii) above); (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-Off Policy

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

(v) Measurement and Recognition of Expected Credit Losses (ECL)

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with PFRS 16.

For a financial guarantee contract, as the Company is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Company expects to receive from the holder, the debtor or any other party.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period but determines at the current reporting date that the conditions for

lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which the simplified approach was used.

The Company recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and accumulated in the investment revaluation reserve and does not reduce the carrying amount of the financial asset in the statement of financial position.

#### Derecognition of Financial Assets

The Company derecognizes a financial asset only when the contractual rights to the cash flow from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in an equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss but is transferred to retained earnings.

#### Financial Liabilities and Equity

##### Classification as Debt or Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

##### Financial Liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL. However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Company, are measured in accordance with the specific accounting policies set out below.

##### Financial Liabilities at FVTPL

Financial liabilities are classified as at FVTPL where the financial liability is (i) contingent consideration of an acquirer in a business combination, (ii) held for trading or (iii) designated as at FVTPL.

A financial liability is classified as held for trading if: (a) it has been acquired principally for the purpose of repurchasing it in the near term; or (b) on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or (c) it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if: (1) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or (2) the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or (3) it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'Investment Income' line item (Note 20) in profit or loss.

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

Gains or losses on financial guaranty contracts issued by the Company that are designated by the Company as at FVTPL are recognized in profit or loss. The Company does not have financial liabilities measured at FVPL.

#### Financial Liabilities Measured Subsequently at Amortized Cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

#### Derecognition of Financial Liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the Company exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognized in profit or loss as the modification gain or loss within other gains and losses.

### Prepayments

Prepaid expenses are expenditures paid for in one accounting period, but for which the underlying assets will not be consumed until a future period. When the asset is eventually consumed, it is charged to expense. Prepayments are carried at cost and are amortized on a straight-line basis, over the period of intended usage, which is equal to or less than 12 months or within the normal operating cycle.

### Property and Equipment

The property and equipment are carried at cost less accumulated depreciation and any impairment in value, if any. Such cost includes the major renovations or cost of replacing part of such property and equipment when it is probable that future economic benefits arising from the renovations will flow to the Company.

Depreciation is computed on the straight-line method over the estimated useful lives of the assets as follows:

- a) Service vehicles, 5 years;
- b) Office furniture, fixtures and equipment, 3 to 5 years;
- c) IT equipment, 3 to 5 years; and
- d) Leasehold improvements, over the estimated useful lives of the improvements or the term of the lease, whichever is shorter.

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

The carrying values of property and equipment are reviewed for impairment when changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount of property and equipment is the greater of net selling price and value in use. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount.

### Right-of-Use Assets

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

### Impairment of Non-Financial Assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

### Actuarial Reserve Policies

Pre-need reserves (PNR) for life plans represents the accrued net liabilities of the Company to its planholders. Insurance premium reserve (IPR) is set up as additional reserves to pay for premiums of insurance coverage of fully paid planholders.

These actuarial liabilities are computed by the Consulting Actuary of the Company using actuarial practices generally accepted in the Philippines and based on standards and guidelines set forth by the IC and of the Actuarial Society of the Philippines (ASP). The increase or decrease in the account is charged or credited to costs of contracts issued in the statement of profit or loss.

Actuarial liabilities and other policy liabilities represent the estimated amounts which, together with estimated future premiums and net investment income, will provide for outstanding claims, estimated future benefits, and expenses on in-force policies. In calculating actuarial liabilities, assumptions must be made about the timing and amount of many events, including death, investment, inflation, policy termination, expenses, taxes, premiums/commissions.

The Company uses best estimate assumptions for expected future experience. Uncertainty is inherent in the process, as no one can accurately predict the future. Some assumptions relate to events that are anticipated to occur for many years in the future and are likely to require subsequent revision. Additional provisions are included in the actuarial liabilities to provide for possible adverse deviations from the best estimates. If the assumption is more susceptible to change, or if the actuary is less certain about the underlying best estimate assumption, a correspondingly larger provision is included in actuarial liabilities.

In determining these provisions, the Company ensures: (a) when taken one at a time, the provision is reasonable with respect to the underlying best estimate assumption, and the extent of uncertainty present in making that assumption, and (b) in total, the cumulative effect of all provisions is reasonable with respect to the total actuarial liabilities. With the passage of time and resulting reduction in estimation risk, the provisions are released into income. The best estimate assumptions and margins for adverse deviations are reviewed annually and revisions are made where deemed necessary and prudent.

#### Recording of Claims from Policyholders

Claims incurred comprise settlement and handling costs of paid and outstanding claims arising during the year and adjustments to prior year claim provisions. Outstanding claims comprise claims incurred up to, but not paid, at the end of the year, whether reported or not. Reinsurance recoveries are accounted for in the same period as the related claim.

#### Share Capital

Capital stock represents the nominal value of shares that have been issued. Additional paid-in capital includes any premium received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

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

#### Retained Earnings

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

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

In accordance with the provisions of Chapter VIII, Section 30 of the Pre-need Code, and guided by IC Circular Letter No. 2018-1, the Company identifies its retained earnings as follows:

- (a) Retained Earnings Corporate Funds, (unrestricted) which pertains to the accumulated earnings of the Company reduced by whatever losses the Company may incur during a certain accounting period or by dividend declarations. The Company uses the account 'Retained Earnings, Unrestricted', and
- (b) Retained Earnings Trust Fund – Life Plan, which pertains to the accumulated income of the investments in trust fund.

In accordance with Section 29 of the R.A. 98291, An Act Establishing the Pre-Need Code of the Philippines, 'A pre-need company may declare dividend: Provided, That the following shall remain unimpaired, as certified under oath by the president and the treasurer with respect to items (a) and (b); and in the case of item (c), by the trust officer: (a) One hundred percent (100%) of the capital stock; (b) An amount sufficient to pay all net losses reported, or in the course of settlement, and all liabilities for expenses and taxes; and (c) Trust fund. Any dividend declared under the preceding paragraph shall be reported to the Commission within thirty (30) days after such declaration.'

#### Revaluation Reserves on FVTOCI Investments

The accumulated other comprehensive income account is an equity category comprised of the cumulative amounts of other comprehensive income (OCI). OCI presently comprises the change in the fair value of the investments in trust funds.

#### Revenue and Cost Recognition

The Company's revenue arises primarily from the sale of a pre-need product and secondarily from investment-related transactions such as investment income, dividend income, interest income and other sources of revenue. Management has determined that the revenue from pre-need operations is within the scope of PFRS 4 while the income from investments in financial instruments is within the scope of PFRS 9. Incomes from other sources are within the scope of PFRS 15.

The Company recognizes revenue as follows:

##### (1) Premiums Revenue

Revenue from sale of a pre-need product is recognized under PFRS 4 *Insurance Contracts*, which defines an insurance contract as a 'contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.' PFRS 4 temporarily exempts the Company from some requirements of other PFRSs until the efficacy of PFRS 17, beginning January 1, 2025.

Under the provisions of PFRS 4, the Company recognizes:

- Premiums from sale of pre-need plans as earned when collected and with corresponding increase in the insurance trust fund and insurance premium fund.
- Service fees, loading income, surcharge and amendment fees are recognized in the period in which the related services are performed.

##### (2) Investments Income

Income investments are accounted for under PFRS 9 *Financial Instruments* as follows:

- Income from investments in debt and equity securities held to collect contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realize its fair value changes) are recognized at amortized cost, with interest income recognized at the effective interest rate.
- Income generated from Investment in Trust Fund – Life Plan is restricted in nature. In



accordance with the provisions of Section 30 of the Pre-Need Code, the trust fund income is intended only for the payment of: (a) the cost of benefits or services; (b) the termination values payable to the planholders, and (c) the insurance premium payments for insurance-funded benefits of memorial life plans and other costs necessary to ensure the delivery of benefits or services to planholders. The Company made an irrevocable election at initial recognition to measure the investments of trust fund at FVTOCI with only dividend income recognized in profit or loss.

Trust fund income (net of the allowed payments) is accumulated in Retained Earnings (Deficit), Trust Fund – Life Plan.

(3) Non-Insurance Revenues

The Company recognizes non-insurance revenues in accordance with PFRS 15 *Revenue from Contracts with Customers* at an amount that reflects the consideration to which the Company is expected to be entitled in exchange for transferring goods or services to a customer.

For each contract with a customer, the Company:

- (1) Identifies the contract with a customer;
- (2) Identifies the performance obligations in the contract;
- (3) Determines the transaction price which takes into account estimates of variable consideration and the time value of money;
- (4) Allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and
- (5) Recognizes revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur.

The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognized as deferred revenue in the form of a separate refund liability.

(4) Cost and Expenses

Costs and expenses are recognized in the statement of profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen, which can be measured reliably.

Costs and expenses are recognized in the statement of profit or loss : i) on the basis of a direct association between the cost incurred and the earnings of specific items of income; ii) on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or iii) immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

Insurance-related costs are accounted as follows:

- Changes in the required Pre-Need Reserves, trust fund contributions and other reserves are

recognized as expense during the year. Documentary stamp taxes and IC registration fees are expenses as incurred.

- Plan benefits expense is recognized for benefits availed of by planholders/beneficiaries that normally include the costs of memorial services, maturities or termination benefits, except benefits paid from insurance coverage.
- Collection costs (representing commissions to licensed active agents) are due and payable for every premium income recognized. Commission rates are based on IC-approved rates.

#### Leases – The Company as Lessee

The Company's leases substantially involve the use of office spaces that are used for its Head Office and regional branch offices nationwide. The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate. For purposes of discounting, the Company is using the average rate of its investments in financial instruments.

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

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment

under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified, and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under PAS/IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets and the corresponding lease liability are presented separately in the statement of financial position as required under IC Circular Letter No. 2019-70, dated December 2, 2019.

The Company applies PAS/IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property and equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognized as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Rental" in the statement of profit or loss.

As a practical expedient, PFRS 16 permits a lessee not to separate non-lease components and instead accounts for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

#### Leases – The Company as Lessor

The Company is not a lessor of properties.

#### Compensation and Employees Benefits Expense

Employee benefits are all forms of consideration given by the Company in exchange for services rendered by employees or for the termination of their employment in the Company. The Company recognizes: (a) a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and (b) an expense when the Company consumes the economic benefit arising from the service provided by an employee in exchange for employee benefits.

The following represent the accounting followed by the Company for all types of employee benefits, except share-based payment, to which there is none.

- Short-Term Employee Benefits

Short-term employee benefits are those expected to be settled wholly before twelve months after the end of the annual reporting period during which employee services are rendered, but do not include termination benefits. These benefits include wages, salaries, profit-sharing and bonuses (if there are any) and non-monetary benefits paid to current employees. These are recognized when the employee has rendered the service and are measured at the undiscounted amounts of benefits expected to be paid in exchange for that service.

The benefits also include compensated absences, which are recognized for the number of paid leave days (including holiday entitlement) remaining at the reporting date. The expected cost of short-term compensated absences is recognized as the employees rendering service that increases their entitlement or, in the case of non-accumulating absences, when the absences occur, and includes any additional amounts the Company expects to pay as a result of unused entitlements at end of period. The amounts recognized are included in the Trade and Other Payables account in the statement of financial position at undiscounted amount that the Company expects to pay as a result of the unused entitlement.

- Post-Employment Benefit Plans

The Company has not yet covered its employees with any post-retirement benefit program considering that the operation of the Company is barely three years old under operating status. The Company's work force is considered young. The Board of Directors is cognizant of the need to provide post-employment benefits to its employees; however, the cost-benefit estimate favors postponement of any action at this time on the issue of the immateriality of the amount involved.

- Termination Benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either: (a) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (b) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the statement of financial position date are discounted to present value.

### Income Taxation

The income tax expense represents the sum of the tax currently payable and deferred. The Company has no deferred taxes at present.

### Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognized for those matters for which the tax determination is uncertain, but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of the Chief Accounting Officer of the Company supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

### Deferred Tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. It is accounted for using the liability method.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognized if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled, or the asset is realized based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

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

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

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits from excess minimum corporate income tax (MCIT) and unused net operating loss carry over (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused NOLCO can be utilized except: (a) where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (b) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rate (and tax laws) that have been enacted or substantively enacted at the statement of financial position date. Income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss.

#### Earnings per Share

Basic earnings per share (EPS) is computed by dividing the profit for the year attributable to common shareholders (net income for the period less dividends on convertible redeemable preferred shares) by the weighted average number of common shares issued and outstanding during the year and adjusted to give retroactive effect to any stock dividends declared during the period.

Diluted EPS is computed by dividing the net income for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year adjusted for the effects of dilutive convertible redeemable preferred shares. Diluted EPS assumes the conversion of the outstanding preferred shares. When the effect of the conversion of such preferred shares is anti-dilutive, no diluted EPS is presented.

#### Contingencies

A contingency arises when there is a situation for which the outcome is uncertain, and which should be resolved in the future, possibly creating a loss. The accounting for a contingency is essentially to recognize only those losses that are probable and for which a loss amount can be reasonably estimated. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable. Contingent liabilities are not recognized either, but these are generally disclosed unless the possibility of an outflow of resources is remote.

#### Provisions

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

#### Events After Reporting Date

Post period-end events that provide additional information about the Company's position at reporting date (adjusting events), are reflected in the financial statements. Post period-end events that are not adjusting events are disclosed in the notes to financial statements when material.

---

#### **Note 4**

#### **Significant Critical Accounting Judgment and Key Sources of Estimation Uncertainty**

In applying the Company's accounting policies, which are described in Note 3, *Summary of Material Accounting Policy Information*, the management of the Company is required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognized and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### Critical Judgements in Applying the Company's Accounting Policies

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that the management of the Company have made in the process of applying the accounting

policies and that have the most significant effect on the amounts recognized in the financial statements.

#### Business Model Assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

The Company monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

#### Significant Increase in Credit Risk

Expected credit losses (ECL) are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. PFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward-looking information.

#### Key Sources of Estimation Uncertainty

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

#### Fair Value Measurements

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible; but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

#### Estimating Useful Lives of Property and Equipment

The Company reviews annually the estimated useful lives of its property and equipment based on expected asset utilization. It is possible that future results of operations could be materially affected by changes in these estimates. A reduction in the estimated useful lives of these properties would increase recorded depreciation and amortization expense and decrease the related asset accounts.

#### Impairment of Non-Financial Assets

In assessing impairment, management estimates the recoverable amount of each asset based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate.

#### Provision and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision are discussed in Note 3.

---

**Note 5**  
**Cash and Cash Equivalents**

This account consists principally of the following:

<i>December 31,</i>	<b>2024</b>	<b>2023</b>
Cash on hand and revolving funds	<b>₱350,000</b>	₱230,000
Cash in banks	<b>40,539,148</b>	45,350,559
Short-term investments	<b>25,000,000</b>	5,000,000
Total	<b>65,889,148</b>	50,580,559
Designated for Insurance Premium Fund (Note 12)	<b>(11,837,987)</b>	(7,441,803)
	<b>₱54,051,161</b>	₱43,138,756

Cash on hand and revolving funds are dispersed throughout the Company's regional offices. Cash in banks earn interest rates ranging from 0.05% to 0.25% per annum and are generally placed with big commercial banks.

Short-term investments are in the form of time deposits that can be pre-terminated at any time, earning interest rates ranging from 5.875% to 6.30% per annum. Interest income earned from cash in banks and short-term placements (gross) amounted to ₱1,117,453 in 2024 and ₱45,428 in 2023. (See Note 20.)

**Note 6**  
**Trade and Other Receivables**

This consists of the following:

<i>December 31,</i>	<b>2024</b>	<b>2023</b>
Advances to officers and employees, subject to liquidation procedures	<b>₱1,617,731</b>	₱1,887,303
Accounts receivable – others	<b>559,388</b>	1,321,146
Accrued interest receivables	<b>177,442</b>	88,389
Total	<b>2,354,561</b>	3,296,838
Less allowance for expected credit losses (ECL)	<b>259,598</b>	233,257
Net	<b>₱2,094,963</b>	₱3,063,581

All amounts are short-term with their net carrying values considered reasonable approximation of their fair values.

**Allowance for ECL**

A reconciliation of the allowance for expected credit losses during the period is presented as follows:

<i>December 31,</i>	<b>2024</b>	<b>2023</b>
Opening balances	<b>₱233,257</b>	₱277,653
Provision for ECL for the year charged to operations (Note 23)	<b>26,341</b>	91,863
Accounts written-off	<b>–</b>	(136,259)
Closing balances	<b>₱259,598</b>	₱233,257

The recorded ECL pertains to advances to officers and employees and accounts receivable – others. A 12-month ECL was provided at 1% of the principal of all the accounts. The accounts written-off during 2023 was approved by the Board of Directors. The Company is claiming the tax benefits of the write-off which is included in its income tax returns. (See Note 24.)



Management considers the credit risk of accrued interest receivable as having low credit risk as the investee banks have investment grade ratings from international rating agencies. No ECL was provided on the account.

**Note 7**  
**Prepaid Expenses**

This account consists of the following:

<i>December 31,</i>	<b>2024</b>	<b>2023</b>
Deferred filing fees with the Insurance Commission (IC)	<b>₱2,280,864</b>	₱2,459,859
Unused office and marketing supplies	<b>732,275</b>	352,817
Prepayments	<b>451,025</b>	303,891
	<b>₱3,464,164</b>	₱3,116,567

The deferred filing fees with IC represent the 0.01% filing fee of the ₱1 billion worth of Angelica Life Plan that the Company applied for and subsequently obtained permission from IC to sell the plans. It is amortized as an expense to form part of the product cost and matched at every sale of a unit of the plan. Total filing fees expensed amounted to ₱179,346 in 2024 and ₱160,766 in 2023. (See Note 21.)

The prepayments pertain to insurance coverage purchased and paid for in advance of the coverage period and input VAT amortized over the useful life of the corresponding fixed asset.

**Note 8**  
**Property and Equipment – At Cost**

This account consists of the following:

<i>December 31,</i>	<b>2024</b>	<b>2023</b>
Service vehicles	<b>₱10,576,241</b>	₱8,586,954
Office furniture, fixtures and equipment	<b>7,723,731</b>	5,293,237
IT equipment	<b>1,340,838</b>	1,340,838
Leasehold improvements	<b>1,164,628</b>	725,344
Total	<b>20,805,438</b>	15,946,373
Less accumulated depreciation	<b>13,597,405</b>	8,490,868
Net	<b>₱7,208,033</b>	₱7,455,505

**Reconciliation of the Accounts**

<i>December 31, 2024</i>	<i>Opening Balances</i>	<i>Additions</i>	<i>Retirements</i>	<i>Closing Balances</i>
Service vehicles	₱8,586,954	₱1,989,287	₱–	<b>₱10,576,241</b>
Office furn., fixtures and equipment	5,293,237	2,430,494		<b>7,723,731</b>
IT equipment	1,340,838			<b>1,340,838</b>
Leasehold improvements	725,344	439,284		<b>1,164,628</b>
Total cost	15,946,373	4,859,065		<b>20,805,438</b>
Less accumulated depreciation	8,490,868	5,106,537		<b>13,597,405</b>
Net Book Value	₱7,455,505	(₱247,472)	₱–	<b>₱7,208,033</b>

**December 31, 2023**

Service vehicles	₱6,812,669	₱1,774,285	₱–	₱8,586,954
Office furn., fixtures and equipment	4,695,962	597,275		5,293,237
<i>(Carried Forward.)</i>				

(Brought Forward.)

December 31, 2023	Opening Balances	Additions	Retirements	Closing Balances
IT equipment	1,340,838			1,340,838
Leasehold improvements	725,344			725,344
Total cost	13,574,813	2,371,560		15,946,373
Less accumulated depreciation	6,031,699	2,459,169		8,490,868
Net Book Value	₱7,543,114	(₱87,609)	₱—	₱7,455,505

## Note 9

### Right-of-Use Asset

The Company has nine lease contracts, all involving lease of offices. The leases on the Company's Head Office and a few regional offices covers up two to ten years and are reflected in the statement of financial position as right-of-use assets and a lease liability. The leases on its other regional offices and parking space are one-year leases, renewable yearly, hence treated as ordinary leases.

Total lease payments (including interest) amounted to ₱2,227,376 for 2024 and ₱1,258,500 for 2023. Total rental expenses incurred amounted to ₱204,004 in 2024 and ₱885,264 in 2023.

The Company discounted the future lease payments on the lease of its Head Office and regional offices at 5% per annum, the incremental borrowing rate based on an actual offer of a bank for a loan that is collateralized by the investment in financial instruments externally managed by the same bank. The observable rate was no longer adjusted for credit risk and other factors as management determined that any adjustments are immaterial.

Total interest expense amounted to ₱278,976 in 2024 and ₱231,357 in 2023. (See Note 23.)

### Components of Right-of-Use Assets – Net

December 31,	2024	2023
Right-of-use asset	₱14,501,292	₱5,183,205
Less accumulated depreciation	3,405,293	1,817,227
Net	₱11,095,999	₱3,365,978

### Accounting of the Movement of Right-of-Use Assets

December 31, 2024	Opening Balances	Additions	Retirements	Closing Balances
Right-of-use asset	₱5,183,205	₱11,281,066	₱1,962,979	₱14,501,292
Less accumulated depreciation	1,817,227	2,117,151	529,085	3,405,293
Net Book Value	₱3,365,978	₱9,163,915	₱1,433,894	₱11,095,999
December 31, 2023				
Right-of-use asset	₱5,183,205	₱—	₱—	₱5,183,205
Less accumulated depreciation	717,436	1,099,791		1,817,227
Net Book Value	₱4,465,769	(₱1,099,791)	₱—	₱3,365,978

### Lease Liability

December 31,	2024	2023
Current (portion due for the next 12 months)	₱2,201,719	₱1,102,343
Non-current (portion due in excess of 12 months)	9,186,847	2,497,654
Total Lease Liability	₱11,388,566	₱3,599,997

Each lease imposes a restriction that, unless there is written approval of the lessor to sublet the asset to another party, the right-of-use asset can only be used by the Company. The lease contains an option to extend the lease for a further term under such terms and conditions as may be mutually agreed upon by the parties. Under the existing leases, the Company is required to keep the properties in good state, and repair and return the properties in their original condition at the end of the leases. Further, the Company must cover insurance items of property and equipment inside the leased premises and maintain them in accordance with the lease contracts.

## **Note 10**

### **Investments in Financial Instruments**

This account consists of the following investments:

<i>December 31,</i>	<b>2024</b>	<b>2023</b>
Investment in externally managed funds	<b>₱67,057,041</b>	₱64,321,798
Investments in corporate debt securities	<b>51,375,000</b>	71,521,167
Total	<b>118,432,041</b>	135,842,965
Less portion maturing in 12 months presented in current assets	<b>20,375,000</b>	40,521,167
Portion maturing over 12 months presented in non-current assets	<b>₱98,057,041</b>	₱95,321,798

### **Investment Management Agreement (IMA)**

As part of its strategies to maximize the earning potentials of the Company's financial assets, the Company signed an IMA on September 1, 2019, with China Banking Corporation – Trust & Asset Management Group (China Bank TAMG) to administer and manage a total of ₱55 million of the Company's cash and cash equivalents. Under the IMA, China Bank TAMG (the Investment Manager) has full authority to make investment decisions, based on pre-agreed investment guidelines. The Company, however, retains legal title to the funds and properties subject to the arrangement. The Investment Manager charges the Company 0.5% per annum based on the outstanding principal balance of the fund.

At the end of the year, the Investment Manager reported the following status of the investment:

<i>December 31,</i>	<b>2024</b>	<b>2023</b>
<b><u>Assets</u></b>		
Cash in bank	<b>₱2,806</b>	₱2,839
Investment in UITF	<b>5,199,707</b>	2,685,877
Investment in debt securities	<b>61,411,309</b>	61,232,746
Other receivables	<b>648,885</b>	596,176
Total Assets	<b>67,262,707</b>	64,517,638
<b><u>Liabilities</u></b>		
Trust fees payable	<b>129,777</b>	119,235
Accrued expenses	<b>75,889</b>	76,605
Total Liabilities	<b>205,666</b>	195,840
<b>Net Assets</b>	<b>₱67,057,041</b>	₱64,321,798
<b><u>Net Assets Accounted as Follows:</u></b>		
Trust fund principal	<b>₱64,321,798</b>	₱61,811,494
Realized gain on sale of financial assets (net of final taxes)	<b>2,735,243</b>	2,510,304
	<b>₱67,057,041</b>	₱64,321,798

The realized gain on sale of financial assets are recognized in profit or loss at gross of final taxes, amounting to ₱3,665,286 in 2024 and ₱3,137,880 in 2023. (See Note 20.)

The annual report of the Investment Manager indicated that the financial instruments were not impaired at the end of the year.

Investments in Corporate Debt Instruments

This account consists of investments in bonds and deposits of the following:

<i>December 31,</i>	<b>2024</b>	<b>2023</b>
BDO Unibank, Inc. (BDO)	<b>₱30,000,000</b>	₱35,000,000
Cebu International Finance Corporation (CIFIC)	<b>15,000,000</b>	15,521,167
Mindanao Consolidated Cooperative Bank (MCCB)	<b>6,000,000</b>	1,000,000
Philippine National Bank (PNB)	<b>375,000</b>	–
China Banking Corporation (Chinabank)	–	20,000,000
	<b>₱51,375,000</b>	<b>₱71,521,167</b>

These investments are debt securities with the following features:

- a) The investment in BDO is a 5-year, 5.375% per annum LTNCD that was purchased on April 12, 2019 and would mature on April 12, 2024 with a ₱5 million face value. During 2022, the Company placed additional ₱30 million in a 5-year retail treasury bonds, bearing 4.875% rate, to mature on March 4, 2027.
- b) The investment in Chinabank is a 91-day placement with 5% rate that was purchased on December 21, 2023 and will mature on March 21, 2024.
- c) The ₱15,521,167 outstanding CIFIC investment is a 365-day renewal on December 20, 2023 with 5.5% rate and will mature on December 19, 2024. ₱15 million of the maturity value was reinvested with the same rate and will mature on December 19, 2025.
- d) The investment in MCCB is a 1,095-day time deposit with a 5.5% rate that was purchased on May 23, 2023 and will mature on May 26, 2026. The Company placed another ₱5 million investment in a 365-day time deposit with a 6% rate on December 20, 2024 and will mature on December 20, 2025.
- e) The PNB investment is a 360-day time deposit placed on December 23, 2024, earning 0.25% interest and maturing on December 18, 2025.

Total interest income earned from these investments (gross of final taxes) amounted to ₱3,618,168 in 2024 and ₱4,469,782 in 2023. Net of taxes, the investments income amounted to ₱2,894,534 in 2024 and ₱3,575,826 in 2023. (See Note 20.)

Management has determined that the financial instruments were not impaired at the end of the year.

**Note 11**

**Investment in Trust Fund – Life Plan**

In compliance with Chapter VIII, Section 30 of the Pre-need Code, the Company established a Trust Fund for the estimated cost of benefits or services to be rendered in accordance with the plan contracts sold. In accordance with the Pre-need Code, no withdrawal shall be made from the trust funds except for the payment of:

- (a) the cost of benefits or services;
- (b) the termination values payable to the planholders; and
- (c) the insurance premium payments for insurance-funded benefits of memorial life plans and other costs necessary to ensure the delivery of benefits or services to planholders.

Details of the Trust Fund – Life Plan (Externally Managed Fund)

<u>December 31,</u>	<b>2024</b>	<b>2023</b>
<u>Assets</u>		
Cash in bank	<b>₱76,502</b>	₱2,035,793
Investment in quoted equity securities	<b>95,375,133</b>	58,112,288
Investment in Government securities	<b>196,096,899</b>	136,237,934
Other receivables	<b>13,145,215</b>	1,683,848
Total	<b>304,693,749</b>	198,069,863
<u>Liabilities</u>		
Accounts payable	<b>10,261,130</b>	–
Trust fees payable	<b>373,358</b>	234,541
Accrued expenses	<b>697</b>	426
Total	<b>10,635,185</b>	234,967
<b>Net Assets</b>	<b>₱294,058,564</b>	₱197,834,896
<u>Net Assets Accounted as Follows:</u>		
Trust fund principal	<b>₱197,834,896</b>	₱117,209,654
Additional contributions	<b>102,098,851</b>	79,141,416
Withdrawals	<b>(15,696,000)</b>	(11,780,000)
Realized gain on sale of financial assets (net of final taxes)	<b>12,414,023</b>	6,645,352
Others	<b>(252)</b>	(136)
Expected credit losses OCI - FVOCI	<b>250</b>	140
Unrealized gain (loss) on FVOCI	<b>(2,593,204)</b>	6,618,470
	<b>₱294,058,564</b>	₱197,834,896

The realized gain on sale of financial assets are recognized in profit or loss at gross of final taxes, at ₱15,517,529 in 2024 and ₱8,306,690 in 2023. (See Note 18.)

The fair value gain (loss) on investments amounting to loss of ₱2,593,204 in 2024 and gain of ₱6,618,470 in 2023 were credited to other comprehensive income in the statements of profit or loss and other comprehensive income.

Computation of Trust Fund Surplus

<u>December 31,</u>	<b>2024</b>	<b>2023</b>
Net assets of Trust Fund – Life Plan	<b>₱294,058,564</b>	₱197,834,896
PNR and plan benefits payable (actuarially computed) (Note 15)	<b>(236,973,818)</b>	(159,720,072)
<b>Trust Fund Surplus</b>	<b>₱57,084,746</b>	₱38,114,824

In accordance with IC rules and regulations, the Company is required to deposit a certain portion of its collections from planholders with a trustee bank to ensure future payments of benefits to planholders. Deposits are made based on applicable rules and regulations of the IC and are adjusted to conform to the actuarial evaluation.

Trust Agreement with BDO Unibank, Inc.

On October 30, 2017, the Company signed a Trust Agreement with BDO Unibank, Inc. Trust and Investment Group (Trustee) to administer and manage the Trust Fund for Life Plan, with an initial capital of ₱12 million.

The salient features of the trust agreement include the following:

- (1) The Trust Fund is established exclusively and solely for life plans pursuant to the Pre-Need Code. In

compliance with Chapter VIII, Section 30 of the Pre-need Code and in accordance with the terms of the trust agreement, no withdrawal shall be made from the Trust Fund except for the payment of: (a) the cost of benefits or services; (b) the termination values payable to the planholders; and (c) the insurance premium payments for insurance-funded benefits of memorial life plans and other costs necessary to ensure the delivery of benefits or services to planholders.

- (2) The initial amount of the Trust Fund shall be augmented by deposits to be made by the Company representing 45% of life plans sold or such higher amounts as determined by the actuary. In the case of installment payments, such deposits will be based on rates of contributions required under the Pre-Need Code and which are also specified in the Trust Agreement.
- (3) The Trustee's investment strategies are limited to fixed income instruments, equities and real estate (in accordance with Section 34 of the Pre-need Code), except for other investments that are authorized by the IC.
- (4) The Trust Fund, inclusive of earnings, shall be administered and managed by the Trustee who will have the right at any time to sell, convert, invest, change, transfer or change or dispose of the assets comprising the Trust Fund within the parameters that are compliant with IC regulations.
- (5) The investment in Trust Fund – Life Plan is not a deposit account and a fixed rate of interest or a fixed return is neither assured nor guaranteed by the Trustee. The investment is not covered by PDIC, and losses, if any, shall be for the Account of the Company.
- (6) The Trustee shall not be liable for any loss or depreciation in the value of the assets of the Trust Fund resulting from any of the investment or reinvestment operations made by it and the exercise of discretionary powers given to it by the Trust Agreement. In case of fraud, gross negligence or bad faith, however, it shall be liable to the extent of the actual and/or incidental losses to the Trust Fund proven to be the result of such fraud, gross negligence or bad faith.
- (7) For services rendered under the Trust Agreement, the Trustee shall charge a trust fee of 0.50% per annum for the peso component of the Fund, based on the average month-end market value of the peso component of the Fund, which shall be deducted from the Fund on a quarterly basis. In no case, however, shall the trust fees be lower than ₱10 thousand per annum.

Management was assured by the Fund Trustee that the financial instruments were not impaired at the end of the year. The accounting of the revaluation reserves on FVTOCI investment is presented in the statement of changes in equity.

## **Note 12**

### **Insurance Premium Fund**

This account consists of the following:

<i>December 31,</i>	<b>2024</b>	<b>2023</b>
<u><i>Cash in Banks</i></u>		
Rizal Commercial Banking Corporation (RCBC)	<b>₱783</b>	<b>₱7,441,803</b>
Banco de Oro (BDO)	<b>1,837,204</b>	<b>–</b>
<u><i>Short-term Investment</i></u>		
Banco de Oro (BDO)	<b>10,000,000</b>	<b>–</b>
	<b>₱11,837,987</b>	<b>₱7,441,803</b>

The Insurance Premium Fund shall cover to the amount computed for the Insurance Premium Reserves (IPR). (See Note 15.) The amount maintained by the Company is found to be in excess of the required IPR.

**Note 13**  
**Other Non-Current Assets**

This account consists of the following:

<i>December 31,</i>	<b>2024</b>	<b>2023</b>
Computer software, at cost	<b>₱1,446,118</b>	₱1,446,118
Accumulated amortization	<b>(1,116,420)</b>	(896,189)
Net	<b>329,698</b>	549,929
Security deposits (Note 25)	<b>689,935</b>	453,501
Deferred tax asset – MCIT (Note 24)	<b>455,088</b>	–
	<b>₱1,474,721</b>	₱1,003,430

The cost of computer software is amortized over a period of 5 years, beginning 2017. Amortization costs charged to operations amounted to ₱220,232 in 2024 and ₱286,126 in 2023. The security deposits are related to the rentals of office spaces of the Head Office, as well as of the regional offices, and are refundable at the end of the leases, less any damage incurred on the properties. These deposits have no impact on recognition of the right-of-use asset and lease liability. (See Note 9.)

**Note 14**  
**Trade and Other Payables**

This account consists of the following trade and other payables which are generally non-interest bearing and are usually settled from 30 to 60 days:

<i>December 31,</i>	<b>2024</b>	<b>2023</b>
Accrued expenses	<b>₱30,480,920</b>	₱22,803,579
Cash bond payable	<b>5,532,737</b>	4,700,022
Planholders' deposits (unidentified premium payments)	<b>5,434,334</b>	7,865,143
Unpaid plan benefits (Note 15)	<b>3,698,775</b>	3,187,500
Accounts payable (Note 25)	<b>2,725,714</b>	2,781,893
Unremitted contributions to Government agencies	<b>2,084,311</b>	1,530,988
Income tax payable (Note 24)	<b>455,088</b>	1,663,463
	<b>₱50,411,879</b>	₱44,532,588

Accrued expenses include unpaid commissions to agents and unpaid licensing fees. The accounts payable consist of unpaid lease rentals, insurance extension payments pending remittance, and share of expenses charged to the Company by CLIMBS Life and General Insurance Company, a major stockholder. The charges are interest-free. (See Note 25.)

**Note 15**  
**Aggregate Reserves for Risks**

This consists of the actuarial reserve liabilities of the following:

<i>December 31,</i>	<b>2024</b>	<b>2023</b>
Pre-need reserves (PNR) for life plans	<b>₱227,563,916</b>	₱153,048,694
Insurance premium reserves (IPR)	<b>9,409,902</b>	6,671,378
	<b>₱236,973,818</b>	₱159,720,072

### PNR for Life Plan

This represents the actuarial reserve liabilities set up by the Company pertaining to the accrual of its net liabilities to planholders computed using the net level premium reserving method based on a prospective approach. The amounts of reserves has been certified by the Consulting Actuary to be in accordance with commonly accepted actuarial standards and with the Guidelines and Standards of the Actuarial Society of the Philippines.

As of December 31, 2024, the Company has a total of 7,293 fully paid plans, with contract price amounting to ₱311.1 million. In addition to this, the Company also has a total of 10,806 in-force plans on installment, with contract price amounting ₱545.9 million, out of which, a total ₱245.6 million premiums were already collected. Plan benefits paid amounted to ₱15,981,787 for 2024 and ₱12,233,793 for 2023. Plan benefits remained unpaid amounted to ₱3,698,775 in 2024 and ₱3,187,500 in 2023. (See Note 14.)

### Insurance Premium Reserves (IPR)

IPR represents the amount set aside to pay for premiums of insurance coverage for fully paid planholders accrued as additional liabilities of the Company. The required reserves has been certified by the Consulting Actuary to be in accordance with commonly accepted actuarial standards and with the Guidelines and Standards of the Actuarial Society of the Philippines. (See Note 12 for the funding of the reserves.)

The movements of the reserves during the year are as follows:

	Pre-Need Reserves	Insurance Premium Reserves	Total
Provisions during 2018	₱3,338,969	₱174,413	<b>₱3,513,382</b>
Provisions during 2019	9,075,080	558,007	<b>9,633,087</b>
Provisions during 2020	14,803,241	754,691	<b>15,557,932</b>
Provisions during 2021	25,458,408	1,071,515	<b>26,529,923</b>
Provisions during 2022	41,261,908	1,767,659	<b>43,029,567</b>
Provisions during 2023	59,111,088	2,345,093	<b>61,456,181</b>
Balances as of December 31, 2023	153,048,694	6,671,378	<b>159,720,072</b>
Provisions during 2024	74,515,222	2,738,524	<b>77,253,746</b>
Balances as of December 31, 2024	<b>₱227,563,916</b>	<b>₱9,409,902</b>	<b>₱236,973,818</b>

## **Note 16**

### **Retirement Benefit Obligation**

The Company's employees are provided with separation benefits at retirement in accordance with the provisions of R.A. 7641. The defined benefit plan is based on an employee's one-month base pay for each year of service based on his/her salary provided that he/she has rendered an aggregate of at least 5 years of service with the Company. The legal obligation to pay the retirement benefits remains with the Company. The Company's defined benefit retirement plan covers all regular full-time employees with at least five (5) years of service. It has no other continuing post-employment benefit program in place. There were no plan amendments, curtailment, or settlement recognized as of December 31, 2024.

The amounts recognized in the statement of financial position at the end of the year are as follows:

December 31,	2024	2023
Present value of benefit obligation	<b>₱3,447,236</b>	₱3,024,920
Fair value of plan assets	<b>(2,949,128)</b>	—
Net pension asset based on actuarial computation	<b>₱498,108</b>	₱3,024,920



The movements in the present value of defined benefit obligation are as follows:

<i>December 31,</i>	<b>2024</b>	<b>2023</b>
Opening balances	<b>₱3,024,920</b>	₱1,628,499
Current service costs	<b>38,820</b>	907,836
Interest costs	<b>148,510</b>	115,957
Remeasurement losses (gains) during the year	<b>234,986</b>	372,628
Ending balances	<b>₱3,447,236</b>	₱3,024,920

*Movements in the Fair Value of Plan Assets*

<i>December 31,</i>	<b>2024</b>	<b>2023</b>
Opening balances	<b>₱-</b>	₱-
Contributions during the year	<b>2,494,128</b>	-
Closing balances	<b>₱2,494,128</b>	₱-

*Components of Retirement Expense in the Statement of Profit or Loss:*

Current service cost	<b>₱38,820</b>	₱907,836
Interest cost on benefit obligation	<b>148,510</b>	115,957
	<b>₱187,330</b>	₱1,023,793

Components of Retirement Benefit Costs Recognized in OCI represent actuarial loss on defined benefit obligation amounting to ₱234,236 for 2024 and ₱372,628 for 2023.

*Principal Assumptions Used to Determine Pension Obligation*

Discount rate	6.14%
Salary increases rate	4.00%
Average expected working lives of employees	15 years

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

	<i>Increase (Decrease)</i>	<i>Amount</i>
Discount rate	1%	(₱427,517)
	-1%	526,334
Future salary increase rate	1%	497,586
	-1%	(412,586)

Shown below is the maturity analysis of the expected future benefit payments as of December 31, 2024.

<i>Year</i>	<i>Amount</i>	<i>Year</i>	<i>Amount</i>
2025	₱371,390	2028	₱663,487
2026	49,608	2029	105,962
2027	76,774	2030 and up	44,663,063

**Note 17**  
**Share Capital**

The Company's share capital consists of the following:

<i>December 31,</i>	<b>2024</b>	<b>2023</b>
<u>Ordinary (Common) Shares</u>		
Authorized – 150 million shares, ₱1.00 par value		
Issued and outstanding: 140,683,938 shares in 2024; 138,683,938 in 2023	<b>₱140,683,938</b>	<b>₱138,683,938</b>
<u>Preference Shares</u>		
Authorized – 200 thousand shares, ₱100.00 par value		
Issued and outstanding: 198,000 shares in 2024 and 198,000 in 2023	<b>19,800,000</b>	<b>19,800,000</b>
<b>Total Share Capital</b>	<b>₱160,483,938</b>	<b>₱158,483,938</b>

Deposits for Future Subscriptions

The Company's authorized ordinary (common) capital stock has been fully subscribed by shareholders at the end of 2018. The Company initiated actions to increase its authorized capital. In the meantime, additional investments from shareholders were accepted as deposits, totaling ₱5 million and ₱7 million (net of withdrawals) at the end of 2024 and 2023. In accordance with SEC rules and pertinent provisions of the Corporation Code and PAS/IAS 32 *Financial Instruments: Presentation*, the deposits are treated as part of current liabilities.

Initially, the deposits for future subscriptions were non-interest-bearing deposits. During 2023, the Board of Directors approved to subject the deposits with interest rate of 5.5% per annum. Accordingly, the Company recorded interest expense of ₱614,211 in 2024 and ₱110,000 in 2023 for the deposit.

Dividend Distribution

On March 19, 2024 and June 7, 2023, the Board of Directors and stockholders approved the release of cash dividends amounting to ₱4,209,809 and ₱8,371,689, respectively.

Appropriated Retained Earnings

During their meeting on June 7, 2023, the Board of Directors approved to appropriate from the Company's adjusted retained earnings at each end of the year certain percentages of the retained earnings intended for the following funds: (a) corporate reserve fund; (b) land and building fund and (c) corporate social responsibility fund. The appropriations should be retroactive to 2022. During their meeting on March 11, 2025 and March 19, 2024, the Board of Directors approved additional appropriations for the same funds totaling ₱5.7 million and ₱2.6 million from the retained earnings of 2024 and 2023, respectively.

The following is the accounting of the appropriations:

<i>December 31, 2024</i>	<i>Opening Balances</i>	<i>Additions (Reversals)</i>	<i>Closing Balances</i>
Corporate reserve fund	₱2,858,451	₱811,763	<b>₱3,670,214</b>
Land and building fund	1,572,116	4,725,665	<b>6,297,781</b>
Corporate social responsibility fund	673,764	221,082	<b>894,846</b>
	<b>₱5,104,331</b>	<b>₱5,758,510</b>	<b>₱10,862,841</b>
<u>December 31, 2023</u>			
Corporate reserve fund	₱1,360,188	₱1,498,263	₱2,858,451
Land and building fund	780,008	792,108	1,572,116
Corporate social responsibility fund	334,289	339,475	673,764
	<b>₱2,474,485</b>	<b>₱2,629,846</b>	<b>₱5,104,331</b>

Compliance with Capitalization Requirements

In accordance with the provisions of Section 9 of R. A. 9829, *An Act Establishing the Pre-Need Code of the Philippines* and in the Insurance Commission Circular Letter 2019-50, a pre-need company incorporated after the effectivity of the Code shall have a minimum paid-up capital of ₱100 million. The Company has complied with this requirement by having authorized common share capital of ₱150 million and paid-up capital of ₱140,683,938 and ₱138,683,938 at the end of 2024 and 2023, respectively. The Company also has authorized preference shares of ₱20 million of which ₱19.8 million have been fully paid at the end of 2024 and 2023. Additionally, the Company accepted deposits for future stock subscriptions which will eventually augment its capitalization to comply with the requirements of R.A. 9829.

Overall, the Company's share capital and deposit for future subscriptions totaled ₱165,483,938 and ₱163,483,938 at the end of 2024 and 2023, respectively, clearly surpassing the required minimum capitalization of a pre-need company.

Capital Management Objectives, Policies and Procedures

The Company maintains a certain level of capital to ensure sufficient solvency margins and to adequately protect its planholders. The level of capital maintained is higher than the minimum capital requirements of the IC. The Company considers the entire equity in determining the capital. The Company manages its capital to ensure that it has the ability to continue as a going concern while maximizing the return to shareholders. The Company's Board of Directors regularly reviews its capital structure on the basis of the carrying amount of equity, less cash and cash equivalents, as presented on the face of the statement of financial position. As a part of this review, the Board of Directors considers the cost of capital and the risks associated with each class of capital.

Disclosures Required Under Revised SRC Rule 68 (2019 Version)

As at December 31, 2024, the Company has six (6) shareholders owning 100 or more ordinary (common) and preference shares each.

**Note 18**

**Profit of Trust Fund – Life Plan**

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

<i>Years Ended December 31,</i>	<b>2024</b>	<b>2023</b>
Income from investment of trust fund (Note 11)	<b>₱15,517,529</b>	₱8,306,690
Final taxes on investment income	<b>(3,103,506)</b>	(1,661,338)
Profit for the year	<b>₱12,414,023</b>	₱6,645,352

**Note 19**

**Details of Premium Revenue**

<i>Years Ended December 31,</i>	<b>2024</b>	<b>2023</b>
Realized gross premium income	<b>₱75,851,149</b>	₱73,297,630
Amortization	<b>6,681,676</b>	6,489,104
Discount on spot cash	<b>(5,544,000)</b>	(4,464,000)
Net	<b>76,988,825</b>	75,322,734
Allocation for trust fund contributions	<b>103,143,032</b>	86,205,043
Total Receipts	<b>180,131,857</b>	161,527,777
Value-added taxes	<b>(8,248,495)</b>	(8,107,378)
Net Premium Revenue	<b>₱171,883,362</b>	₱153,420,399

The trust fund contributions for 2024 and 2023 are not equal to the total contributions cited in Note 11 due to the deposits made in 2023 and 2022 to fund the pre-need reserves computed on a monthly basis done by the Company.

The reconciliation is as follows:

<i>Years Ended December 31,</i>	<b>2024</b>	<b>2023</b>
Trust fund contributions per books	<b>₱103,143,032</b>	₱86,205,043
Contributions made in December 2022 deposited on January 2023	<b>–</b>	7,129,000
Contributions made in December 2023 deposited on January 2024	<b>14,192,627</b>	(14,192,627)
Contributions made in December 2024 deposited on January 2025	<b>(15,236,808)</b>	–
Trust fund contributions per bank	<b>₱102,098,851</b>	₱79,141,416

The network of primary and secondary cooperatives who are members of CLIMBS Life and General Insurance Cooperative act as agents of the Company in generating the premium revenue. Collection costs, representing commissions paid to agents, amounted to ₱25,802,644 in 2024 and ₱31,087,336 in 2023.

## **Note 20**

### **Details of Investments Income**

<i>Years Ended December 31,</i>	<b>2024</b>	<b>2023</b>
Income from externally managed funds (Note 10)	<b>₱3,665,286</b>	₱3,137,880
Interest income from investment in debt securities (Note 10)	<b>3,618,168</b>	4,469,782
Interest income from cash and cash equivalents (Note 5)	<b>1,117,453</b>	45,428
	<b>₱8,400,907</b>	₱7,653,090

The investments income are presented at gross of final taxes of 20%. The final taxes thereon are presented as part of the income tax expense – current. (See Note 24.)

## **Note 21**

### **Details of Other Direct Costs and Expenses**

<i>Years Ended December 31,</i>	<b>2024</b>	<b>2023</b>
Insurance	<b>₱3,642,252</b>	₱3,341,598
Royalty fees	<b>898,585</b>	806,528
Licensing fees amortized on plans issued (Note 7)	<b>179,346</b>	160,766
	<b>₱4,720,183</b>	₱4,308,892

## **Note 22**

### **Details of Salaries, Wages and Employees' Benefits**

<i>Years Ended December 31,</i>	<b>2024</b>	<b>2023</b>
Salaries and wages	<b>₱14,987,046</b>	₱12,397,183
Employees' benefits	<b>9,024,880</b>	4,968,182
Honoraria	<b>1,358,667</b>	1,311,045
Retirement benefit contributions (Note 16)	<b>187,330</b>	1,023,793
	<b>₱25,557,923</b>	₱19,700,203

## Note 23

### Details of General and Administrative Expenses

<i>Years Ended December 31,</i>	<b>2024</b>	<b>2023</b>
Promotions and networking	<b>₱4,546,890</b>	₱4,699,622
Travel and transportation	<b>3,888,976</b>	2,098,586
Meetings and conferences	<b>2,189,842</b>	2,995,858
Office supplies	<b>1,738,987</b>	1,466,457
Repairs and maintenance	<b>793,354</b>	683,173
Taxes and licenses	<b>785,509</b>	647,338
Interest expense on deposits for future stock subscriptions (Note 17)	<b>614,211</b>	110,000
Dues and subscriptions	<b>520,217</b>	307,309
Utilities	<b>512,996</b>	283,094
Professional fees	<b>471,905</b>	1,480,597
Communication	<b>379,546</b>	432,168
Freight	<b>294,587</b>	202,125
Donations	<b>280,065</b>	230,150
Interest expense on lease liability (Note 9)	<b>278,976</b>	231,357
Insurance	<b>252,636</b>	123,614
Rent (Note 9)	<b>204,004</b>	885,264
Penalties and Fines	<b>94,257</b>	–
Bank charges	<b>33,820</b>	22,521
Provision for impairment losses (Note 6)	<b>26,341</b>	91,863
Supervision	<b>16,321</b>	4,245
Training and seminars	<b>9,000</b>	–
Miscellaneous	<b>20</b>	962
	<b>₱17,932,460</b>	₱16,996,303

## Note 24

### Income Tax Expense

The income tax expenses for 2024 and 2023 were computed based on the provisions of Revenue Regulations No. 5-2021, 'Corporate Recovery and Tax Incentives for Enterprises Act' (CREATE), Which Further Amended the National Internal Revenue Code (NIRC) of 1997.'

Under CREATE, the corporate income tax rate was changed from the fixed rate of 30% of taxable income to a choice of 20% or 25% of taxable income depending on certain parameters involving the amount of taxable income and net amount of total assets less the value of land. The MCIT computation has likewise changed from 2% to 1% of gross income up to July 2023 after which it reverted to 2% of gross income.

#### Income Tax Expense – Current

The income tax expense – current is composed of the following:

<i>Years Ended December 31,</i>	<b>2024</b>	<b>2023</b>
Corporate Income Tax	<b>₱455,088</b>	₱1,891,780
Final taxes on trust fund income (Note 18)	<b>3,103,506</b>	1,661,338
Final taxes on investments income (Note 20)	<b>1,680,181</b>	1,530,618
Minimum Corporate Income Tax (MCIT)	–	–
Income Tax Expense – Current	<b>₱5,238,775</b>	₱5,083,736

The disproportionate relationships between the profit before income tax expense and the income tax expense –

current is due mainly to income from investments which was deducted from profit income before tax expense since this was already subjected to the final tax of 20%.

Computation of Income Tax Expense – Regular Rate

<i>Years Ended December 31,</i>	<b>2024</b>	<b>2023</b>
Tax at statutory rate (25%)	<b>₱6,220,261</b>	₱5,740,029
Additions (deductions) resulting from: (stated at 25% tax rate)		
Depreciation of right-of-use asset (Note 9)	<b>529,288</b>	274,948
Interest expense on lease liability (Note 9)	<b>69,744</b>	57,839
Rent expense (Note 9)	<b>(556,844)</b>	(314,625)
Increase in provision for ECL (Note 6)	<b>6,585</b>	22,966
Accounts written-off (Note 6)	<b>–</b>	(34,065)
Investment income (Notes 18 and 20)	<b>(5,979,609)</b>	(3,989,945)
Provision for retirement benefits (Note 16)	<b>46,833</b>	255,948
Effect of application of NOLCO	<b>–</b>	(121,314)
<b>Income Tax Expense</b>	<b>₱336,258</b>	<b>₱1,891,781</b>

Minimum Corporate Income Tax (MCIT)

<i>Years Ended December 31,</i>	<b>2024</b>	<b>2023</b>
Gross Revenue	<b>₱171,883,362</b>	₱153,420,399
Cost of Services	<b>(149,128,953)</b>	(127,762,612)
<b>Total Gross Profit</b>	<b>₱22,754,409</b>	<b>₱25,657,787</b>
<b>Tax due at MCIT (2% for 2024; 1.5% for 2023)</b>	<b>₱455,088</b>	<b>₱384,867</b>

Income Tax Payable

<i>December 31,</i>	<b>2024</b>	<b>2023</b>
Tax due at RCIT	<b>₱336,258</b>	₱1,891,781
Tax due at MCIT	<b>455,088</b>	384,867
Tax due (higher of RCIT or MCIT)	<b>455,088</b>	1,891,781
Excess MCIT applied this current taxable year	<b>–</b>	(205,591)
Creditable withholding tax from previous quarters	<b>–</b>	(22,727)
<b>Income Tax Payable</b>	<b>₱455,088</b>	<b>₱1,663,463</b>

**Note 25**

**Related Party Transactions**

In the ordinary course of trade or business, the Company has transactions with related parties which include its directors, officers, related interests and employees and affiliated entities. These transactions were made substantially on the same terms and conditions as with other parties. None of the transactions incorporate special terms and conditions and no guarantee is given or received. Outstanding balances are usually settled in cash. The Company has no associates or joint venture projects.

The significant related party transactions are summarized below:

- a) The Company is a lessee to the building owned by its major stockholder. The lease, which is presented in the books of the Company as right-of-use asset and lease liability, required the Company to deposit advance rental of ₱307,700 and to settle the monthly fixed rental during the first week of each month. Total lease expenses incurred amounted to ₱1,181,734 for 2024 and ₱921,900 for 2023. (See Note 9.)

- b) The major stockholder also undertook the financing of some of the significant events in organizing the Company, thereby incurring receivables from the Company amounting to ₱2,725,714 and ₱2,781,893 by the end of 2024 and 2023. (See Note 14.) The transactions with the major stockholder during the year, including the leasing transactions discussed in a) above, is as follows:

<i>Years Ended December 31,</i>	<b>2024</b>	<b>2023</b>
Opening balances	<b>₱2,781,893</b>	₱2,576,194
Additional charges incurred	<b>1,315,467</b>	1,223,688
Payments made	<b>(1,371,646)</b>	(1,017,989)
Closing balances	<b>₱2,725,714</b>	₱2,781,893

- c) Stockholders are also providing the mortuary services required under the life plan policies. Total payments for services rendered amounted to ₱8,092,000 in 2024 and ₱7,101,450 in 2023.
- d) The major stockholder is a federation of cooperatives, whose members are the direct agents of the Company. Total commissions paid to agents, treated as collection costs in the books, amounted to ₱25,802,644 in 2024 and ₱31,087,336 in 2023. (See Note 19.)
- e) The key management compensation follows:

<i>Years Ended December 31,</i>	<b>2024</b>	<b>2023</b>
Salaries and wages	<b>₱2,637,050</b>	₱2,405,000
Honoraria	<b>1,178,377</b>	1,081,080
Employee benefits	<b>1,194,820</b>	1,176,820
	<b>₱5,010,247</b>	₱4,662,900

## **Note 26**

### **Computation of the Earnings Per Common Share**

For purposes of computing the earnings per share, the following accounting of the profit for the year for the unrestricted earnings is presented:

#### **Earnings Per Ordinary (Common) Share**

<i>Years Ended December 31,</i>	<b>2024</b>	<b>2023</b>
Profit for the year per statement of profit or loss	<b>₱20,097,357</b>	₱17,876,378
Profit for the year of trust fund – life plan (Note 18)	<b>(12,414,023)</b>	(6,645,352)
Profit for the year, unrestricted	<b>7,683,334</b>	11,231,026
Weighted average number of common shares	<b>158,817,271</b>	157,685,120
Earnings Per Common Share	<b>₱0.05</b>	₱0.07

## **Note 27**

### **Fair Value Measurements**

For financial assets and financial liabilities with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments equal their fair values. The fair values of the financial assets and financial liabilities included in Level 3 above which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after considering the related credit risk of counterparties or is calculated based on the expected cash flows of the underlying net asset base of the instrument. When the Company uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an

instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The following table summarizes the fair value hierarchy of the Company's financial assets and financial liabilities which are not measured at fair value in the statement of financial position but for which fair value is disclosed.

<i>December 31, 2024</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<u>Financial assets</u>				
Cash and cash equivalents (Note 5)	₱54,051,161	₱—	₱—	<b>₱54,051,161</b>
Trade and other receivables (Note 6)	—	—	2,094,963	<b>2,094,963</b>
Investment in Trust Fund–Life Plan (Note 11)	—	—	294,058,564	<b>294,058,564</b>
Investments in financial instruments (Note 10)	—	—	118,432,041	<b>118,432,041</b>
	<b>₱54,051,161</b>	<b>₱—</b>	<b>₱414,585,568</b>	<b>₱468,636,729</b>
<u>Financial liabilities</u>				
Trade and other payables (Note 14)	₱—	₱—	₱50,411,879	<b>₱50,411,879</b>
Deposits for future subscriptions (net) (Note 17)	—	—	5,000,000	<b>5,000,000</b>
	<b>₱—</b>	<b>₱—</b>	<b>₱55,411,879</b>	<b>₱55,411,879</b>
<i>December 31, 2023</i>				
<u>Financial assets</u>				
Cash and cash equivalents (Note 5)	₱43,148,756	₱—	₱—	<b>₱43,138,756</b>
Trade and other receivables (Note 6)	—	—	3,063,581	<b>3,063,581</b>
Investment in Trust Fund–Life Plan (Note 11)	—	—	197,834,896	<b>197,834,896</b>
Investments in financial instruments (Note 10)	—	—	135,842,965	<b>135,842,965</b>
	<b>₱43,138,756</b>	<b>₱—</b>	<b>₱336,741,442</b>	<b>₱379,880,198</b>
<u>Financial liabilities</u>				
Trade and other payables (Note 14)	₱—	₱—	₱44,532,588	<b>₱44,532,588</b>
Deposits for future subscriptions (Note 17)	—	—	7,000,000	<b>7,000,000</b>
	<b>₱—</b>	<b>₱—</b>	<b>₱51,532,588</b>	<b>₱51,532,588</b>

The Level 3 fair value of the property and equipment was determined using the cost approach that reflects the cost to a market participant to acquire such assets. These inputs were derived from various suppliers' quotes, and price catalogues. Under this approach, higher estimated costs used in the valuation will result in higher fair value of the assets.

Fair Value Measurement for Non-Financial Assets

The following table shows the Levels within the hierarchy of non-financial assets measured at fair value on a recurring basis as of December 31, 2024 and 2023.

<i>December 31, 2024</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Prepaid expenses (Note 7)	₱—	₱—	₱3,464,164	<b>₱3,464,165</b>
Property and equipment (Note 8)	—	—	7,208,033	<b>7,208,033</b>
Right-of-use asset (Note 9)	—	—	11,095,999	<b>11,095,999</b>
Other non-current assets (Note 13)	—	—	1,474,721	<b>1,474,721</b>
	<b>₱—</b>	<b>₱—</b>	<b>₱23,242,917</b>	<b>₱23,242,917</b>
<i>December 31, 2023</i>				
Prepaid expenses (Note 7)	₱—	₱—	₱3,116,567	<b>₱3,116,567</b>
Property and equipment (Note 8)	—	—	7,455,505	<b>7,455,505</b>
Right-of-use asset (Note 9)	—	—	3,365,978	<b>3,365,978</b>
Other non-current assets (Note 13)	—	—	1,003,430	<b>1,003,430</b>
	<b>₱—</b>	<b>₱—</b>	<b>₱14,941,480</b>	<b>₱14,941,480</b>



---

**Note 28****Risk Management Objectives and Policies**

The Company is exposed to a variety of financial risks, which result from both its operating and financing activities. The Company's principal financial instruments are its cash and cash equivalents, trade and other receivables, investments in trust funds, corporate bonds and other reserve funds, trade and other payables, and deposit for future subscriptions. Its existing policies and guidelines cover insurance risk, credit and concentration risks, market risk, and liquidity risk. The objective of financial risk management is to contain, where appropriate, exposures in these financial risks to limit any negative impact on the Company's financial performance and financial position. The Company actively measures, monitors, and manages its financial risk exposures by various functions pursuant to the segregation of duties principle.

**Risk Management Structure**

The Board of Directors is mainly responsible for the overall risk management and for the approval of risk strategies and principles of the Company. The Board of Directors also has the overall responsibility for the development of risk strategies, principles, frameworks, policies, and limits. It establishes a forum of discussion of the Company's approach to risk issues in order to make relevant decisions.

**Insurance Risk**

Insurance risk is the risk that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. The Company addresses this risk by complying with IC regulations pertaining to the set-up of a trust fund - life plan. The Company signed a trusteeship agreement with BDO Unibank, Inc. – Trust and Investment Group for the management of the insurance trust fund. (See Note 11.) In addition, the Company also established the Insurance Premium Fund, (See Note 12) and invested its financial instruments to provide additional cushion. (See Note 10.)

**Market Risks**

Market risk is the possibility that changes in equity prices or interest rates will adversely affect the value of the Company's assets, liabilities or expected future cash flows. The Company has no exposure arising from complex investments since it is not engaging in high risk investments, forward contracts, hedging, and the like, whether local or foreign transactions.

The Company's trust fund – life plan managed by BDO Unibank, Inc. – Trust and Investment Group and its investments under IMA with China Banking Corporation – Trust and Asset Management Group were investments in quoted equity and debt securities, totaling ₱361,115,605 in 2024 and ₱262,156,694 in 2023, which are vulnerable to price risks. (See Notes 10 and 11.) Equity price risk arises because of fluctuations in the market prices of these securities. The Company recognized in other comprehensive income fair value gains (losses) of (₱2,593,204) in 2024 and ₱6,618,470 in 2023. (See Note 11.)

The Company's interest rate risk arises from investment in corporate bonds, as well as in time deposits with banks. The Company invested in fixed bonds and fixed rate deposits to mitigate the risks. The Company is not exposed to foreign currency risks as it has no assets nor liabilities denominated in foreign currency.

**Credit and Concentration Risks**

Credit risk refers to the risk that the counterparty will default and/or not honor its financial or contractual obligations resulting in financial losses to the Company. The receivable balances are monitored on an ongoing basis with the result that the Company's exposure to impairment is not significant. The investments are placed in strong financial institutions and are regularly monitored. The Company deals only with creditworthy counterparties duly approved by the Board of Directors. Its maximum exposure to credit risk for the components of the statement of financial position as of December 31, 2024 and 2023 is their carrying amounts as shown below:  
(Please see table next page.)

<i>December 31,</i>	<b>2024</b>	<b>2023</b>
Cash and cash equivalents <i>(Note 5)</i>	<b>₱54,051,161</b>	₱43,138,756
Trade and other receivables <i>(Note 6)</i>	<b>2,094,963</b>	3,063,581
Investment in Trust Fund – Life Plan <i>(Note 11)</i>	<b>294,058,564</b>	197,834,896
Investments in financial instruments <i>(Note 10)</i>	<b>118,432,041</b>	135,842,965
	<b>₱468,636,729</b>	₱379,880,198

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

<i>December 31, 2024</i>	<i>High Grade</i>	<i>Standard Grade</i>	<i>Impaired</i>	<i>Total</i>
Cash and cash equivalents <i>(Note 5)</i>	₱54,051,161	₱–	₱–	<b>₱54,051,161</b>
Trade and other receivables <i>(Note 6)</i>	2,094,963			<b>2,094,963</b>
Investments in fin. instruments <i>(Note 10)</i>	118,432,041			<b>118,432,041</b>
Investment in Trust Fund–Life Plan <i>(Note 11)</i>	294,058,564			<b>294,058,564</b>
	<b>₱468,636,729</b>	<b>₱–</b>	<b>₱–</b>	<b>₱468,636,729</b>
<i>December 31, 2023</i>				
Cash and cash equivalents <i>(Note 5)</i>	₱43,138,756	₱–	₱–	₱43,138,756
Trade and other receivables <i>(Note 6)</i>	3,063,581			3,063,581
Investments in fin. instruments <i>(Note 10)</i>	135,842,965			135,842,965
Investment in Trust Fund–Life Plan <i>(Note 11)</i>	197,834,896			197,834,896
	<b>₱379,880,198</b>	<b>₱–</b>	<b>₱–</b>	<b>₱379,880,198</b>

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

#### Liquidity Risks

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

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

<i>December 31, 2024</i>	<i>Due in 1 Year</i>	<i>Due Over 1 Year</i>	<i>Total</i>
Trade and other payables <i>(Note 14)</i>	₱50,411,879	₱–	<b>₱50,411,879</b>
Deposits for future subscriptions <i>(Note 17)</i>	5,000,000	–	<b>5,000,000</b>
	<b>₱55,411,879</b>	<b>₱–</b>	<b>₱55,411,879</b>
<i>December 31, 2023</i>			
Trade and other payables <i>(Note 14)</i>	₱44,532,588	₱–	₱44,532,588
Deposits for future subscriptions <i>(Note 17)</i>	7,000,000	–	7,000,000
	<b>₱51,532,588</b>	<b>₱–</b>	<b>₱51,532,588</b>

---

**Note 29**

**Authorization of Financial Statements**

The financial statements of Cosmopolitan CLIMBS Life Plan, Inc. for the period ended December 31, 2024 were authorized for issue by its President and CEO on April 11, 2025.

---

**Note 30**

**Details of Taxes, Licenses and Fees**

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

<i>Years Ended December 31,</i>	<b>2024</b>	<b>2023</b>
Business permit and licenses	<b>₱493,949</b>	₱473,338
IC registration fees	<b>261,470</b>	171,700
Legal, notarial fees and others	<b>30,090</b>	2,300
	<b>₱785,509</b>	₱647,338

---

## **SUPPLEMENTARY SCHEDULE TO THE FINANCIAL STATEMENTS**

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

## RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

Cosmopolitan CLIMBS Life Plan, Inc.

<i>December 31,</i>	<b>2024</b>	<b>2023</b>
<b>OPENING RETAINED EARNINGS</b>		
As originally stated	<b>₱8,897,977</b>	₱8,668,486
Adjustment to restate beginning balances	—	—
<b>PROFIT ACTUALLY REALIZED DURING THE YEAR</b>	<b>7,683,334</b>	11,231,026
<b>RETAINED EARNINGS, AS ADJUSTED</b>	<b>16,581,311</b>	19,899,512
<b>ADD (DEDUCT)</b>		
<u><i>Non-Actual Losses</i></u>		
Depreciation on revaluation increment (after tax)	—	—
Adjustments due to deviation from PFRSs (loss)	—	—
Loss on fair value adjustment of investment property (after tax)	—	—
<u><i>Other Transactions</i></u>		
Dividends declared during the year	<b>(4,209,809)</b>	(8,371,689)
Appropriations of Retained Earnings during the year	<b>(5,758,510)</b>	(2,629,846)
Reversals of appropriation during the year	—	—
Effects of prior period adjustments	—	—
Treasury shares	—	—
Deferred tax assets (SEC MC No. 11, s.2023)	—	—
Sub-total	<b>(9,968,319)</b>	(11,001,535)
<b>CLOSING RETAINED EARNINGS, AVAILABLE FOR DIVIDENDS</b>	<b>₱6,612,992</b>	₱8,897,977