SUN LIFE FINANCIAL PLANS, INC.

[A Wholly-Owned Subsidiary of Sun Life of Canada
(Philippines), Inc.]

Financial Statements
December 31, 2023 and 2022

2nd Floor, Sun Life Centre, 5th Avenue
corner Rizal Drive, Bonifacio Global City
Taguig City, Philippines

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Sun Life

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of Sun Life Financial Plans, Inc. (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as at and for the years ended December 31, 2023 and 2022, in accordance with the financial reporting standards in the Philippines for pre-need companies set forth in the amended Securities and Exchange Commission (SEC) Rule 31, Accounting Standards for Pre-need Plans and Pre-Need Uniform Chart of Accounts (PNUCA), as required by the rules and regulations of the Securities and Exchange Commission (SEC) and adopted by the Insurance Commission (IC), 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.

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

Navarro Amper & Co., the independent auditors, appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of the presentation upon completion of such audit.

SIGNED

CHIA-LING CHOU aka LUCY CHOU
Chairman of the Board

SIGNED

MARIA SACHIKO A. PANG
President

SIGNED

LEO CARL T. CHIN
Treasurer

Signed this 15th day of March 2024

Sun Life

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of Sun Life Financial Plans, Inc. is responsible for all information and representations contained in the accompanying financial statements as at and for the years ended December 31, 2023, and 2022. The financial statements have been prepared in conformity with rules and regulations of the Insurance Commission on accounting and reflect amounts that are based on the best estimates and informed judgment of Management with an appropriate consideration to materiality.

In this regard, Management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. The Management likewise discloses to the Company's Audit Committee and to its external auditor: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the financial statements before such statements are approved and submitted to the stockholders of the Company.

Navarro Amper & Co., the independent auditors, appointed by the stockholders, has examined the financial statements of the Company in accordance with generally accepted auditing standards in the Philippines and has expressed its opinion on the fairness of the presentation upon completion of such examination, in its report to the Board of Directors and stockholders.

SIGNED

CHIA-LING CHOU aka LUCY CHOU
Chairman of the Board

SIGNED

MARIA SACHIKO A. PANG
President

SIGNED

LEO CARL T. CHIN
Treasurer

Signed this 15th day of March 2024

NavarroAmper&Co.

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Philippines

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BOA/PRC Reg. No. 0004

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders
SUN LIFE FINANCIAL PLANS, INC.
[A Wholly Owned Subsidiary of Sun Life of Canada (Philippines), Inc.]
2nd Floor, Sun Life Centre, 5th Avenue corner Rizal Drive
Bonifacio Global City, Taguig City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sun Life Financial Plans, Inc. (the "Company"), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with the Financial Reporting Standards in the Philippines for pre-need companies set forth in the amended Securities and Exchange Commission ("SEC") Rule 31, Accounting Standards for Pre-need Plans and Pre-need Uniform Chart of Accounts ("PNUCA"), as required by the rules and regulations of the SEC and adopted by the Insurance Commission ("IC").

Basis for Opinion

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

Emphasis of Matter

We draw attention to Note 1 to the financial statements, which indicated that the Company has decided to temporarily discontinue actively selling pre-need plans until the market environment improves. All existing pre-need plans will continue to be serviced and supported until maturity by the Company's trust fund assets. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Financial Reporting Standards in the Philippines for pre-need companies set forth in the amended SEC Rule 31, Accounting Standards for Pre-need Plans and PNUCA, as required by the rules and regulations of SEC and adopted by the IC, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are from material misstatement, whether due to fraud or error.

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

Those Charged with Governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Other Legal and Regulatory Requirements

Report on the Supplementary Information Required by the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 33 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of Management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Navarro Amper & Co.
BOA Registration No. 0004, valid from June 7, 2021 to September 22, 2024
IC A. N. 0004-IC, issued on March 2, 2020; Group A, valid to audit 2019 to 2023 financial statements
TIN 005299331

By:

SIGNED

Nina Cecilia S. Felismino
Partner
CPA License No. 0103737
IC A.N. 103737-IC, issued on December 29, 2020, Group A, valid to audit 2020 to 2024 financial statements
TIN 218720328
BIR A.N. 08-002552-046-2022, issued on June 8, 2022; effective until June 7, 2025
PTR No. A-6110725, issued on January 18, 2024, Taguig City

Taguig City, Philippines
April 12, 2024

SUN LIFE FINANCIAL PLANS, INC.
[A Wholly-Owned Subsidiary of Sun Life of Canada (Philippines), Inc.]

STATEMENTS OF FINANCIAL POSITION

		December 31	
	Notes	**2023**	2022
ASSETS			
Current Assets			
Cash and cash equivalents	7	**P 81,736,797**	P 525,653,962
Receivables	8	**72,731,674**	3,934,312
Prepayments and other current assets - net	9	**95,756**	505,564
Total Current Assets		**154,564,227**	**530,093,838**
Non-current Assets			
Trust funds	11	**3,983,685,208**	4,165,926,963
Financial assets at fair value through profit and loss	10	**16,260,536**	15,442,723
Financial assets at fair value through other comprehensive income	10	**217,068,300**	199,039,900
Total Non-Current Assets		**4,217,014,044**	4,380,409,586
		P4,371,578,271	P4,910,503,424
LIABILITIES AND EQUITY			
Current Liabilities			
Benefits payable	12	**P 242,081,191**	P 302,566,775
Accrued expenses and other liabilities	13	**68,462,654**	18,904,313
Counselors’ bond reserve	14	**864,251**	864,251
Payable to parent company	15	**2,994,764**	2,700,327
Total Current Liabilities		**314,402,860**	325,035,666
Non-current Liabilities			
Pre-need reserves	16	**3,856,982,930**	4,300,900,824
Planholders' deposit	17	**34,244,531**	61,493,255
Total Non-Current Liabilities		**3,891,227,461**	4,362,394,079
		4,205,630,321	4,687,429,745
Equity			
Share capital	18	**125,000,000**	125,000,000
Additional paid in capital	19	**375,000,000**	375,000,000
Contributed surplus	20	**687,000,000**	687,000,000
Investment revaluation reserves	21	**167,824,373**	58,120,013
Accumulated trust fund income	11	**6,968,331,470**	6,725,986,582
Deficit		**(8,157,207,893)**	(7,748,032,916)
		165,947,950	223,073,679
		P4,371,578,271	P4,910,503,424

See Notes to Financial Statements.

SUN LIFE FINANCIAL PLANS, INC.
[A Wholly-Owned Subsidiary of Sun Life of Canada (Philippines), Inc.]

STATEMENTS OF COMPREHENSIVE INCOME

		For the Years Ended December 31	
	Notes	**2023**	2022
Revenues			
Premium revenue	22	**P 65,340,780**	P 51,816,145
Trust fund income - net	11	**242,344,888**	232,609,628
Investment income	26	**15,060,296**	9,153,740
Other income	27	**77,965**	700,577
		322,823,929	294,280,090
Expenses			
Cost of contracts issued	23	**(443,807,421)**	(607,095,509)
Direct costs and expenses	24	**904,859,606**	819,744,190
General and administrative expenses	25	**25,298,463**	20,958,028
		486,350,648	233,606,709
Profit (Loss)Before Tax		**(163,526,719)**	60,673,381
Income Tax Expense	28	**3,303,371**	3,271,262
Profit (loss) for the Year		**(166,830,090)**	57,402,119
Other Comprehensive Income			
Item that will be reclassified			
subsequently to profit or loss			
Fair value gain (loss) on financial assets at FVTOCI	21	**109,704,360**	(454,122,743)
Total Comprehensive Loss		**(P57,125,730)**	(P396,720,624)

See Notes to Financial Statements.

SUN LIFE FINANCIAL PLANS, INC.

[A Wholly-Owned Subsidiary of Sun Life of Canada (Philippines), Inc.]

STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31,2023 and 2022

		Share Capital								
	Notes	**Ordinary**	**Preference**	**Total Share Capital**	**Additional Paid-in Capital**	**Contributed Surplus**	**Investment Revaluation Reserves**	**Deficit**	**Accumulated Trust Fund Income**	**Total**
Balance, January 1, 2022		P 75,000,000	P 50,000,000	P 125,000,000	P 375,000,000	P 400,000,000	P512,242,756	(P 7,572,825,407)	P 6,493,376,954	P 332,794,303
Net loss for the year		-	-	-	-	-	-	(175,207,509)	-	(175,207,509)
Trust fund income - net	11	-	-	-	-	-	-		232,609,628	232,609,628
Other comprehensive income	21	-	-	-	-	-	(454,122,743)	-	-	(454,122,743)
Capital contribution	20	-	-	-	-	287,000,000	-	-	-	287,000,000
Total comprehensive income		-	-	-	-	287,000,000	(454,122,743)	(175,207,509)	232,609,628	(109,720,624)
Balance, December 31, 2022		75,000,000	50,000,000	125,000,000	375,000,000	687,000,000	58,120,013	(7,748,032,916)	6,725,986,582	223,073,679
Net loss for the year		-	-	-	-	-	-	(409,174,977)	-	(409,174,977)
Trust fund income - net	11	-	-	-	-	-	-	-	242,344,888	242,344,888
Other comprehensive income	21	-	-	-	-	-	109,704,360	-	-	109,704,360
Total comprehensive income		-	-	-	-	-	109,704,360	(409,174,977)	242,344,888	(57,125,729)
Balance, December 31, 2023		**P75,000,000**	**P50,000,000**	**P125,000,000**	**P375,000,000**	**P687,000,000**	**P167,824,373**	**(P8,157,207,893)**	**P6,968,331,470**	**P165,947,950**

See Notes to Financial Statements.

SUN LIFE FINANCIAL PLANS, INC.
[A Wholly-Owned Subsidiary of Sun Life of Canada (Philippines), Inc.]

STATEMENTS OF CASH FLOWS

	Notes	For the Years Ended December 31 2023	2022
Cash Flows from Operating Activities			
Profit (Loss) before tax		**(P 163,526,719)**	P 60,673,381
Adjustments for:			
Pre-need reserves	16	**(443,917,894)**	(607,202,832)
Trust fund income	11	**(242,344,888)**	(232,609,628)
Investment income	26	**(15,060,296)**	(9,153,740)
Loss on sale of financial assets at fair value through other comprehensive income	10	**-**	4,722,833
Fair value gain (loss) on financial assets at FVTPL		**-**	174,264
Provision for non-recoverable prepaid tax	9, 25	**1,492,433**	821,931
Amortization of premium-net	10	**2,266,043**	2,301,813
Operating cash flows before working capital changes		**(861,091,321)**	(780,271,978)
Decrease (Increase) in:			
Receivables		**(68,795,600)**	33,703
Prepayments and other current assets		**(1,381,958)**	(982,002)
Increase (Decrease) in:			
Accrued expenses and other liabilities		**49,857,678**	2,578,731
Benefits payable		**(60,485,580)**	140,796,602
Payable to parent company		**294,437**	(146,148)
Planholders deposit		**(27,248,724)**	22,663,799
Cash used in operations		**(968,851,068)**	(615,327,292)
Income taxes paid		**(3,303,371)**	(3,271,262)
Net cash used in operating activities		**(972,154,439)**	(618,598,554)
Cash Flows from Investing Activities			
Investment income received		**14,240,721**	9,220,676
Proceeds from sale of financial assets at fair value through other comprehensive income	10	**-**	24,786,592
Trust fund contributions	11	**(323,098,517)**	(96,598,076)
Withdrawals from trust funds	11	**837,095,076**	741,364,245
Net cash from investing activities		**528,237,280**	678,773,437
Cash Flows from a Financing Activity			
Additional capital infusion	20	**-**	287,000,000
Net Increase (Decrease) Increase in Cash and Cash Equivalents		**(443,917,159)**	347,174,883
Cash and Cash Equivalents, Beginning		**525,653,962**	178,479,079
Cash and Cash Equivalents, End	7	**P 81,736,797**	P 525,653,962

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2023, AND 2022

1. CORPORATE INFORMATION AND STATUS OF OPERATIONS

Corporate Information

Sun Life Financial Plans, Inc. (the "Company") was registered with the Philippine Securities and Exchange Commission (SEC) on September 18, 2000 and started commercial operations on June 1, 2001. Its primary purpose is to engage mainly in the development of lawful institutional medium for the maintenance, conduct, operation, marketing and sales of any and all types of securities (without acting as stock broker) including, but not limited to education plans, pension plans, retirement income or retirement plans and life plans, with all the requisite services and facilities, merchandise, equipment or articles essential or relevant to such securities and services to be delivered in the future to planholders, enrollees, purchasers, and subscribers.

The Company is a wholly owned subsidiary of Sun Life of Canada (Philippines), Inc. (SLOCPI). SLOCPI, a wholly owned subsidiary of Sun Life of Canada (Netherlands) B.V., is a stock life insurance company authorized to engage in, conduct, transact, carry on and undertake the business of life insurance, including accident and health insurance. The Company's ultimate parent company is Sun Life Financial, Inc., a company incorporated under the laws of Canada.

The Company's registered office address and principal place of business is 2nd Floor, Sun Life Centre, 5th Avenue corner Rizal Drive, Bonifacio Global City, Taguig City.

Status of Operations

On March 1, 2010, the Company decided to temporarily discontinue actively selling pre-need plans until the pre-need market environment improves. All existing pre- need plans are currently being serviced and supported until maturity by the Company's trust fund assets.

On December 6, 2022, SLOCPI's Board of Directors (BOD) approved to infuse up to P500 million to fund any future capital requirements of the Company.

2. FINANCIAL REPORTING FRAMEWORK AND BASIS OF PREPARATION AND PRESENTATION

Statement of Compliance

The Company's financial statements have been prepared in accordance with the financial reporting standards in the Philippines for pre-need companies which include Philippine Financial Reporting Standards (PFRS), and the guidelines in determining reserves and liabilities relating to pension and educational plans and contracts, and financial statements presentation set forth in the amended SEC Rule 31, Accounting Standards for Pre-need Plans and Pre-need Uniform Chart of Accounts (PNUCA) as required by the SEC, which is now adopted by the Insurance Commission (IC). PFRS are adopted by the Philippine Financial and Sustainability Reporting Standards Council (FSRSC) from the pronouncements issued by the International Accounting Standards Board (IASB) and approved by the Philippine Board of Accountancy.

Basis of Preparation and Presentation

The financial statements of the Company have been prepared on the historical cost basis, except for:

- certain financial instruments carried at fair value,
- pre-need reserves carried at present value of expected funding required to settle pre-need benefits guaranteed and payable by the Company.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services received at inception.

Functional and Presentation Currency

The financial statements are presented in Philippine Peso, the currency of the primary economic environment in which the Company operates. All amounts are recorded in the nearest peso, except when otherwise indicated.

3. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

Adoption of New and Revised Accounting Standards Effective in 2023

The Company adopted all accounting standards and interpretations as at December 31, 2023. The new and revised accounting standards and interpretations that have been published by the IASB and approved by the FSRSC in the Philippines, were assessed to be applicable to the Company's financial statements, are as follows:

Amendments to PAS 1 *Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements, Disclosure Initiative – Accounting Policies*

The amendments change the requirements in PAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in PAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The FSRSC has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in PFRS PracticeStatement 2.

The Company has adopted the amendments by disclosing 'material accounting policy information' instead of 'significant accounting policy' and removing the accounting policies not considered as material.

Amendments to PAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates*

To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduced a new definition of accounting estimates (i.e., monetary amounts in the financial statements that are subject to measurement uncertainty).

The amendments also clarify the relationship between changes in accounting policies and changes in accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. In developing an accounting estimate, it includes selection of a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of a change in such input or a measurement technique are change in accounting estimates if they do not result from the correction of prior period errors.

The amendments have no impact on the Company's financial statements as there is no accounting policy or accounting estimate change during the year.

Amendments to PAS 12 *Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The Company has adopted the amendments to PAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

Following the amendments to PAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in PAS 12.

The amendments have no impact on the Company's financial statements as there are no transactions that give rise to equal taxable and deductible temporary differences.

Amendments to PAS 12 *Income Taxes— International Tax Reform—Pillar Two Model Rules*

The FSRSC amends the scope of PAS 12 to clarify that the Standard applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the OECD, including tax law that implements qualified domestic minimum top-up taxes described in those rules.

The amendments introduce a temporary exception to the accounting requirements for deferred taxes in PAS 12, so that an entity would neither recognize nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes.

Following the amendments, the Company is required to disclose that it has applied the exception and to disclose separately its current tax expense (income) related to Pillar Two income taxes.

The amendments have no impact on the financial statements as the Philippine Congress has not enacted a law recognizing the applicability of Pillar Two Reform in the Philippines.

New Accounting Standards Effective after the Reporting Period Ended December 31, 2023

PFRS 17 — *Insurance Contracts*

PFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes PFRS 4 *Insurance Contracts.*

PFRS 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.

An amendment issued on June 2020 to address concerns and implementation challenges that were identified after PFRS 17 was published.

An amendment issued on December 2021 for the Initial Application of PFRS 17 and PFRS 9—Comparative Information (Amendment to PFRS 17) to address implementation challenges that were identified after PFRS 17 was published. The amendment addresses challenges in the presentation of comparative information.

PFRS 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 if 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 standard (incorporating the amendments) is effective for periods beginning on or after January 1, 2025, as amended by the FSRSC from January 1, 2023. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB. Earlier application is permitted.

The management of the Company is still evaluating the impact of the new standard.

Other than the above standard, as of the date of the authorization of these financial statements, Management has initially assessed that either the adoption of the following is not expected to have significant impact on the Company's financial statements or are not relevant to the Company when initially adopted.

<u>Effective for annual period beginning January 1, 2024</u>

a) Amendments to PAS 1, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

b) Amendments to PAS 1*, Presentation of Financial Statements – Non-current Liabilities with Covenants*

c) Amendments to PAS 7, *Cash Flow Statements* and *PFRS 7 (Amendments), Financial Instruments: Disclosures – Supplier Finance Arrangements*

d) Amendments to PFRS 16, *Leases – Lease Liability in a Sale and Leaseback*

<u>Effective for annual period beginning January 1, 2025</u>

a) Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

<u>Deferred effectivity date</u>

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

4. PRE-NEED RULES

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

<u>*Implementing Rules and Regulations (IRR) of RA No. 9829*</u>

After the issuance of RA 9829, the Commission issued the IRR on March 8, 2010. The salient provisions of the IRR are the same with that of RA No. 9829.

Pre-Need Rule 31, as Amended: Accounting Standards for Pre-Need Plans and PNUCA

On May 10, 2007, the Pre-Need Rule 31: Accounting Standards for Pre-Need Plans and PNUCA was amended.

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

a. The net asset value in the trust funds shall be at least equal to the required Pre-Need Reserves (PNR) as determined by a qualified actuary using the method prescribed in this rule.

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

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

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

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

f. The amount of restricted/appropriated and unrestricted/unappropriated retained earnings shall be separately presented in the statements of changes in equity.

g. No appropriation of the retained earnings shall be made by the Company unless the same is approved by the SEC or allowed in the Pre -need Rules.

h. In recognizing PNR, the general requirements of PAS 37, *Provision, Contingent Liabilities and Contingent Assets*, on provisioning and the specific methodology provided shall be complied with. The amount recognized as a provision to cover the PNR shall be the best estimate of the expenditure required to settle the present obligation at the end of each reporting period. The risks and uncertainties that inevitably surround many events and circumstances shall be taken into account in reaching the best estimate of a provision.

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

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

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

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

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

n. The disclosure requirements under PAS 1 relative to methods and assumptions used to estimate the PNR including the sensitivity of the PNR amount shall be complied with.

o. Any excess in the amount of the trust fund as a result of the revised reserving method shall neither be released from the fund nor be credited/off-set to future required contributions.

5. MATERIAL ACCOUNTING POLICY INFORMATION

Financial Instruments

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

Initial recognition

Financial assets and financial liabilities are initially measured at fair value. 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.

Financial Assets

Classification and subsequent measurement

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 period established by regulation or convention in the marketplace.

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

Fair value is determined in the manner described in Note 30.

Financial assets are subsequently measured at amortized cost or fair value on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Amortized cost and effective interest method

For financial instruments 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.

Interest income is recognized using the effective interest method for debt instruments measured subsequently at amortized cost and at FVOCI.

For debt financial instruments, 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.

Debt instruments classified as at FVOCI

Corporate bonds held by the Company are classified as at FVOCI.

Changes in the carrying amount of these government securities as a result of foreign exchange gains and losses, impairment losses, and interest income calculated using the effective interest method are recognized in profit or loss.

All other changes in the carrying amount of these government securities are recognized in other comprehensive income and accumulated under investments revaluation reserve. When these government securities are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss.

Equity instruments designated as at FVOCI

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVOCI.

Equity instrument at FVOCI are measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be 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.

Financial assets at FVTPL

The Company's financial asset at FVTPL consist of investments in mutual funds and those which are included as part of Trust Fund assets.

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 net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset.

Impairment of Financial Assets

The Company recognizes a loss allowance for expected credit losses (ECL) on financial assets at amortized cost and debt instruments measured at FVTOCI.

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.

For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, 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. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

The Company measures ECL on an individual basis, or on a collective basis for portfolios of debt instruments that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate (EIR) method, regardless of whether it is measured on an individual basis or a collective basis.

Significant increase in credit risk

The Company monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Company will measure the loss allowance based on lifetime rather than 12-month ECL.

The Company has elected to use practical expedient and presumes that receivables do not have significant financing component as the expected term is less than one year.

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 based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognized. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and information that is available without undue cost or effort.

Forward-looking information considered includes the future porspects of the industries in which the Company's debtors operate, financial analysts, 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;
- 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.

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:

- The financial instrument has a low risk of default;
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
- 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.

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:

- when there is a breach of financial covenants by the debtor; or
- 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.

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

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 the financial asset have occurred. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for a security because of financial difficulties; or
- the purchase of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off

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, 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.

Measurement and recognition of expected credit losses

The measurement of ECL 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 for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

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 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 FVOCI, 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

The Company derecognizes a financial asset only when the contractual rights to the asset's cash flows expire or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognized in OCI and accumulated in equity is recognized in profit or loss, with the exception of equity investment designated as measured at FVOCI, where the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss, but is transferred to retained earnings.

Financial Liabilities and Equity Instruments

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.

Financial liabilities

All financial liabilities are measured subsequently at amortized cost using the effective interest method or at FVTPL. Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

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 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.

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 should be recognized in profit or loss as the modification gain or loss within other gains and losses.

The accounting policies above on financial assets and liabilities also applies to financial instruments that are classified within Trust funds in the statements of financial position.

Equity Instruments

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are considered as a deduction from the proceeds, net of tax.

Preference shares

Preference shares are classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary dividends thereon are recognized as distribution within equity upon approval by the Company's shareholders.

Additional paid-in capital

Additional paid-in capital is classified as equity and refers to the amount received by the Company for subscription of shares in excess of par value of the shares.

Contributed surplus

Contributed surplus refers to the amount raised by the Company in the form of capital infusion without issuance of shares.

Investment revaluation reserves

Investment revaluation reserves represent the increase or decrease in the market value of the financial assets at fair value through comprehensive income (FVTOCI).

Deficit

Deficit represents accumulated losses incurred by the Company. Deficit may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Accumulated trust fund income

Accumulated trust fund income refers to the net income generated from the trust funds since inception.

Contingent Liabilities

Contingent liabilities

Contingent liabilities are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company.

Contingent liabilities are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote.

Pre-need Reserves (PNR)

PNR are calculated on the basis of the methodology and assumptions set out below:

a. The formula, methods and assumptions used for the valuation of reserves are based on the SEC Notice dated April 20, 2007, and subsequent SEC Interpretative Bulletin No. 1, Series of 2008 on its implementation. These may be different from the reserve formula, methods and assumptions used in the computation of actuarial reserve submitted to the SEC upon the application for product approval or upon the application for revisions to be done on existing products subsequently approved by the SEC.

b. PNR is set up for all pre-need benefits guaranteed and payable by the pre -need company as defined in the pre-need plan contracts.

c. In recognizing PNR for educational and pension plans, the general requirements of PAS 37 on provisioning and the specific methodology are complied with by the Company.

d. The amount recognized as a provision to cover the PNR is the best estimate of the expenditure required to settle the present obligation at the end of each reporting period. The risks and uncertainties that inevitably surround many events and circumstances are taken into account in reaching the best estimate of a provision.

e. Since the effect of the time value of money for pre-need plans is material, the amount of provision is the present value of the funding expected to be required to settle the obligation with due consideration of the different probabilities, as follows:

   i. On currently-being-paid plans

      1. Provision for termination values applying the surrender rate experience of the Company.

      2. Liability is set-up for the portion of currently-being-paid plans that will reach full payment, applying the full payment experience of the Company. It is equivalent to the present value of future maturity benefits reduced by the present value of future trust fund contributions discounted using the appropriate discount rate.

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

   ii. On lapsed plans within the allowable reinstatement period

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

   iii. Fully paid plans

      The reserve is the present value of future maturity benefits discounted using the appropriate discount rate.

f. The actual experience of the Company in the last three (3) years is considered in the application of rates (surrender, cancellation, reinstatement, utilization, and inflation).

g. The actuary validated the actuarial assumptions used in reserve valuation.

h. No pre-termination or surrender of fully paid plans are considered in determining the PNR of fully paid plans.

i. Any excess in the amount of the trust fund as a result of the initial adoption of the revised reserving method is not released from the fund nor credited/offset to future required contributions.

j. Individual subsidiary accounts for education plans and pension plans are maintained.

k. To effect a smooth transition in the valuation of reserves for old basket of plans, the IC through its Circular Letter (CL) No. 23-2012, prescribed a Transitory Pre- Need Reserves (TPNR) in 2012. A maximum period of ten (10) years shall be observed in the implementation of the TPNR.

For each of the pre-need plan categories, namely, education, pension and life plans, the TPNR shall be computed annually on all old baskets of plans outstanding on the 31st of December of each year from 2012 to 2021 using the discount interest rates as provided by the IC in its CL. If the actual trust fund balance is higher or equal to the resulting pre-need reserve, then the liability to be set-up shall be the PNR. However, if the resulting pre-need reserve is greater than the actual trust fund balance at the end of the year, the TPNR shall be computed in accordance with the schedule provided by the IC.

The TPNR liability based on the schedule provided by the IC shall be recognized and booked each year. The trust fund deficiency shall be funded by the pre - need company within (60) days from April 30 following the valuation date.

While the CL is applicable until December 2021, the provisions in this CL are adopted for December 2022 and 2023 valuation such as maximum discount rates and trust fund deficiency determination and funding.

Revenue Recognition

The Company recognizes income from sale of pre-need plans, interest from fixed income securities and income from trust fund assets.

Premium revenue

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

The amount of premium installments collectible from the planholders is not recognized as receivables in accordance with Pre-Need Rule 31, As Amended: Accounting Standards for Pre-need Plans and PNUCA adopted by the Company on January 1, 2007.

Trust fund income

Trust fund income is recognized when earned and is recognized net of management fees and taxes. This income is restricted to payments of benefits as provided in the pre-need plan contracts. The movement in the current year is rolled up to accumulated trust fund income in the statements of changes in equity.

Investment income

Investment income is recognized in profit or loss as it accrues, taking into account the effective yield of the assets or liability or an applicable floating rate. Interest income and expense include the amortization of any discount or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Expense Recognition

Expenses are recognized in the profit or loss when incurred.

Expenses in the statements of comprehensive income are presented using the function of expense method. Cost of contracts issued and other direct costs and expenses are expenses that are associated with the plans sold, and includes the increase or decrease in PNR as at the current year as compared to the provision for the same period of the previous year, amount of trust fund contribution for the year, increase in other reserves and documentary stamp tax and SEC registration fees. General and administrative expenses are costs attributable to administrative, marketing, selling and other business activities of the Company.

Related Party Transactions

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. An entity that is a post-employment benefit plan for the employees of the Company and the key management personnel of the Company are also considered to be related parties.

Fair Value Measurement

In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Income Tax

Current tax

The current tax expense is composed of the regular corporate income tax (RCIT), the minimum corporate income tax (MCIT) and final tax. The RCIT and MCIT are based on taxable profit for the year which may differ from net profit or gross profit as reported in the statements of comprehensive income 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 current tax expense is calculated using 25% regular corporate income tax (RCIT) rate or 2% and 1% minimum corporate income tax (MCIT) rate, whichever is higher, in 2023 and 2022 respectively. MCIT for corporations returned to its previous 2% rate as at July 1, 2023.

Deferred tax

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 asset to be recovered.

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.

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, Management is required to make judgments, 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 the 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 Judgment in Applying Accounting Policies

The following are the critical judgments, apart from those involving estimations, that Management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in 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.

The Company measures its investment in trust fund financial assets at amortized cost if the financial asset qualifies for both SPPI and business model test. All other financial assets that do not meet the SPPI and business model test are measured at FVTPL and FVTOCI.

The financial assets measured at amortized cost included in Trust funds amounted to P265,649,621 and P364,635,225 as at December 31, 2023 and 2022 as disclosed in Note 11.

Key Sources of Estimation Uncertainty

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

Impairment of non-financial assets

The Company performs an impairment review when certain impairment indicators are present.

Determining the recoverable amount of prepaid taxes using future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that its prepaid taxes and intangible assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future impairment charges.

The accumulated impairment loss on prepaid taxes amounted to P24,011,950 and P22,519,517 as at December 31, 2023 and 2022, respectively, since Management believes that no tax benefit can be recovered in the future on these prepaid taxes, as disclosed in Note 9.

Deferred tax assets

The Company reviews the carrying amount at the end of each reporting period and reduces deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Company will generate sufficient taxable profit to allow all or part of its deferred tax assets to be utilized.

As at December 31, 2023 and 2022, deferred tax asset on net operating loss carry-over (NOLCO) amounting to P291,889,785 and P187,992,011 respectively, was not recognized in the statements of financial position because Management believes it is not probable that the Company will be able to realize the tax benefit arising from NOLCO, as disclosed in Note 28.

Determining fair value of financial instruments

The Company carries Financial Assets at FVTPL and financial assets at FVTOCI, including those from its trust funds, at fair value. While significant components of fair value measurement were determined using verifiable objective evidence, i.e., quoted price or interpolated yields derived from benchmark rates, the amount of changes in fair value would differ if the Company utilized different valuation methodology. Any changes in fair value of these financial assets would directly affect equity.

As at December 31, 2023 and 2022, the carrying amount of FVTOCI and FVTPL assets amounted to P217,068,300 and P199,039,900 and P16,260,536 and P15,442,723, respectively as disclosed in Note 10 while the fair value adjustments resulted to a net gain amounted to P20,294,443 and net loss of P35,941,962, and net gain of P817,813 and net loss of P174,264, respectively, as disclosed in Note 10.

As at December 31, 2023 and 2022, the carrying amounts of FVTOCI and FVTPL in its investments in trust funds amounted to P3,453,894,133 and P172,317,442 and P3,515,033,754 and P222,353,779, respectively, as disclosed in Note 11, while the related gain on fair value adjustments amounted to P89,409,916 in 2023 and related loss of P418,180,781 in 2022, as disclosed in Note 11.

Estimating PNR and other reserves

PNR and other reserves are set up for all pre-need benefits guaranteed and payable by the pre-need company as defined in the pre-need education and pension plan contracts. By definition, it is an estimation of the Company's present obligation to its planholders at a particular valuation date, and considers the value of future plan benefits and the contribution to reserves in the calculation. The Company is guided by existing regulatory rules/circulars and generally accepted actuarial principles in the calculation of PNR and other reserves. It uses assumptions based on Company's experience. These actuarial assumptions include interest rate, surrender and lapse rate, reinstatement rate and other assumptions necessary to estimate the reserve requirements. The valuation data file includes inforce, paid up and lapsed plans. Calculations are done per planholder; a reinstatement rate assumption is used to determine the reserves for lapsed plans.

The carrying amount of PNR as at December 31, 2023 and 2022 amounted to P3,856,982,930 and P4,300,900,824, respectively, as disclosed in Note 16.

Contingencies

The Company is currently involved in various legal proceedings and tax assessments, as disclosed in Note 29. Estimates of probable costs for the resolution of these claims have been developed in consultation with external counsel handling the defense in these matters and are based upon an analysis of potential results. The Company currently does not believe these proceedings will have a material adverse effect on the financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the Company's strategies relating to these proceedings.

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	2023	2022
Cash on hand and in banks	**P46,536,797**	P493,553,962
Cash equivalents	**35,200,000**	32,100,000
	P81,736,797	P525,653,962

Cash in banks earned interest at the respective bank deposit rates ranging from 0.30% to 0.50% in 2023 and 2022. Cash equivalents represent short-term deposits varying from one day to two months depending on the cash requirements of the Company and earn annual interest rates ranging from 3.2% to 6.15% in 2023 and 0.15% to 4.5% in 2022. Interest income from cash in banks and cash equivalents amounted to P1,638,526 and P797,441 in 2023 and 2022, respectively, as disclosed in Note 26.

As at December 31, 2023 and 2022, the Company maintains its cash deposits in commercial and universal banks with good credit standing to minimize exposure to credit risk.

8. RECEIVABLES

Receivables consist of:

	2023	2022
Receivables from a trustee bank	**P68,491,504**	P -
Accrued interest	**3,010,088**	3,008,325
Other receivables	**1,230,082**	925,987
	P 72,731,674	P 3,934,312

Receivables from trustee bank pertain to amounts paid in advance by the Company on trust fund withdrawals made by certain planholders owning interests in the trust being held by Banco de Oro (BDO) trust fund. This amount is non-interest bearing and due immediately.

Accrued interest pertains to interest receivable on cash in banks, cash equivalents, and FVTOCI financial assets.

The Company believes that no credit provision on receivables is required since there has been no significant change in their credit quality.

9. PREPAYMENTS AND OTHER ASSETS - net

The details of the Company’s prepayments and other current assets are shown below:

	2023	2022
Prepaid taxes	**P 24,011,950**	P22,519,517
Less: Allowance for non-recoverable prepaid taxes	**24,011,950**	22,519,517
	-	-
Prepaid expenses	**95,756**	206,231
Input VAT – net	-	299,333
	P 95,756	P 505,564

Movements in the allowance for non-recoverable prepaid taxes are as follows:

	Note	**2023**	2022
Balance, beginning		**P 22,519,517**	P21,697,586
Additions	25	**1,492,433**	821,931
Balance, ending		**P 24,011,950**	P22,519,517

The Company provided valuation allowance for impairment on these prepaid taxes (creditable withholding taxes) amounting to P24,011,950 and P22,519,517 at December 31, 2023 and 2022, respectively, because Management believes that the Company will not be able to avail of the tax benefit arising from these prepaid taxes in the future.

Prepaid expenses include prepaid license renewals, prepaid documentary stamp tax and other local business taxes.

Input vat net of output vat of P1,144,476 and P53,759 as at December 31, 2023 and 2022, respectively.

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME AND FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The Company's financial assets consist of:

A. Financial assets at fair value through other comprehensive income (FVTOCI)

	2023	2022
Investments in government securities	**P217,068,300**	P199,039,900

The movements in FVTOCI financial assets are as follows:

	Note	**2023**	2022
Balance, beginning		**P 199,039,900**	P266,793,100
Net premium amortization		**(2,266,043)**	(2,301,813)
Fair value adjustments	21	**20,294,443**	(35,941,962)
Disposals		**-**	(29,509,425)
Balance, ending		**P 217,068,300**	P199,039,900

The fair values of these financial assets are based on quoted market prices. The revaluation of these investments resulted in a net gain (loss) of P20,294,443 and of (P35,941,962) in 2023 and 2022, respectively as disclosed in Note 21.

B. Financial assets at fair value through profit and loss (FVTPL)

	2023	2022
Investments in mutual fund	**P16,260,536**	P15,442,723

The movements in FVTPL financial assets are as follows:

	2023	2022
Balance, beginning	**P15,442,723**	P15,616,987
Fair value adjustments	**817,813**	(174,264)
Balance, ending	**P16,260,536**	P15,442,723

The interest income, including amortization of discount and premium on government securities in 2023 and 2022 amounted to P12,603,957 and P8,530,562 respectively as disclosed in Note 26.

There were no disposals of mutual funds in 2023.

11. TRUST FUNDS

The Company has trust funds which are being administered by Banco de Oro Unibank, Inc. (BDO). These trust funds are for the fulfilment of the Company's obligations on outstanding pre-need contracts. In compliance with the rules and regulations of the SEC which were adopted by the IC and in accordance with the terms of the trust agreements, withdrawals from the trust funds are limited to payments of pre-need plan benefits, bank charges and investment expenses for the operation of the trust funds, termination val8ue paid to planholders and final taxes on investment income of the trust funds, among others.

As mandated by the IC, an actuarial valuation of the adequacy of the trust funds shall be submitted to the IC within 120 days after the end of every fiscal year of the Company. Any deficiency in the trust funds shall be funded within 30 days after receipt of notice of deficiency from the IC.

As at December 31, 2023 and 2022, the Company's trust funds and the required PNRs are as follows:

Type of Pre-need Product	Trust Fund Equity	Pre-need Reserves	Excess (Deficit)	Staggered Recognition of Trust Fund Deficiency	Transitory Pre-need Reserves
		(Note 16)		**(Note 16)**	
2023					
Education	**P1,209,175,148**	**P1,182,187,953**	**P26,987,195**	-	-
Pension	**2,670,598,579**	**2,674,794,977**	**(4,196,398)**	-	-
	P3,879,773,727	**P3,856,982,930**	**P22,790,797**	-	-
2022					
Education	P1,250,274,124	P1,415,751,856	(P165,477,732)	P165,477,732	P1,415,751,856
Pension	2,770,870,148	2,885,148,968	(114,278,820)	114,278,820	2,885,148,968
	P4,021,144,272	P4,300,900,824	(P279,756,552)	P279,756,552	P4,300,900,824

In 2023 and 2022, Trust Fund Equity shown above is based on trust fund financial statements after adjustment on receivable from a trustee bank and amounts on deposit and benefits payable not yet withdrawn from the trust fund.

As at December 31, 2023, in accordance with IC CL No. 23-2012, the amount that will be funded is P4,196,398 for the Pension segment. The Company subsequently contributed P4,200,000 in February 2024 to cover the trust fund deficiency.

As at December 31, 2022, in accordance with IC CL No. 23-2012, the amount that will be funded is P165,477,732 for the Education segment and P114,278,820 for the Pension segment. The Company subsequently contributed P279,900,000 in February 2023 to cover the trust fund deficiency.

Total contributions to the trust funds amounted to P323,098,517 and P 96,598,076 in 2023 and 2022, respectively, as disclosed in Note 16.

The details of the adjusted trust funds are as follows:

Statements of financial position

	2023			
	Pension	**Education**	**Total**	2022
Assets				
Cash and cash equivalents	**P 18,312,728**	**P 2,843,689**	**P 21,156,41**	P 278,487
Financial assets at amortized cost	**265,649,621**	-	**265,649,621**	364,635,225
Financial assets at FVTOCI	**2,341,670,945**	**1,112,223,188**	**3,453,894,133**	3,515,033,754
Financial assets at FVTPL	**55,953,030**	**116,364,412**	**172,317,442**	222,353,779
Interest receivable	**42,849,385**	**18,022,221**	**60,871,606**	64,334,621
Other asset	**4,132,462**	**8,774,396**	**12,906,858**	375,001
	2,728,568,171	**1,258,227,906**	**3,986,796,077**	4,167,010,867
Liabilities				
Accrued expenses and other liabilities	**2,133,901**	**976,968**	**3,110,869**	1,083,904
	P2,726,434,270	**P1,257,250,938**	**P3,983,685,208**	P 4,165,926,963
Equity				
Fund balance, beginning	**(P2,276,441,467)**	**(P377,733,396)**	**(P2,654,174,863)**	(P2,009,408,694)
Additional contributions	**157,442,370**	**165,656,147**	**323,098,517**	96,598,075
Withdrawals	**(504,169,079)**	**(332,925,998)**	**(837,095,077)**	(741,364,245)
Trust fund contributions – net	**(346,726,709)**	**(167,269,851)**	**(513,996,560)**	(644,766,170)
Fund balance, ending	**(2,623,168,176)**	**(545,003,247)**	**(3,168,171,423)**	(2,654,174,864)
Reserve for fluctuation FVTOCIs	**129,955,370**	**53,569,791**	**183,525,161**	94,115,245
Accumulated trust fund income, beginning	**5,055,727,655**	**1,670,258,927**	**6,725,986,582**	6,493,376,954
Trust fund income - net	**163,919,421**	**78,425,467**	**242,344,888**	232,609,628
Accumulated trust fund income, ending	**5,219,647,076**	**1,748,684,394**	**6,968,331,470**	6,725,986,582
	P2,726,434,270	**P1,257,250,938**	**P3,983,685,208**	P 4,165,926,963

Statements of comprehensive income

	2023			
	Pension	**Education**	**Total**	2022
Income	**P 172,842,969**	**P 82,880,639**	**P255,723,608**	P247,003,762
Expenses	**8,923,548**	**4,455,172**	**13,378,720**	14,394,134
Net income	**P 163,919,421**	**P 78,425,467**	**P242,344,888**	P232,609,628

The following table presents the maturity profile of the carrying amounts of the financial asset at FVTOCI under trust fund assets as at December 31, 2023 and 2022:

	2023	2022
Due within one year	**P 115,162,968**	P 91,287,569
Due after one year through five years	**1,401,993,713**	1,217,275,369
Due after five years and above	**1,936,737,452**	2,206,470,816
	P3,453,894,133	P3,515,033,754

FVTOCI investments of the trust funds include investments in treasury notes and bonds measured at fair values based on quoted prices of either done deals or bid rates or based on interpolated yields derived from benchmark reference rates. The revaluation of these investments resulted in a gain on fair value measurement amounting to P89,409,916 and a loss of (P418,180,781) in 2023 and 2022, as disclosed in Note 21.

The following table presents the maturity profile of the principal amounts of the financial asset at amortized cost under trust fund assets as at December 31, 2023 and 2022:

	2023	2022
Due within one year	**P 123,565,312**	P 95,354,898
Due after one year through five years	**115,795,766**	145,674,237
Due after five years and above	**26,288,543**	123,606,090
	P265,649,621	P364,635,225

Financial assets at amortized cost include cash and cash equivalents, held to collect investment in government securities, dividend receivables, and interest receivables.

Pursuant to Section 36 of the Implementing Rules and Regulations (IRR) of Republic Act No. 9829, otherwise known as the Pre-need Code of the Philippines, the IC issued guidelines on the Management of the Trust Fund of the Pre-need Corporation which supersede Sections 16 and 74 of Republic Act No. 8799 dated March 8, 2010. The significant provisions of the IC's New Rules relating to investments in trust funds as amended are as follows:

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

    a. Government securities which shall not be less than 10% of the trust fund amount;

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

    c. Commercial papers duly registered with the SEC with a credit rating of "1" for short term and "AAA" for long term based on the rating scale of an accredited Philippine Rating Agency or its equivalent at the time of investment, provided that, the maximum exposure to long-term commercial papers shall not exceed 15% of the total trust fund amount while the exposure to each commercial paper issuer shall not exceed 10% of the allocated amount; and

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

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

        The property shall be covered by a transfer certificate of title registered in the name of the mortgagor and free from liens and encumbrances.

        The maximum amount to be allocated for direct loans shall not exceed 5% of the total trust fund amount while the amount to be granted to each corporate borrower shall not exceed 10% of the amount allocated.

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

        Direct loans to planholders are exempt from the limitations set forth under this Section, provided that such loans to planholders shall not exceed 10% of the total trust fund amount.

2. Equities - Investments in equities shall be limited to stocks listed on the main board of the local stock exchange. Investments in duly registered collective investment instruments such as mutual funds are allowed hereunder, provided that such funds are invested only in fixed income instruments and blue chips securities, subject to the limitations prescribed by laws, rules and regulations. These investments shall include stocks issued by companies that are financially stable, actively traded, possess good track record of growth and have declared dividends for the past three (3) years. Notwithstanding the prohibition against transactions with directors, officers, stockholders and related interests, the trustee may invest in equities of companies related to the trustee provided these companies comply with the foregoing criteria provided in this paragraph for equity investments.

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

    Existing investments which are not in accordance herewith shall be disposed of within three (3) years from the effectivity of the Pre-need Code.

3. Real Estate - These shall include real estate properties located in strategic areas of cities and first class municipalities. The transfer certificate of title (TCT) shall be in the name of the seller, free from liens and encumbrances and shall be transferred in the name of the trustee in trust for the planholders unless the seller/transferor is the pre-need company wherein an annotation to the TCT relative to the sale/transfer may be allowed. It shall be recorded at acquisition cost.

However, the real estate shall be appraised every three (3) years by a licensed real estate appraiser, accredited by the Philippine Association of Real Estate Appraisers, to reflect the increase or decrease in the value of the property. In case the appraisal would result in an increase in the value, only 60% of the appraisal increase is allowed to be recorded in the books of the trust fund but in case of decline in value, the entire decline shall be recorded. Appraisal increment should not be used to cover- up the required monthly contribution to the trust fund.

The total recorded value of the real estate investment shall not exceed 10% of the total trust fund amount of the pre-need company. In the event that the existing real estate investment exceeds the aforesaid limit, the same shall be leveled off to the prescribed limit within three (3) years from the effectivity of the Pre -need Code. Investment of the trust fund, which is not in accordance with the preceding paragraphs, shall not be allowed unless the prior written approval of the Commission had been secured. Provided further, that no deposit or investment in any single entity shall exceed 15% of the total value of the trust fund. Provided finally, that the Commission is authorized to adjust the percentage allocation per category set forth herein not in excess of 2% points upward or downward and no oftener than once every five (5) years. The first adjustment hereunder may be made no earlier than five (5) years from the effectivity of the Pre-need Code. The pre-need company shall not use the trust fund to extend any loan to or to invest in its directors, stockholders, officers or its affiliates.

The Company has fully complied with all the implementing guidelines of the abovementioned IRR for 2022. The final amount of non-admitted assets for the year 2023 can be determined only after the investments in trust funds have been examined by the IC.

12. BENEFITS PAYABLE

Benefits payable amounting to P242,081,191 and P302,566,775 as at December 31, 2023 and 2022, respectively, represents amounts due to planholders and beneficiaries, in the course of settlement and incurred but unpaid claims on the pre-need contracts, such as due but unpaid matured benefits, surrender benefits and annuity payments.

13. ACCRUED EXPENSES AND OTHER LIABILITIES

	2023	2022
Due to trustee	**P51,269,061**	997,234
Bank credits	**10,879,633**	13,531,903
Professional fees	**2,940,190**	409,559
Taxes payable	**2,250,911**	-
Payable to agents	**1,122,859**	1,211,508
Accrued final taxes	-	601,665
Withholding taxes	-	2,152,444
	P 68,462,654	P18,904,313

Due to trustee represents the trust fund contribution collected from planholders for remittance to trustee bank.

The bank credits pertain to deposits made by planholders who failed to include plan numbers. Hence, tagged as unidentifiable bank credits.

Taxes payable relate to taxes to be remitted to the government which are settled within prescribed due dates.

The Company's liabilities are not subject to interest charges.

14. COUNSELORS' BOND RESERVE

Counselors' bond reserve amounting to P864,251 as at December 31, 2023 and 2022 represents the aggregate amount of deductions from agents' commissions, bonuses and other cash incentives. Upon separation of an agent from the Company, the agent's accountability will be deducted from the accumulated bond reserve upon securing of approved and updated clearance from the Licensing section.

15. RELATED PARTY TRANSACTIONS

The Company has the following transactions and outstanding balances with the Parent Company as at and for the years ended December 31:

Category	Amounts	Payable	Terms	Conditions	Notes
2023					
Parent Company					
Chargeback	**P 16,714,707**	**P -**	30-day: non-interest bearing, settled in cash	Unsecured	a, Note 25
Premiums	**764,342**	**2,994,764**	30-day: non-interest bearing,settled in cash	Unsecured	c
		P 2,994,764			
2022					
Parent Company					
Chargeback	P17,389,417	P -	30-day: non-interest bearing settled in cash	Unsecured	a, Note 25
Premiums	92,573	2,700,327	30-day: non-interest bearing settled in cash	Unsecured	b, Note 25
		P2,700,327			

a. The Company has transactions with SLOCPI which consist mainly of intercompany billings to cover shared costs and operating expenses such as systems, operations, human resources, legal and internal audit functions and others, which are being settled in cash on or before the 30th day of each month.

b. Other pre-need plans (educational and pension plans) have embedded credit life and credit disability benefits which are insured by SLOCPI. Outstanding balances are included as part of payable to parent company.

c. In 2024, the Company paid fees for plan insurance amounting to P764,342 as part of fess payable to parent company.

The remuneration of key management personnel is provided by SLOCPI.

16. PRE-NEED RESERVES (PNR)

Movements in the Company's PNR are as follows:

	Notes	2023	2022
PNR, Beginning		**P4,300,900,824**	P4,908,103,656
Trust fund contributions	23	**41,866,692**	40,154,177
Decrease in PNR	23	**(485,784,586)**	(647,357,009)
		(443,917,894)	(607,202,832)
PNR, Ending	11	**P3,856,982,930**	P4,300,900,824

In its CL No. 23-2012, the IC required the use of the lower of attainable rates of 6%. The amount of PNR deficiency in accordance with the CL as at December 31, 2022 is amounting to P279,756,552, as disclosed in Note 11.

In 2023 and 2022, the Company applied the lower of the attainable rates of 6% and availed of the staggered recognition of the excess of PNR over trust fund assets. In 2023, the Company used interest rate assumptions determined and provided by the Company's trustee bank of 6.2% for Sun Education (Non-Par), 5.6% for Sun Pension (Non-Par), 5.7% for Sun Education Plus (Par) and 6.2% for Sun Pension Plus (Par). In 2022, the interest rates were set at 6.5% for Sun Education (Non-Par), 5.9% for Sun Pension (Non-Par), 6.3% for Sun Education Plus (Par) and 6.8% for Sun Pension Plus (Par).

Details of PNR per product type are as follows:

	Note	2023	2022
Pension		**P2,674,794,977**	P2,885,148,968
Education		**1,182,187,953**	1,415,751,856
	11	**P3,856,982,930**	P4,300,900,824

The PNR, before availing the staggered recognition of the deficiency, are summarized based on payment status as follows:

	PNR*	Actuarial Reserves Liability (ARL)
2023		
Currently-being-paid education and pension plans	**P 525,154,268**	**P 362,576,245**
Lapsed plan within allowable reinstatement period	**8,943,219**	**28,373,093**
Fully paid education and pension plans	**3,322,885,443**	**3,118,078,766**
	P3,856,982,930	**P3,509,028,104**
2022		
Currently-being-paid education and pension plans	P443,549,387	P324,871,126
Lapsed plan within allowable reinstatement period	24,827,290	65,957,290
Fully paid education and pension plans	3,832,524,147	3,671,810,371
	P4,300,900,824	P4,062,638,787

The PNR for each individual subsidiary account of each type of plans are determined as follows:

a. Currently-Being-Paid Education and Pension Plans

   1. Provision for termination values was determined by applying the surrender rate experience of the Company.

   2. Liability was set-up for the portion of currently-being-paid plans that will reach full payment, applying the full payment experience of the Company. It is equivalent to the present value of future maturity benefits reduced by the present value of future trust fund contributions required per Product Model discounted using the appropriate discount rate.

Withdrawal rate of currently-being-paid plans is based on the average of 3-year Company withdrawal experience, if available; otherwise, this is based on the recent Company persistency studies or pricing assumptions.

Type of Pre-need Product	PNR	ARL
December 31, 2023		
Education non-par	**P -**	**P -**
Education par	**554,626**	**550,804**
Pension non-par	**511,199,827**	**348,467,743**
Pension par	**13,399,815**	**13,557,698**
	P525,154,268	**P362,576,245**
December 31, 2022		
Education non-par	P 481,644	P 469,215
Education par	1,404,401	1,430,819
Pension non-par	424,200,075	305,384,561
Pension par	17,463,267	17,586,531
	P 443,549,387	P324,871,126

b. Lapsed Plan within Allowable Reinstatement Period

The provision for termination values was determined by applying the reinstatement experience of the Company. The Company used reinstatement factor of 60% in 2023 and 2022. Based on the 3-year Company reinstatement experience, the percentage of lapsed plans during previous year which were reinstated within the current year is around 27.1% and 22.9% in 2023 and 2022, respectively.

Type of Pre-need Product	PNR	ARL
December 31, 2023		
Education non-par	**P -**	**P -**
Education par	**-**	**-**
Pension non-par	**8,637,428**	**27,702,256**
Pension par	**305,791**	**670,837**
	P8,943,219	**P28,373,093**
December 31, 2022		
Education non-par	P -	P -
Education par	52,332	165,186
Pension non-par	23,867,447	63,708,267
Pension par	907,511	2,083,837
	P24,827,290	P65,957,290

PNR for lapsed plans are computed as Plan Termination Value multiplied by the reinstatement factor while ARL for lapsed plans is computed as higher of actuarial reserves as of lapsed date multiplied by the reinstatement factor or the plan termination value.

c. Fully Paid Education and Pension Plans

Type of Pre-need Product	PNR	ARL
December 31, 2023		
Education non-par	**P 685,529,936**	**P 657,093,819**
Education par	**496,103,391**	**494,404,193**
Pension non-par	**1,915,994,285**	**1,739,521,687**
Pension par	**225,257,831**	**227,059,067**
	P3,322,885,443	**P3,118,078,766**
December 31, 2022		
Education non-par	P 865,468,644	P 831,827,814
Education par	548,344,835	555,915,110
Pension non-par	2,102,642,180	1,966,947,293
Pension par	316,068,488	317,120,154
	P3,832,524,147	P3,671,810,371

The actual trust fund contributions per books amounting to P41,866,692 and P40,154,177 in 2023 and 2022, respectively, are less than the P323,098,517 and P96,598,076 total contributions per bank, as disclosed in Note 11, due to additional deposits made in 2023 and 2022 to fund the PNR computed on a monthly valuation basis done by the Company. Reconciliation is as follows:

	Note	2023	2022
Trust Fund Contributions Per Books		**P41,866,692**	P 40,154,177
Trust fund contributions in December 2021, deposited on January 3, 2022		**-**	1,916,803
Trust fund contributions in December 2023, deposited on January 2, 2024		**(341,079)**	-
Trust fund contributions in December 2022, deposited on January 3, 2023		**1,672,904**	(1,672,904)
Additional deposit to education in February 2022			56,200,000
Additional deposit to education in February 2023		**165,600,000**	-
Additional deposit to pension February 2021		**114,300,000**	-
Trust Fund Contributions Per Bank	11	**P 323,098,517**	P 96,598,076

17. PLANHOLDERS' DEPOSITS

Planholders' deposits amounting to P34,244,531 and P61,493,255 as at December 31, 2023 and 2022, respectively, represents amounts received from the planholders for excess fractional payments of a regular installment, and payments received with application for the reinstatement of lapsed plans within two (2) years from the date of lapse, pending the approval of the Company.

18. SHARE CAPITAL

The details of the share capital as at December 31, 2023 and 2022 are as follows:

	Ordinary Share Capital	Preferred Share Capital
Authorized:		
3,000,000 ordinary shares at P25 per share	**P75,000,000**	**P -**
2,000,000 preference shares at P25 per share	**-**	**50,000,000**
Issued, fully paid and outstanding:		
3,000,000 ordinary shares at P25 per share	**75,000,000**	**-**
2,000,000 preference shares at P25 per share	**-**	**50,000,000**

There were no movements in the share capital of the Company in 2023 and 2022.

Ordinary shares carry one vote per share and carry a right to dividends. The holders of preference shares have carry one vote per share. The preferred shares may be redeemed at the option of the Company, subject to the approval of the Board of Directors (BOD) of the Company.

19. ADDITIONAL PAID-IN CAPITAL

After the approval by the majority of the BOD and by the vote of the shareholders owning or representing at least two-thirds (2/3) of the outstanding share capital at the shareholders' meeting held on July 29, 2010, the SEC approved the decrease in authorized share capital of the Company on December 3, 2010 from P700,000,000 divided into 5,000,000 ordinary and 2,000,000 preference shares both with par value of P100 each, to P125,000,000 divided into 3,000,000 ordinary and 2,000,000 preference shares both with P25 par value.

Payments received by the Company for subscription of shares in excess of par value as at December 31, 2023 and 2022 amounted to P375,000,000.

20. CONTRIBUTED SURPLUS

On June 3, 2010, the BOD of SLOCPI approved a capital infusion of P200,000,000 into the Company, by way of contributed surplus. The initial infusion of P25,000,000 out of the said authorized amount of P200,000,000 was contributed into the Company on June 29, 2010. In June 2018, SLOCPI infused the remaining P175,000,000 to meet the minimum paid up capital requirement.

On December 4, 2018, the BOD of SLOCPI approved a capital infusion of P500,000,000 into the Company. Out of the approved infusion of P500,000,000, P200,000,000 was infused to the Company on December 18, 2018. The Company's management was given the authority to determine when the subsequent infusions shall be made as it deems necessary.

On July 13 and October 21 2022, SLOCPI infused P150,000,000 and P137,000,000 respectively to meet the minimum paid up as required by the Pre-need Code.

21. INVESTMENT REVALUATION RESERVES

The movements of net unrealized gain on fair value measurement are as follows:

	Notes	2023	2022
Balance, beginning		**P 58,120,013**	P512,242,756
Net gains (losses) on fair value measurement			
Financial assets at FVTOCI	10	**20,294,443**	(35,941,962)
Investments in trust funds	11	**89,409,917**	(418,180,781)
		109,704,360	(454,122,743)
Balance, ending		**P 167,824,373**	P 58,120,013

The summary of investment revaluation reserves is as follows:

	Note	2023	2022
Financial assets at FVTOCI		**(P15,700,788)**	(P35,995,235)
Investment in trust funds	11	**183,525,161**	94,115,248
		P167,824,373	P58,120,013

22. PREMIUM REVENUE

Premium revenue amounting to P65,340,780 and P51,816,145 in 2023 and 2022, respectively, pertains to amount collected during the year from the remaining contracts of planholders.

Amount of premium installments collectible from the planholders are not recognized as receivables in accordance with Pre-need Rule 31, As Amended: Accounting Standards for Pre-need Plans and PNUCA adopted by the Company on January 1, 2007.

23. COST OF CONTRACT ISSUED

The account comprises of:

	Note	2023	2022
Trust fund contribution	16	**P 41,866,692**	P 40,154,177
Decrease in PNR	16	**(485,784,586)**	(647,357,009)
		(443,917,894)	(607,202,832)
Documentary stamp taxes and SEC registration fees		**110,473**	107,323
		(P443,807,421)	(P607,095,509)

24. OTHER DIRECT COSTS AND EXPENSES

The Company's direct costs and expenses consist of:

	2023	2022
Planholders' benefits	**P 903,392,634**	P818,424,282
Agents' bonuses	**841,607**	709,242
Basic commissions	**625,365**	610,666
	P 904,859,606	P819,744,190

Planholders' benefits pertain to benefits of planholders and their beneficiaries, paid and accrued upon plan maturity. The total number of plans that matured in 2023 and 2022 was 1,771 and 1,759 respectively.

25. GENERAL AND ADMINISTRATIVE EXPENSES

Details of general and administrative expenses are as follows:

	Notes	**2023**	2022
Expense chargeback	15	**P 16,714,707**	P17,389,417
Professional fees		**2,112,733**	1,396,266
Provision for non-recoverable prepaid taxes	9	**1,492,433**	821,931
Taxes and licenses		**1,070,417**	1,068,453
Bank charges		**212,260**	189,357
Plan insurance		**-**	92,573
Miscellaneous		**3,695,913**	31
		P 25,298,463	P 20,958,028

The Company outsources its various administrative functions to SLOCPI, mainly, to focus on core competencies, to drive excellence and execution and to achieve cost savings for the fulfillment of the Company's obligations on outstanding pre-need contracts.

Miscellaneous expense include the payment for the 2019 tax assessment.

26. INVESTMENT INCOME

The Company's investment income consists of:

	Notes	**2023**	2022
Interest from:			
Financial assets at FVTOCI	10	**P 12,603,957**	P 8,530,563
Cash in banks and cash equivalents	7	**1,638,526**	797,441
Fair value gain (loss) on financial assets at FVTPL	10	**817,813**	(174,264)
		P15,060,296	P9,153,740

27. OTHER INCOME

The Company's other income consists of:

	2023	2022
Handling fees	**P45,313**	P398,359
Interest on lapsed plan	**32,652**	36,294
Miscellaneous	**-**	265,924
	P77,965	P700,577

Handling fees pertain to the handling charges associated with installment payments other than annual basis or spot-cash sales.

Miscellaneous income pertains to the effect of the reconciling items such as banking suspense accounts and stale checks.

28. INCOME TAXES

The provision for income tax of P3,303,371 and P3,271,262 represents the final tax on interest income in 2023 and 2022, respectively.

A reconciliation between income tax expense and the product of accounting income (loss) in 2023 and 2022 multiplied by 25% as follows:

	2023	2022
Accounting (loss) income	**(P163,526,719)**	P60,673,381
Tax (benefit) expense at 25%	**(P40,881,680)**	P15,168,345
Adjustment for income subject to lower income tax rate	**(1,232,667)**	450,940
Tax effects of:		
Non-taxable trust fund income – net	**(60,586,222)**	(58,152,407)
Unrecognized NOLCO	**103,897,773**	45,090,180
Non-deductible expenses	**1,901,714**	757,770
Non-deductible loss (non-taxable gain) from change in fair value of FVTPL financial assets	**204,453**	(43,566)
Provision for income tax	**P3,303,371**	P 3,271,262

Details of the Company's NOLCO from 2022 and 2023:

Year of Incurrence	Year of Expiry	2022 Balance	Additions	Expired	2023 Balance
2022	2025	P 180,360,720	P -	P -	**P180,360,720**
2023	2026	-	415,591,091	-	**415,591,091**
		P 180,360,720	P415,591,091	P -	**P595,951,811**

Details of the Company's NOLCO from 2020 and 2021 covered by Revenue Regulations (RR) No. 25-2020 are as follows:

Year of Incurrence	Year of Expiry	2022 Balance	Additions	Expired	2023 Balanc e
2020	2025	P 387,393,830	P -	P -	**P387,393,830**
2021	2026	184,213,497	-	-	**184,213,497**
		P 571,607,327	P -	P -	**P571,607,327**

Pursuant to Section 4 (bbb) of Bayanihan II and as implemented under RR 25-2020, the net operating losses of a business or enterprise incurred for taxable years 2020 and 2021 can/ be carried over as a deduction from gross income for the next five consecutive taxable years following the year of such loss.

The Company did not recognize the deferred tax asset on NOLCO amounting to P291,889,785 and P187,992,011 as at December 31, 2023 and 2022, respectively, because Management believes it is more likely that the Company will not be able to realize the tax benefit arising from NOLCO.

In addition, the Company does not have a deferred tax liability as at December 31, 2023 and 2022.

29. CONTINGENCIES

In the normal course of the Company's operations, there are various outstanding contingent liabilities such as pending legal cases which are not reflected in the Company's financial statements as at December 31, 2023 and 2022. The Company recognizes in its books any losses and liabilities incurred in the course of its operations as they become determinable and quantifiable. In the opinion of the Management and its legal and tax counsels, the Company is not liable to and has strong position on the pending legal cases, but which if decided adversely, will not have a material effect on the Company's financial position and results of operations.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

Assets and liabilities measured at fair value on a recurring basis.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 and 2 based on the degree to which the fair value is observable.

	2023	2022	Fair value hierarchy
Financial assets at:			
General Fund			
Fair value through profit or loss	**P 16,260,536**	P 15,442,723	Level 2
Fair value through other comprehensive income	**217,068,300**	199,039,900	Level 1
Trust Fund			
Fair value through profit or loss	**172,317,442**	222,353,779	Level 1
Fair value through other comprehensive income	**3,453,894,133**	3,515,033,754	Level 1
	P3,859,540,411	P3,951,870,156	

Investments in trust funds pertain to investments in fixed income securities and equity investments.

The fair values of fixed-income securities classified under Level 1 are based on quoted prices of either done deals or bid rates.

Equity investments are valued at quoted prices as at reporting date.

Investments in mutual fund is revalued at market price based on Net Asset Value per Share (NAVPS) provided by Sun Life Asset Management Company, Inc. (SLAMCI) on a monthly basis.

The Company has no Level 3 financial instruments and there were no transfers between fair value hierarchies in both years.

Assets and Liabilities not Measured at Fair Value

The following financial assets and financial liabilities are not measured at fair value on recurring basis but the fair value disclosure is required:

	2023		2022	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
General Fund				
Cash and cash equivalents	**P 81,736,797**	**P 81,736,797**	P 525,653,962	P 525,653,962
Receivables	**72,731,674**	**72,731,674**	3,934,312	3,934,312
	154,468,471	**154,468,471**	529,588,274	529,588,274
Trust Funds				
Cash and cash equivalents	**21,156,417**	**21,156,417**	278,487	278,487
Financial assets at amortized cost	**265,649,621**	**330,559,195**	364,635,225	383,671,870
Interest receivable	**60,871,606**	**60,871,606**	64,334,621	64,334,621
Other assets	**12,906,858**	**12,906,858**	375,001	375,001
	360,584,502	**425,494,076**	429,623,334	448,659,979
	P 515,052,973	**P 579,962,547**	P 959,211,608	P 978,248,253
Financial Liabilities				
General Fund				
Accrued expenses and other liabilities	**P 66,211,744**	**P 66,211,744**	P 16,150,204	P 16,150,204
Benefits payable	**242,081,191**	**242,081,191**	302,566,775	302,566,775
Counselors' bond reserve	**864,251**	**864,251**	864,251	864,251
Payable to parent company	**2,994,764**	**2,994,764**	2,700,327	2,700,327
Planholders' deposit	**34,244,531**	**34,244,531**	61,493,255	61,493,255
	346,396,481	**346,396,481**	383,774,812	383,774,812
Trust Funds				
Accrued expenses and other liabilities	**3,110,869**	**3,110,869**	1,083,904	1,083,904
	P 349,507,350	**P 349,507,350**	P384,858,716	P384,858,716

The difference between the carrying amount of the accrued expenses and other liabilities disclosed in the statements of financial position and the amount disclosed in this note pertains to payables to government that are not considered as financial liabilities.

Due to the short-term maturities of cash and cash equivalents, receivables, financial assets at amortized cost, interest receivable, other assets, accrued expenses and other liabilities, counselors' bond reserve, payable to parent company, planholders' deposit and benefits payable, their carrying amounts approximate their fair values.

Cash and cash equivalents are categorized under Level 1 as they are highly liquid, while all other financial instruments above are categorized under Level 3 of the fair value hierarchy.

31. RISK MANAGEMENT

The Company's overall risk management framework establishes policies, operating guidelines, risk tolerance limits and practices for risk management patterned after the Company's parent organization. It provides oversight to the risk management activities within the Company's business segments, ensuring that discipline and consistency are applied to the practice of risk management.

The Company's activities expose it to a variety of financial risks (such as market risk, interest rate risk, credit risk and liquidity risk) and operational risks (such as product design and pricing risk and legal, regulatory and market conduct risk management).

Risk Framework

The risk management program is designed to:

- avoid risks that could materially affect the value of the Company;
- contribute to sustainable earnings;
- take risks that the Company can manage in order to increase returns; and
- provide transparency of the Company's risks through internal and external reporting.

The Company is in the business of accepting risks for appropriate return and takes on those risks that meet its objectives. The program design aligns risk management with the Company's vision and strategy and embeds it within its business management practices of the business groups.

In pursuing its business objectives, Management is responsible for ensuring that all significant risks are appropriately identified, assessed, managed, reported and monitored. The Company has adopted risk management policies to provide a consistent approach to measurement, mitigation and control, and monitoring of risk exposures.

Accountability provides clear lines of responsibility and authority for risk acceptance and risk taking. In order for risk management to be effective, all must understand their roles and responsibilities.

The BOD is ultimately responsible for ensuring that risk management policies and practices are in place. The BOD has oversight role with respect to ensuring the identification of major areas of risk and development of strategies to manage those risks, and to review compliance with risk management policies implemented by the Company and with legal and regulatory matters.

Key Risk Processes

The Company has established a formal risk identification program whereby key risks that may impact its business are identified. Exposure to these risks is assessed on a qualitative and quantitative bases. Risk control programs and action plans are established for mitigating the exposure.

The Company has adopted risk management policies to provide a consistent approach to measurement, mitigation and control, and monitoring of risk exposures.

Risk Measurement

The Company has established market risk tolerance limits that set out the maximum target income sensitivity of the Company to change in interest rates and the equity markets.

Risk Categories

The risks facing the Company can generally be classified into the following categories:

Market risk

Market risk arises when there is uncertainty in the valuation of assets and the cost of embedded options and guarantee from changes in equity markets and/or interest rates.

The Company's insurance liabilities are segmented according to major product type, with investment guidelines established for each segment. Exposure to capital market is monitored and managed against established risk tolerance limits. Effects of large and sustained adverse market movement in securities are monitored through Financial Condition testing and other stress-testing techniques.

a. *Interest rate risk*

   This is the risk of asset-liability mismatch resulting from the interest rate volatility.

   To the extent possible, the Company established matching plan for each portfolio of assets and associated liabilities to keep potential losses within acceptable limits.

   The Asset Liability Committee measures and monitors interest rate risk using duration analysis.

   The sensitivity analyses below were determined based on the Company's investment in fixed income securities classified as financial assets at FVTOCI as of reporting date.

   A 100 basis points increase in the yield rate will result to a decrease in equity of P173 million in 2023 and P168 million in 2022. A 100 basis points decrease in the yield rate will result to an increase in equity of P186 million in 2023 and P180 million in 2022.The sensitivity analysis is unrepresentative of the inherent interest rate risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

b. *Equity price risk*

   The Company is exposed to equity price risks arising from equity investments. Equity investments are held for strategic purposes. Equity exposure is managed through the limits set by the Pre-Need Code, as well as the allowable equity allocations as stated in the investment management agreement (and subsequent amendments) with the trustee bank. Equity exposure is monitored periodically and reported to the Asset Liability Committee on a quarterly basis.

   The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

   If equity prices have been 10% higher or lower, equity reserves would have increased or decreased by P17 million in 2023 and P21 million in 2022, as a result of the changes in fair value of equity investment. The sensitivity analysis is unrepresentative of the inherent equity price risk because the exposure at the end of the reporting period does not reflect the exposure during the year.

c. *Credit risk*

   The Company has exposure to credit risk from its investments in Philippine government securities offered by the Bangko Sentral ng Pilipinas (BSP). The Company maintains cash deposits in commercial and universal banks with good credit standing to minimize exposure to credit risk.

The table below summarizes the Company's financial assets as at December 31, 2023 and 2022 with a maximum exposure equal to carrying amounts of the financial assets.

	Notes	2023	2022
General Fund			
Cash in banks and cash equivalents	7	**P 81,736,797**	P 525,653,962
Financial asset at FVTOCI	10	**217,068,300**	199,039,900
Financial asset at FVTPL	10	**16,260,536**	15,442,723
Receivables	8	**4,240,170**	3,934,312
		319,305,803	744,070,897
Trust Funds			
Cash in bank and cash equivalents		**21,156,417**	278,487
Financial asset at amortized cost		**265,649,621**	364,635,225
Financial assets at FVTOCI		**3,453,894,133**	3,515,033,754
Financial assets at FVTPL		**172,317,442**	222,353,779
Interest receivable		**60,871,606**	64,334,621
Other assets		**12,906,858**	375,001
	11	**3,986,796,077**	4,167,010,867
		P 4,306,101,880	P4,911,081,764

The following table details the credit quality of those financial assets that are neither past due nor impaired:

	Carrying Amount	Summary Rating	Internal Credit Rating	External Credit Rating	12m or Lifetime ECL
December 31, 2023					
General Fund					
Cash in banks and cash equivalents	**P 81,736,797**	**High**	**N/A**	**AAA**	**12m ECL**
Financial assets at FVTOCI	**217,068,300**	**High**	**AAA**	**AAA**	**12m ECL**
Financial assets at FVTPL	**16,260,536**	**High**	**N/A**	**N/A**	**N/A**
Receivables	**4,240,170**	**High**	**N/A**	**AAA**	**12m ECL**
	319,305,803				
Trust Funds					
Cash and cash equivalents	**P 21,156,417**	**High**	**N/A**	**AAA**	**12m ECL**
Financial assets at amortized cost	**265,649,621**	**High**	**AAA**	**AAA**	**12m ECL**
Financial assets at FVTOCI	**3,453,894,133**	**High**	**AAA**	**AAA**	**12m ECL**
Financial assets at FVTPL	**172,317,442**	**High**	**N/A**	**N/A**	**N/A**
Interest receivable	**60,871,606**	**High**	**N/A**	**AAA**	**12m ECL**
Other assets	**12,906,858**	**High**	**N/A**	**AAA**	**12m ECL**
	3,986,796,077				
	P 4,306,101,880				
December 31, 2022					
General Fund					
Cash in banks and cash equivalents	P 525,653,962	High	N/A	AAA	12m ECL
Financial asset at FVTOCI	199,039,900	High	AAA	AAA	12m ECL
Financial assets at FVTPL	15,442,723	High	N/A	N/A	N/A
Receivables	3,934,312	High	N/A	AAA	12m ECL
	744,070,897				
Trust Funds					
Cash and cash equivalents	278,487	High	N/A	AAA	12m ECL
Financial assets at amortized cost	364,635,225	High	AAA	AAA	12m ECL
Financial assets at FVTOCI	3,515,033,754	High	AAA	AAA	12m ECL
Financial assets at FVTPL	222,353,779	High	N/A	N/A	N/A
Interest receivable	64,334,621	High	N/A	AAA	12m ECL
Other assets	375,001	High	N/A	AAA	12m ECL
	4,167,010,867				
	P 4,911,081,764				

In 2023 and 2022, the Company uses internal ratings to determine the credit quality of its financial assets. These have been mapped to the summary rating below:

High Grade - applies to highly rated financial obligors, strong corporate counterparties and personal borrowers with whom the Company has excellent repayment experience.

Satisfactory Grade - applies to financial assets that are performing as expected, including recently established businesses.

Acceptable Grade - applies to counterparties with risk profiles that are subject to closer monitoring and scrutiny with the objective of managing risk and moving accounts to improved rating category.

Low Grade - applies to risks that is neither past due nor expected to result in loss but where the Company requires a workout of the relationship unless an early reduction in risk is achievable.

In 2023 and 2022, the table below summarizes the current internal credit rating equivalence system of the Company:

Summary rating	**Internal credit rating**	**S&P rating**
High	AAA	AAA
High	AAA	AA
High	AAA	A
High	AAA	BBB
Satisfactory	AA	BB
Acceptable	B	B
Low	CCC/C	CCC/C

Expected credit loss measurement

PFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarized below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Company.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. Please refer to the discussion below on SICR for a description of how the Company determines when a significant increase in credit risk has occurred.
- If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to the discussion below on credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL is that it should consider forward-looking information.

As at December 31, 2023 and 2022, the Company's financial assets are categorized at Stage 1. There is no significant increase in credit risk.

Default and events constituting default are disclosed in Note 5.

Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month (12m) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. PD estimates were derived using long-run averages of one-year default rates for borrowers in each risk grade. PD estimates are updated annually.
- EAD is based on the amounts the Company expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Company includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default should it occur.
- LGD represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD). LGD is calculated on a 12-month or lifetime basis, where 12-month LGD is the percentage of loss expected to be made if the default occurs in the next 12 months and Lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan.

The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis.

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward -looking information. The Company has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The Company assessed that the key economic variables are gross domestic product (GDP) and unemployment rates.

d. *Liquidity risk*

Liquidity risk refers to the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's objective in managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company maintains adequate highly liquid assets in the form of cash and cash equivalents amounting to P81,736,797 and P525,653,962 as at December 31, 2023 and 2022, respectively as shown in Note 7. These financial assets have maturities of less than three months to assure necessary liquidity.

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay.

	Notes	Within One Year	Beyond One Year	Total
December 31, 2023				
General Fund				
Accrued expenses and other liabilities	13	**P 66,211,744**		**P 66,211,744**
Benefits payable	12	**242,081,191**		**242,081,191**
Counselors' bond reserve	14	**864,251**		**864,251**
Payable to parent company	15	**2,994,764**		**2,994,764**
Planholders' deposits	17		**34,244,531**	**34,244,531**
		312,151,949	**34,244,531**	**346,396,480**
Trust Fund				
Accrued expenses and other liabilities	11	**3,110,867**		**3,110,867**
		P315,262,816	**P34,244,531**	**P349,507,347**
December 31, 2022				
General Fund				
Accrued expenses and other liabilities	13	P 16,150,204	P -	P 16,150,204
Benefits payable	12	302,566,775	-	302,566,775
Counselors' bond reserve	14	864,251	-	864,251
Payable to parent company	15	2,700,327	-	2,700,327
Planholders' deposits	17	-	61,493,255	61,493,255
		322,281,557	61,493,255	383,774,812
Trust Fund				
Accrued expenses and other liabilities	11	1,083,904		1,083,904
		P 323,365,461	P61,493,255	P 384,858,716

Financial liabilities presented above exclude amounts payable to government agencies for taxes payable amounting to P2,250,911, as shown in Note 13.

The summary of the future cash flows representing principal and interest of financial assets under trust funds are as follows:

Product Type	Less than One Month	One to Three Months	Four Months to One Year	Two to Five Years	Above Five Years	Total
December 31, 2023						
Banco De Oro Educ Non Par	P	**P 13,676,666**	**P 46,406,623**	**P 46,406,623**	**P 470,690,354**	**P 885,760,827**
Banco De Oro-Pension Non Par				**1,239,380,826**	**1,833,974,180**	**3,073,355,006**
Banco De Oro Educ Par		**11,143,363**	**31,736,807**	**85,816,653**	**574,820,099**	**703,516,921**
Banco De Oro-Pension Par		**11,143,950**	**68,363,391**	**192,840,003**	**431,304,740**	**703,652,084**
		P 35,963,979	**P 146,506,821**	**P 1,873,024,666**	**3,310,789,373**	**P5,366,284,838**
December 31, 2022						
Banco De Oro Educ Non Par	P -	P -	P 9,798,374	P 406,846,007	P 601,115,230	P1,017,759,611
Banco De Oro-Pension Non Par	-	-	-	901,562,819	2,347,471,993	3,249,034,812
Banco De Oro Educ Par	-	31,387,970	76,732,027	155,524,554	457,259,366	720,903,916
Banco De Oro-Pension Par	-	9,686,580	100,503,876	232,238,835	423,718,843	766,148,135
	P -	P41,074,550	P 187,034,277	P1,696,172,215	P3,829,565,432	P5,753,846,474

The factors affecting the Company's insurance and underwriting risks are described as follows:

a. *Legal, regulatory and market conduct risk management*

This refers to the risk associated with failure to comply with laws or to conduct business consistent with changing regulatory or public expectations.

The Company promotes strong compliance culture by setting the appropriate tone at the top, with respect to compliance with laws and regulations, and establishes compliance policies and framework. Compliance and legal obligations are monitored and reported to the BOD.

b. Operational risk

This refers to the uncertainty arising from internal events caused by failures of people, process and technology as well as external events.

This is the risk of loss resulting from inadequate or failed internal processes, controls, people and systems. Categories of operational risks may fall under: sales and distribution, human resources, information technology, processes and people, accounting and finance, model risk, legal and regulatory and third party relationships.

The Company ensures that internal controls and practices are consistent with enterprise wide policies supporting the management of operational risks.

The Company has established business specific guidelines. Comprehensive insurance program, including appropriate levels of self-insurance, is maintained to provide protection against potential losses. Environmental risk management program is maintained to help protect investment assets, primarily, whenever applicable, real estate, mortgage, and structured finance portfolios, from losses due to environment issues and to help ensure compliance with applicable laws.

Any insurance contract has the risk of possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and, therefore, unpredictable. Factors that heighten insurance risk include lack of risk diversification in terms of type and amount of risk, geographic location and type of industry covered.

This risk is managed by the Company through the trust fund which is administered by a local bank. This trust fund is at least equal or higher than the estimated liabilities. Also, the Company monitors the profile of its planholders to ensure diversity with respect to age, lifestyle, and other insurance risk factors.

Regulatory Compliance Management

The Compliance Risk Management Framework of Sun Life sets out the framework for the management and mitigation of Compliance Risk that enables the Company to achieve key objectives and make better business decisions, while meeting regulatory and client expectations. Compliance Risk arises from potential non-conformance with laws, rules, regulations, prescribed practices or ethical standards on anti-money laundering and anti-terrorist financing, market conduct, privacy, prevention of bribery and corruption, and related party transactions.

In line with this framework, the Company adopted various Operating Guidelines ("Guidelines"), with the objective of establishing a strong, sustainable compliance risk management program that conforms to regulatory and industry standards, and provides reasonable assurance that the following outcomes are achieved:

a) Identification of applicable regulatory requirements;

b) Assessment of inherent compliance risks of applicable regulatory requirements;

c) Development of key controls designed to comply with the applicable regulatory requirements and to manage and mitigate compliance risks;

d) Assessment of the design and operating effectiveness of controls to determine residual risk;

e) Testing and monitoring of the ongoing operation of the controls and identification of gaps and other issues; and

f) Reporting to management on the overall effectiveness of the regulatory compliance management program and the state of compliance of the business.

The Board provides the highest level of independent oversight of the management and operations of the Company. The Board is also responsible for approving regulatory compliance Guidelines and ensuring that the same are reviewed and assessed on its effectiveness.

Management is the first line of defense and is responsible for day-to-day compliance with the Guidelines. It is accountable for identifying and assessing Compliance Risks, specifically incorporating consideration of Compliance Risks in business activities and decisions and managing compliance risks in day-to-day activities.

The Company's Compliance team are the second line of defense. The Chief Compliance Officer has oversight responsibility for the Guidelines and the Code of Business Conduct. The Chief Compliance Officer promotes a tone from the top and an atmosphere that fosters high ethical standards and conduct, and an appropriate risk culture.

Sensitivity of PNR and ARL

The key assumptions to which the estimation of the PNR and ARL are as follows:

Interest rates

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

If investment returns are projected to increase, the valuation interest rates, specifically the attainable rates used in PNR computation, and the best estimate interest rate used for the ARL computation can also be increased. Increasing the valuation interest rates will result in a lower PNR and ARL.

If investment returns are projected to decrease, lower valuation interest rates should be set-up. Decreasing the valuation interest rates will result in an increase in the PNR and ARL.

Lapsed and surrender rates

Lapses relate to the termination of pre-need plans due to non-payment of installments. Surrenders relate to voluntary termination of plans by the planholders. Plan termination assumptions are determined using statistical measures based on the Company's experience and vary by product type, plan duration and sales trends.

An increase in lapse and surrender rates generally results in lower PNR and ARL, while a decrease in lapse and surrender rates generally results in higher PNR and ARL.

A liability sensitivity analysis was performed on the two most significant valuation assumptions, which is lapse and surrender rates and interest rates. A 20% decrease in lapse and surrender rates, and 100 basis points drop in the interest rate would require an additional provision of P240,000,000 and P183,000,000 for PNR and ARL, respectively, in 2023 and P246,000,000 and P208,000,000 for PNR and ARL, respectively, in 2022.

32. CAPITAL RISK MANAGEMENT

This policy is intended to safeguard capital for the benefit of all the stakeholders including the shareholders, debt holders and the planholders. The interest of the shareholders is to maximize returns after fixed obligations due to the debt holders. The interests of participating and other planholders are also protected under the demutualization agreements and the appropriate regulatory requirements.

The BOD establishes the written policies, standards and procedures necessary to effectively implement policies.

The level of capital adequacy risk accepted by the Company should be prudent as determined by management. Capital adequacy risk is mitigated through appropriate Risk Management policies and processes.

The required minimum unimpaired capital of the Insurance Commission for pre-need companies with Servicing Licenses and/or those that are not selling any type of plans is Php50 million. However, there is also a requirement to maintain an unimpaired capital to the extent of the subscribed share capital. Thus, SLFPI shall maintain its unimpaired capital at Php125 million.

Capital structure

The equity account of the Company consists of equity attributable to equity holders of the parent comprising of share capital, additional paid-in capital, contributed surplus, investment revaluation reserves, deficit and accumulated trust fund income.

Maximizing returns on capital requires maintenance of an optimal capital structure. The Company seeks to maintain the optimal mixture of available financial instruments within its capital structure.

The overall quality of the capital base is a function of the characteristics and amounts of the individual types of capital within the overall capital structure. In general, the quality of individual capital items is measured by the capital's permanency, degree of subordination, ability to absorb losses and fixed charge obligations.

The Company is committed to maintaining a sufficiently high quality capital structure to:

a. Maintain the target level of financial strength;

b. Achieve the target financial ratings; and

c. Achieve the target capital adequacy requirements.

The Company's net equity of P166 million and P223 million as at December 31, 2023 and 2022, respectively, and the Company's share capital of P125 million as at December 31, 2023 and 2022 are higher than the minimum capital requirement of P50 million. As disclosed in Note 19 the Company obtained SEC approval on December 3, 2010 to reduce the Company's share capital from P700 million to P125 million.

Internal capital monitoring is being performed regularly by the Company. The Company's senior management reviews and monitors its capital, as well as its adherence to local regulatory capital requirements during its quarterly Asia Capital Meeting and presented to the Company's BOD semi-annually. The Company maintains at least the minimum capital required by the applicable local regulators.

The equity ratio in 2023 and 2022 are as follows:

	2023	2022
Equity	**P 165,947,950**	P 223,073,679
Total assets	**4,371,578,271**	4,910,503,424
Equity ratio	**0.04:1**	0.05:1

Management believes that the above ratios are within the acceptable range.

33. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR) UNDER REVENUE REGULATIONS NO. 15-2010

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

Output VAT

Details of the Company's output VAT declared in 2023 is as follows:

	Vatable	**Total**
Revenue	**P25,107,482**	**P25,107,482**
Output VAT	**3,012,898**	**3,012,898**

Input VAT

Details of the Company's input VAT claimed in 2023 are as follows:

Balance, January 1	**P1,297,510**
Add: Current year's domestic purchases/payments for Services lodged under cost of services	**2,148,630**
	3,446,140
Less: Claims for Input VAT	**(3,446,140)**
Balance, December 31	**P -**

Other taxes and licenses

Details of the Company's other taxes and licenses and permit fees paid or accrued in 2023 are as follows:

Charged to General and Administrative Expenses	
Local business taxes	**P 953,347**
Permits and licenses	**50,500**
Registration and filing fees	**48,750**
Residence or community tax	**10,500**
Others	**7,320**
	P1,070,417

Withholding taxes

Details of the Company's withholding taxes paid or accrued during 2023 are as follows:

Expanded withholding taxes	**P2,388,373**

Documentary stamp tax

Details of the Company's payment of documentary stamp taxes per plan type in 2023 are as follows:

Pension non-par	**P108,028**
Pension par	**2,259**
Educational par	**181**
Educational non-par	**5**
	P110,473

Deficiency tax assessments and tax cases

The Company has outstanding tax assessment as at December 31, 2023 pertaining to the calendar years 2019 and 2021.

For the tax assessment pertaining to the calendar year 2019, this has been closed on February 1, 2024 and for the calendar year 2021, no final decision was reached yet.

34. APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company have been approved and authorized for issuance by the Board of Directors on March 15, 2024.

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NavarroAmper&Co.

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BOA/PRC Reg. No. 0004

SUPPLEMENTAL WRITTEN STATEMENT OF AUDITOR

The Board of Directors and Shareholders
SUN LIFE FINANCIAL PLANS, INC.
[A Wholly Owned Subsidiary of Sun Life of Canada (Philippines), Inc.]
2nd Floor, Sun Life Centre, 5th Avenue corner Rizal Drive
Bonifacio Global City, Taguig City

Gentlemen:

We have audited the financial statements of Sun Life Financial Plans, Inc. (the "Company") as at and for the year ended December 31, 2023, on which we have rendered the attached report dated April 12, 2024.

In compliance with the revised Securities Regulation Code Rule 68, we are stating that the said Company has only one (1) shareholder owning more than one hundred (100) shares.

Navarro Amper & Co.
BOA Registration No. 0004, valid from June 7, 2021 to September 22, 2024
IC A. N. 0004-IC, issued on March 2, 2020; Group A, valid to audit 2019 to 2023 financial statements
TIN 005299331

By:

SIGNED

Nina Cecilia S. Felismino
Partner
CPA License No. 0103737
IC A.N. 103737-IC, issued on December 29, 2020, Group A, valid to audit 2020 to 2024 financial statements
TIN 218720328
BIR A.N. 08-002552-046-2022, issued on June 8, 2022; effective until June 7, 2025
PTR No. A-6110725, issued on January 18, 2024, Taguig City

Taguig City, Philippines
April 12, 2024