



# SECURITIES AND EXCHANGE COMMISSION

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## Company Information

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**SEC Registration No.:** 0000006609

**Company Name:** PAXYS INC.

**Industry Classification:** J66940

**Company Type:** Stock Corporation

## Document Information

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**Period Covered:** December 31, 2025

**Submission Type:** Consolidated, Annual

**Remarks:** None

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## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

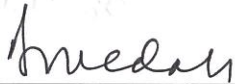
The management of **Paxys, Inc. and Subsidiaries** (the Group) is responsible for the preparation and fair presentation of the consolidated financial statements as at December 31, 2025 and 2024 and for each of the three years in the period ended December 31, 2025, including the schedules attached therein, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative to do so.

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

The Board of Directors reviews and approves the consolidated financial statements, including the schedules attached therein, and submits the same to the stockholders.

**Reyes Tacandong & Co.**, the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



**Tarcisio M. Medalla**  
Chairman of the Board and President




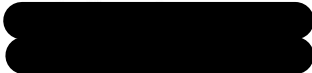

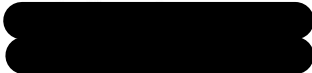
**Pablito O. Lim**  
Group Chief Financial Officer

Signed this 16<sup>th</sup> day of March 2026.

ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES)  
MAKATI CITY ) S. S.

Before me, a Notary Public for and in Makati City this 16<sup>th</sup> day of March 2026,  
personally appeared the following:

<u>Name</u>	<u>Passport No.</u>	<u>Date/Place of Issue</u>
Mr. Tarcisio M. Medalla		
Mr. Pablito O. Lim		

known to me to be the same persons who executed the foregoing instrument and that they  
acknowledged to me that the same is their free and voluntary act and deed and that of the  
corporation they represent.

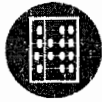
IN WITNESS WHEREOF, I have hereunto affixed my notarial seal at the date and place first  
above written.



**ATTY. RYAN ANTHONY G. PEREÑA**  
NOTARY PUBLIC for MAKATI CITY  
Commission No. M-012 until Dec. 31, 2027  
Roll of Attorneys 77327  
PTR No. 10764513; 01/02/2026; Makati City  
IBP OR No. 566188 12/16/2025; Pasig City  
MCLE Compliance No. VIII-0000389  
8553 San Jose St., Guadalupe Nuevo, Makati City

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Series of 2026





## INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors  
Paxys, Inc.  
15th Floor, 6750 Ayala Office Tower  
Ayala Avenue, Makati City

### *Opinion*

We have audited the consolidated financial statements of Paxys, Inc. and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2025 and 2024 and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2025, 2024 and 2023 and notes to consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2025, 2024 and 2023 in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

### *Basis for Opinion*

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

### *Key Audit Matter*

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current year 2025.

This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

### Accounting for Financial Assets

The Group has significant amount of financial assets, which mainly consist of cash and cash equivalents and investment securities. This is significant to our audit because the aggregate balance of financial assets amounting to ₱4,580 million as at December 31, 2025, comprise 99% of the Group's total assets. Moreover, the classification and measurement of financial instruments involves judgment in determining the business model to be used in managing the financial instruments to achieve the Group's business objectives and the determination of impairment losses on financial assets are determined based on estimates of expected credit losses. Also, there is a need to verify the existence of the financial assets.



We have assessed the propriety of recognition, classification and measurement, as well as management's assessment of the impairment of financial assets. Our audit procedures included, among others, (a) understanding of the Group's financial asset management and recording process; (b) evaluating the propriety of the classification of financial instruments based on the duly approved business model; (c) testing the reasonableness of recognized interest income and the changes in fair values of financial assets measured at fair value through profit or loss and other comprehensive income; (d) evaluating management's assessment of impairment losses on financial assets based on expected credit losses; and (e) verifying the existence of financial assets by obtaining external confirmations from, banks and financial institutions, the underlying documents.

Necessary disclosures are included in Note 5, *Cash and Cash Equivalents*, Note 6, *Investment Securities*, and Note 22, *Financial Instruments*.

#### *Other Information*

Management is responsible for the other information. The other information comprises the information included in the Securities and Exchange Commission (SEC) Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2025, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2025 are expected to be made available to us after the date of this auditors' report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified in the foregoing when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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



*Auditors' Responsibility for the Audit of the Consolidated Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the consolidated 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 audits 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 Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the subsidiaries or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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

We confirm that we have complied with the ethical requirements applicable to the audit of the Company's financial statements as at for the year ended December 31, 2025, including the independence requirements applicable to audits of public interest entities.

In accordance with these requirements, we have communicated to you all relationships and other matters that, in our professional judgement, may reasonably be thought to bear on our independence. Where applicable, we have also communicated the related safeguards applied to eliminate or reduce identified threats to independence.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore considered key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Michelle R. Mendoza-Cruz.

**REYES TACANDONG & Co.**

  
MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

BOA Accreditation No. 4782/P-011; Valid until June 6, 2026

SEC Accreditation No. 97380-SEC Group A

Issued April 8, 2021

Valid for Financial Periods 2024 to 2025

BIR Accreditation No. 08-005144-012-2025

Valid until September 10, 2028

PTR No. 10764028

Issued January 2, 2026, Makati City

March 16, 2026

Makati City, Metro Manila

**PAXYS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
*Amounts in Thousands*

		December 31	
	Note	2025	2024
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5	P3,357,776	P1,835,357
Investment securities	6	947,709	2,436,422
Trade and other receivables	7	86,518	94,597
Other current assets	8	39,612	36,375
Current portion of right-of-use assets	21	3,596	-
Total Current Assets		4,435,211	4,402,751
<b>Noncurrent Assets</b>			
Investment securities - non-current	6	186,399	-
Property and equipment	10	318	122
Right-of-use assets - net of current portion	21	-	10,789
Other noncurrent assets	11	7,096	7,218
Total Noncurrent Assets		193,813	18,129
		P4,629,024	P4,420,880
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	P23,377	P23,922
Current portion of lease liabilities	21	2,812	8,127
Income tax payable		21	128
Total Current Liabilities		26,210	32,177
<b>Noncurrent Liabilities</b>			
Retirement liability	13	29,041	26,497
Lease liabilities - net of current portion	21	-	2,812
Total Noncurrent Liabilities		29,041	29,309
Total Liabilities		55,251	61,486
<b>Equity</b>			
	14		
Capital stock		1,148,535	1,148,535
Additional paid-in capital		451,364	451,364
Parent shares held by a subsidiary		(1,149,886)	(1,149,886)
Retained earnings		3,298,264	3,160,976
Other equity reserves		825,496	748,405
Total Equity		4,573,773	4,359,394
		P4,629,024	P4,420,880

See accompanying Notes to Consolidated Financial Statements.

**PAXYS, INC. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF INCOME**

*Amounts in Thousands, except Basic/Diluted Earnings per Share*

		<b>Years Ended December 31</b>		
	Note	<b>2025</b>	<b>2024</b>	<b>2023</b>
<b>SERVICE INCOME</b>		<b>₱3,497</b>	<b>₱10,722</b>	<b>₱20,156</b>
<b>INTEREST INCOME</b>	18	<b>222,928</b>	<b>217,532</b>	<b>189,909</b>
<b>COST AND EXPENSES</b>	16	<b>(92,926)</b>	<b>(96,164)</b>	<b>(98,255)</b>
<b>NET FOREIGN EXCHANGE GAIN (LOSS)</b>		<b>2,624</b>	<b>2,843</b>	<b>(471)</b>
<b>INTEREST EXPENSE ON LEASE LIABILITY</b>	21	<b>(317)</b>	<b>(674)</b>	<b>(1,422)</b>
<b>OTHER INCOME</b>	18	<b>9,319</b>	<b>7,289</b>	<b>9,907</b>
<b>INCOME BEFORE INCOME TAX</b>		<b>145,125</b>	<b>141,548</b>	<b>119,824</b>
<b>PROVISION FOR CURRENT INCOME TAX</b>	19	<b>(7,837)</b>	<b>(9,176)</b>	<b>(9,099)</b>
<b>NET INCOME</b>		<b>₱137,288</b>	<b>₱132,372</b>	<b>₱110,725</b>
<b>BASIC/DILUTED EARNINGS PER SHARE</b>	20	<b>₱0.171</b>	<b>₱0.165</b>	<b>₱0.138</b>

*See accompanying Notes to Consolidated Financial Statements.*

**PAXYS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
*Amounts in Thousands*

	Note	Years Ended December 31		
		2025	2024	2023
<b>NET INCOME</b>		<b>₱137,288</b>	<b>₱132,372</b>	<b>₱110,725</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>				
<i>Items to be Reclassified to Profit or Loss</i>				
Translation adjustments		58,249	156,589	(22,703)
Unrealized fair value gain (loss) on investment securities	6	18,842	(1,503)	16,961
<i>Item not to be Reclassified to Profit or Loss</i>				
Remeasurement loss on retirement liability	13	-	(18,327)	-
		<b>77,091</b>	<b>136,759</b>	<b>(5,742)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>₱214,379</b>	<b>₱269,131</b>	<b>₱104,983</b>

*See accompanying Notes to Consolidated Financial Statements.*

**PAXYS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
*Amounts in Thousands*

	Note	Years Ended December 31		
		2025	2024	2023
<b>CAPITAL STOCK</b>	14	<b>₱1,148,535</b>	₱1,148,535	₱1,148,535
<b>ADDITIONAL PAID-IN CAPITAL</b>	14	<b>451,364</b>	451,364	451,364
<b>PARENT SHARES HELD BY A SUBSIDIARY</b>	14	<b>(1,149,886)</b>	(1,149,886)	(1,149,886)
<b>RETAINED EARNINGS</b>				
Balance at beginning of year		<b>3,160,976</b>	3,028,604	2,917,879
Net income		<b>137,288</b>	132,372	110,725
Balance at end of year		<b>3,298,264</b>	3,160,976	3,028,604
<b>OTHER EQUITY RESERVES</b>				
<b>Cumulative Translation Adjustment</b>				
Balance at beginning of year		<b>839,625</b>	683,036	705,739
Translation gain (loss)		<b>58,249</b>	156,589	(22,703)
Balance at end of year		<b>897,874</b>	839,625	683,036
<b>Cumulative Fair Value Changes on Investment Securities</b>				
	6			
Balance at beginning of year		<b>(72,598)</b>	(71,095)	(88,056)
Net unrealized gain (loss)		<b>18,842</b>	(1,503)	16,961
Balance at end of year		<b>(53,756)</b>	(72,598)	(71,095)
<b>Cumulative Remeasurement Losses on Retirement Liability</b>				
	13			
Balance at beginning of year		<b>(18,622)</b>	(295)	(295)
Remeasurement loss		<b>—</b>	(18,327)	—
Balance at end of year		<b>(18,622)</b>	(18,622)	(295)
		<b>825,496</b>	748,405	611,646
		<b>₱4,573,773</b>	₱4,359,394	₱4,090,263

See accompanying Notes to Consolidated Financial Statements.

**PAXYS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*Amounts in Thousands*

		Years Ended December 31		
	Note	2025	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax		P145,125	P141,548	P119,824
Adjustments for:				
Interest income	18	(222,928)	(217,532)	(189,909)
Provision for ECL on receivables		20,764	5,799	6,756
Depreciation and amortization	18	7,385	13,479	20,845
Net unrealized foreign exchange loss (gain)		(2,624)	(2,843)	561
Retirement benefits expense	13	2,544	1,261	572
Interest expense on lease liabilities	21	317	674	1,422
Provision for impairment loss on input VAT	8	25	-	-
Gain on disposal of property and equipment	18	-	(1,429)	-
Operating loss before working capital changes		(49,392)	(59,043)	(39,929)
Decrease (increase) in:				
Trade and other receivables		(4,257)	(2,888)	(13,433)
Other current assets		(3,262)	(3,132)	(2,134)
Other noncurrent assets		174	2,762	336
Decrease in:				
Trade and other payables		(545)	(3,516)	(337)
Other noncurrent liabilities		-	(3,046)	-
Net cash used for operations		(57,282)	(68,863)	(55,497)
Interest received		211,838	212,923	151,512
Income taxes paid		(7,944)	(9,062)	(9,205)
Net cash provided by operating activities		146,612	134,998	86,810
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from:				
Redemption of investment securities	6	1,601,034	427,825	237,532
Disposal of property and equipment	10	-	1,429	-
Additions to:				
Investment securities	6	(195,328)	(1,148,980)	(768,925)
Property and equipment	10	(370)	(89)	(6)
Intangible assets	11	(70)	-	-
Decrease (increase) in due from related parties		10,957	(12,421)	5,272
Net cash provided by (used in) investing activities		1,416,223	(732,236)	(526,127)

(Forward)

		Years Ended December 31		
	Note	2025	2024	2023
<b>CASH FLOW FROM A FINANCING ACTIVITY</b>				
Payments of lease liabilities	21	(P8,444)	(P13,312)	(P22,381)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>1,554,391</b>	<b>(610,550)</b>	<b>(461,698)</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		<b>(31,972)</b>	<b>73,778</b>	<b>(13,442)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>1,835,357</b>	<b>2,372,129</b>	<b>2,847,269</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	5	<b>P3,357,776</b>	<b>P1,835,357</b>	<b>P2,372,129</b>

See accompanying Notes to Consolidated Financial Statements.

## PAXYS, INC. AND SUBSIDIARIES

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### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

AS AT DECEMBER 31, 2025 AND 2024 AND FOR THE  
YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023

*Amounts in Thousands, Except as Indicated*

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#### 1. Corporate Information

Paxys, Inc. (Paxys or the Parent Company) is an investment holding company incorporated in the Philippines and listed (stock symbol: PAX) in the Philippine Stock Exchange (PSE). The Parent Company was formerly known as Fil-Hispano Holdings Corporation and registered with the Philippine Securities and Exchange Commission (SEC) on February 14, 1952. On June 18, 2001, the SEC approved the extension of the corporate existence of the Parent Company for 50 years until February 2052. However, in accordance with the Revised Corporation Code of the Philippines, effective February 23, 2019, the Parent Company shall have a perpetual existence.

On March 22, 1971, the shares of the Parent Company at ₱1 par value a share were listed with the PSE. As at December 31, 2025 and 2024, 1,148,534,866 common shares of the Parent Company are listed and traded in the PSE at the price of ₱2.61 and ₱1.70 per share, respectively.

As at December 31, 2025 and 2024, the major shareholders of the Parent Company are All Asia Customer Services Holdings Ltd (AACSHL), a company incorporated in Hong Kong, and Paxys N.V., a wholly owned subsidiary of the Parent Company, with 54.93% and 30.09% equity interest, respectively.

The Parent Company and its subsidiaries are collectively referred to herein as the Group.

The registered office address of the Parent Company is at 15th Floor, 6750 Ayala Office Tower, Ayala Avenue, Makati City.

#### **Approval of the Consolidated Financial Statements**

The consolidated financial statements as at December 31, 2025 and 2024 and for the years ended December 31, 2025, 2024 and 2023 were authorized for issue by the Board of Directors (BOD) on March 16, 2026, upon endorsement by the Group's Audit, Risk Management, and Related Party Transactions Committee on the same date.

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#### 2. Summary of Material Accounting Policy Information

##### **Basis of Preparation**

The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards. This financial reporting framework includes PFRS Accounting Standards, Philippine Accounting Standards (PAS) and Philippine Interpretation from International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial and Sustainability Reporting Standards Council and adopted by the SEC, including SEC pronouncements.

### **Measurement Bases**

The consolidated financial statements are presented in Philippine Peso, which is the functional currency of the Parent Company. All amounts are rounded to the nearest thousands, unless otherwise stated.

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for investment securities measured at fair value through other comprehensive income (FVOCI), retirement liability and lease liabilities that are measured at present value of defined benefit obligation less fair value of plan assets and at present value of minimum lease payments, respectively.

Historical cost is generally based on the fair value of the consideration given in exchange for an asset or the fair value of the consideration received in exchange for incurring a liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either: (a) in the principal market for the asset or liability; or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

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

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

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

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

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as discussed in the foregoing.

Information about the assumptions made in measuring fair value is included in the following notes to consolidated financial statements:

Note 3, *Significant Judgments, Accounting Estimates and Assumptions*

Note 22, *Financial Instruments*

#### **Adoption of Amendments to PFRS Accounting Standards**

The material accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability*, effective for annual periods beginning on or after January 1, 2025.

The amendments clarify when a currency is considered exchangeable into another currency and how an entity determines the exchange rate for currencies that lack exchangeability. The amendments also introduce new disclosure requirements to help users of financial statements assess the impact when a currency is not exchangeable. An entity does not apply the amendments retrospectively. Instead, an entity recognizes any effect of initially applying the amendments as an adjustment to the opening balance of retained earnings when the entity reports foreign currency transactions. When an entity uses a presentation currency other than its functional currency, it recognizes the cumulative amount of translation differences in equity. Earlier application is permitted.

The adoption of the amendments to PFRS Accounting Standards did not materially affect the financial statements of the Group. Additional disclosures were included in the consolidated financial statements, as applicable.

#### **New and Amended PFRS Accounting Standards Issued But Not Yet Effective**

Relevant new and amended PFRS Accounting Standards which are not yet effective for the year ended December 31, 2025 and have not been applied in preparing the consolidated financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2026 –

- Amendments to PFRS Accounting Standards 9, *Financial Instruments*, and PFRS Accounting Standards 7, *Financial Instruments: Disclosures – Classification and Measurement of Financial Assets* – The amendments clarify that a financial liability is derecognized when the related obligation is discharged, cancelled, expires or otherwise qualifies for derecognition (e.g. settlement date), and introduces a policy option to derecognize financial liabilities settled through an electronic payment system before settlement date if the required conditions are met. The amendments also clarify the assessment of contractual cash flow characteristics of financial assets, the treatment of non-recourse loans and contractually linked instruments, as well as require additional disclosure requirements for financial assets and liabilities with contingent features and equity instruments classified at fair value through other comprehensive income (FVOCI). Earlier application is permitted.
- Annual Improvement to PFRS Accounting Standards Volume 11:
  - Amendments to PFRS Accounting Standards 7, *Financial Instruments: Disclosures* – The amendments remove some obsolete references related to the gain or loss on derecognition on financial assets of an entity that has a continuing involvement and to the disclosure requirements on deferred differences between fair value and transaction price. The amendments also clarify that the illustrative guidance does not necessarily illustrate all the requirements for credit risk disclosure.

- Amendments to PFRS 9, *Financial Instruments* - The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with PFRS 9, *Financial Instruments*, the lessee must apply the derecognition criteria for a financial liability which requires recognition of a gain or loss in profit or loss. The amendments apply to lease liabilities that are extinguished on or after the beginning of the annual reporting period in which the entity first applies the amendments. Earlier application is permitted.
- Amendments to PFRS 10, *Consolidated Financial Statements* – The amendments clarify that when the investor considers its de facto agent’s decision-making rights and its indirect exposure, or rights, to variable returns is only an example in which judgement is required to determine whether a party is acting as a de facto agent.
- Amendments to PAS 7, *Statement of Cash Flows* – The amendments clarify that when accounting for an investment in an associate, a joint venture or a subsidiary accounted for by use of the equity or at cost, an investor restricts its reporting in the statements of cash flows to the cash flows between itself and the investee, such as dividends and advances.

Effective for annual periods beginning on or after January 1, 2027 –

- PFRS 18, *Presentation and Disclosure in Financial Statements* – This standard replaces PAS 1, *Presentation of Financial Statements*, and sets out requirements for the presentation and disclosure of information in general purpose financial statements. The standard introduces new categories and sub-totals in the statements of comprehensive income, additional disclosures on management-defined performance measures, and enhanced requirements for grouping information. Full retrospective application is required. Earlier application is permitted.

Under prevailing circumstances, the adoption of the foregoing new and amendments to PFRS Accounting Standards is not expected to have any material effect on the consolidated financial statements of the Group. Additional disclosures will be included in the consolidated financial statements, as applicable.

**Basis of Consolidation**

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries, which it controls as at December 31 of each year. The Parent Company has control when it is exposed, or has right, to variable returns from its investment with the investee and it has the ability to affect those returns through its powers over the investee.

The wholly-owned subsidiaries of the Parent Company are as follows:

	Line of Business	Principal Place of Business
Paxys N.V.	Investment holding	Curacao
Paxys Ltd.	Investment holding	Hong Kong
Scopeworks Asia, Inc (SWA)	Business process outsourcing	Philippines
Paxys Realty, Inc. (PRI)	Real estate	Philippines
Paxys Global Services Pte. Ltd. (PGSPL)	Business process outsourcing	Singapore
Regional Operating Headquarters of PGSPL (PGS ROHQ)	Shared services	Philippines

SWA, PRI, PGSPL and PGS ROHQ are currently not in operations.

Each entity determines its own functional currency, which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity, and items included in the financial statements of each entity are measured using that functional currency.

The functional currency of all the subsidiaries, except Paxys N.V., Paxys Ltd. and Paxys Global Services Pte. Ltd., is the Philippine Peso. The functional currency of Paxys N.V., Paxys Ltd. and Paxys Global Services Pte. Ltd. is the United States Dollar (US\$). As at reporting date, the assets and liabilities of Paxys N.V., Paxys Ltd and Paxys Global Services Pte. Ltd. have been translated to the functional and presentation currency of the Parent Company (the Philippine Peso) at the closing exchange rate, while the profit and loss accounts are translated using weighted average exchange rate. The exchange differences arising on the translation of these accounts are recorded in the "Cumulative translation adjustment," a separate component of equity included as part of "Other equity reserves."

Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Parent Company obtains control and continue to be consolidated until the date such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Changes in the controlling equity ownership (i.e., acquisition of non-controlling interest or partial disposal of equity interest over a subsidiary) that do not result in a loss of control are accounted for as equity transactions.

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; or
- The Parent Company's voting rights and potential voting rights.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

The separate financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using uniform accounting policies. All intra-group balances, transactions, unrealized gains and losses resulting from intra-group transactions and dividends are eliminated in full.

If the Parent Company loses control over a subsidiary, it:

- Derecognizes the assets and liabilities of the former subsidiary from the consolidated statement of financial position;
- Recognizes any investment retained in the former subsidiary when control is lost and subsequently accounts for it and for any amounts owed by or to the former subsidiary in accordance with relevant PFRS Accounting Standards. The remaining equity interest is remeasured and the remeasured value is regarded as the fair value on initial recognition of a financial asset, when appropriate, the cost on initial recognition of an investment in an associate or joint venture; and

- Recognizes the gain or loss associated with the loss of control attributable to the former controlling interest.

### **Financial Assets and Liabilities**

*Date of Recognition.* The Group recognizes a financial asset or liability in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of a financial instrument. In the case of a regular way of purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

*Initial Recognition and Measurement.* Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those measured or designated at fair value profit or loss (FVPL), includes transaction cost.

*“Day 1” Difference.* Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in profit or loss. In cases where there is no observable data on inception, the Group deems the transaction price as the best estimate of fair value and recognizes “Day 1” difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the “Day 1” difference.

### **Financial Assets**

*Classification.* The Group classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at FVOCI. The classification of a financial instrument largely depends on the Group’s business model and its contractual cash flow characteristics.

*Financial Assets at FVPL.* Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are classified under this category. Specifically, financial assets at FVPL include financial assets that are (a) held for trading, (b) designated upon initial recognition at FVPL, or (c) mandatorily required to be measured at fair value.

Financial assets are classified as held for trading if these are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless these are designated as effective hedging instruments. Financial assets with cash flows that are not sole payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at FVOCI, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are measured at fair value at each reporting date, with any fair value gains or losses recognized in profit or loss to the extent these are not part of a designated hedging relationship.

The Group has no financial assets at FVPL as at December 31, 2025 and 2024.

*Financial Assets at FVOCI.* For debt instruments, financial assets should be measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and to sell the financial assets; and,
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, the Group irrevocably designates the financial asset to be measured at FVOCI notwithstanding the foregoing conditions.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest method), foreign currency gains or losses and impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When debt instruments carried at FVOCI are derecognized, the cumulative gains or losses previously recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in other comprehensive income and presented in the equity section of the consolidated statement of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent years.

*Financial Assets at Amortized Cost.* A financial asset should be measured at amortized cost if both of the following conditions are met:

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized, impaired and through an amortization process.

Financial assets at amortized cost are included under current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

The Group classifies its cash and cash equivalents, investment securities, trade and other receivables, and rental and security deposits under this category.

## **Financial Liabilities**

*Classification.* The Group classifies its financial liabilities at initial recognition as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Group's business model and its contractual cash flow characteristics.

The Group does not have financial instruments classified as financial liabilities at FVPL.

*Financial Liabilities at Amortized Cost.* Financial liabilities are categorized as financial liabilities at amortized cost unless either the financial liability is held for trading and is therefore required to be measured at FVPL or the entity elects to measure the liability at FVPL. Financial liabilities are recognized when the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments. These financial liabilities are initially recognized at fair value less any directly attributable transaction costs.

After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

The Group classifies its trade and other payables (excluding statutory payables), and lease liabilities under this category.

### **Reclassification**

The Group reclassifies its financial assets when, and only when, the Group changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting year following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss.

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in other comprehensive income, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in other comprehensive income is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed of. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in other comprehensive income is reclassified from equity to profit or loss.

### **Impairment of Financial Assets**

The Group assesses at the end of each reporting year whether a financial asset or a group of financial assets is impaired.

The Group recognizes impairment loss based on expected credit loss (ECL), which is the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Group calculates impairment based on lifetime ECL using a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets at amortized cost, which comprise cash equivalents, investment securities, other receivables (including due from related parties) and rental and security deposits, ECL is based on 12-month ECL, which pertains to the portion of lifetime ECL that results from default events on a financial instrument that are possible within 12 months after the reporting date.

However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information, that is available without undue cost or effort and indicative of significant increases in credit risk since initial recognition.

Financial assets are written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

### **Derecognition of Financial Assets and Liabilities**

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

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

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

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

#### **Offsetting of Financial Instruments**

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

#### **Classification of Financial Instrument between Liability and Equity**

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of financial liability.

#### **Investments in Joint Ventures**

The Parent Company has interests in joint ventures, whereby the venturers have a contractual arrangement that establishes joint control. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and a jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venture has an interest.

Interest in a joint venture is initially recognized at cost and subsequently accounted for under the equity method of accounting. Under the equity method of accounting, the interest in a joint venture is carried at cost plus post-acquisition changes in the Group's share in the net assets of the joint venture, less any impairment in value. The share in the results of the operations of the joint venture is recognized in profit or loss. The Group's share of post-acquisition movements in the joint venture's equity reserves is recognized directly in equity.

Profits or losses resulting from the transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture and for unrealized losses to the extent that there is no evidence of impairment of the asset transferred. Dividends received are treated as a reduction of the carrying value of the interest. If the Group's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Group discontinues recognizing its share of further losses.

After the application of the equity method, the Group determines at the end of each reporting year whether there is any objective evidence that the investment may be impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the investment and recoverable amount and recognizes the difference in profit or loss.

After the Group's investment is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the entity has incurred legal or constructive obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes the recognition of its share of those profits only after its share of the profits equals the share of losses not previously recognized.

### **Property and Equipment**

Property and equipment are carried at historical cost less accumulated depreciation, amortization and any impairment in value. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged to profit or loss in the year these are incurred.

Major renovations that qualify for capitalization are depreciated and amortized over the remaining useful life of the related asset or up to the date of the next major renovation, whichever is shorter.

Depreciation and amortization are calculated using the straight-line method to allocate the cost over the estimated useful lives of the assets as follows:

<u>Asset Type</u>	<u>Number of Years</u>
Computer equipment	3 to 5
Communication equipment	3 to 5
Leasehold improvements	5 or lease term, whichever is shorter
Office furniture, fixtures and equipment	2 to 5
Transportation equipment	5

Depreciation and amortization commence when an asset is in its location or condition capable of being operated in the manner intended by management. Depreciation and amortization cease at the earlier of the date that the item is classified as held for sale, and the date the asset is derecognized.

The estimated useful lives and depreciation and amortization method of property and equipment are reviewed, and adjusted if appropriate, periodically to ensure that these are consistent with the expected pattern of economic benefits from the items of property and equipment.

Fully depreciated property and equipment are retained in the books until these are no longer being used in the operations.

When an asset is disposed of or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation, amortization and any impairment are derecognized. Gains and losses on disposals or retirement are determined by comparing the proceeds with the carrying amount of the assets and are recognized in profit or loss.

### **Impairment of Nonfinancial Assets**

The carrying amount of right-of-use (ROU) assets, property and equipment and investments in joint ventures are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Nonfinancial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized. After such a reversal, the depreciation and amortization are adjusted in future years to allocate the asset's revised carrying amount on a systematic basis over its remaining estimated useful lives.

### **Equity**

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

*Additional Paid-in Capital.* Additional paid-in capital includes any premium received in the initial issuances of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of tax.

*Parent Shares Held by a Subsidiary.* Where any entity of the Group purchases the Parent Company's shares (treasury stock), the consideration paid, including any directly attributable incremental costs (net of related taxes), is deducted from equity until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transactions costs and the related tax effect, is included in equity.

*Retained Earnings.* Retained earnings represent the cumulative balance of net income or loss, dividend distributions, effects of the changes in accounting policy and other capital adjustments.

### **Other Comprehensive Income (Loss)**

Other comprehensive income (loss) comprises items of income and expenses (including items previously presented as other equity reserves under the consolidated statements of changes in equity) that are not recognized in profit or loss for the year. Other comprehensive income (loss), which is presented as "Other equity reserves," includes cumulative translation adjustment, cumulative fair value changes on investment securities and cumulative remeasurement gains or losses on retirement liability.

### **Revenue Recognition**

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Group perform its obligations; (b) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Group also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Group has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized:

*Service Income.* Revenue is recognized as services are rendered.

Interest income is outside the scope of PFRS Accounting Standards 15. Specific recognition criteria is as follows:

*Interest Income.* Revenue is recognized as the interest accrues using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

*Other Income.* Revenue is recognized when the earning process is complete, and the flow of economic benefit is reasonably assured.

#### **Cost and Expense Recognition**

Costs and expenses are decreases in economic benefits during the year in the form of outflows, decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants.

*Cost of Services.* Cost of services is recognized as expenses when the related services are rendered.

*General and Administrative Expenses.* General and administrative expenses constitute the costs of administering the business and costs incurred to sell and market the services. These expenses are recognized in profit or loss as incurred.

*Interest Expense.* Interest expense is recognized on lease liabilities which are measured at amortized cost using the effective interest method.

#### **Employee Benefits**

*Short-term Benefits.* The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the year. Short-term benefits given by the Group to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses and non-monetary benefits.

Short-term employee benefit liabilities are measured on an undiscounted basis and are expensed as the related service is provided. The unpaid portion of the short-term employee benefits is measured on an undiscounted basis and is included as part of "Trade and Other Payables" account in the consolidated statements of financial position.

*Retirement Benefits.* Retirement benefit costs are actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. The calculation of defined benefit obligations is performed by a qualified actuary.

The Group recognizes service costs, comprising of current service costs, and interest cost or income in profit or loss. Net interest is calculated by applying the discount rate to the retirement liability.

Remeasurements of the retirement liability, which comprise actuarial gains and losses, are recognized immediately in other comprehensive income.

The retirement liability is the present value of the defined benefit obligation. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using risk-free interest rate of government bonds that have terms to maturity approximating the terms of the related retirement and other long-term benefits liability.

Actuarial valuations are made annually so that the amounts recognized in the consolidated financial statements do not differ materially from the amounts that would be determined at the reporting date.

*Termination Benefits.* Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

### **Leases**

*The Group as a Lessee.* The Group recognizes ROU assets and lease liabilities at the lease commencement date. The ROU assets are initially measured at cost comprising the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date less any lease incentives received, any initial direct and restoration costs.

The ROU assets are measured subsequently at cost, less amortization and any impairment losses. In addition, the cost is subsequently adjusted for any remeasurement of the lease liabilities resulting from reassessments or lease modifications.

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liabilities comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option payment of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease liabilities are measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise an extension or termination option.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis of accounting as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

*The Group as a Lessor.* Leases where the Group retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the year in which these are earned.

### **Foreign Currencies**

*Transactions and Balances.* Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item.

*Foreign Operations.* The assets and liabilities of foreign operations are translated into Philippine Peso at the rate of exchange ruling at financial reporting date and, the profit and loss amounts are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to "Cumulative translation adjustment," a separate component of equity included as part of "Other equity reserves." Upon disposal of a foreign operation, the cumulative translation adjustment relating to that particular foreign operation is recognized in profit or loss.

### **Income Taxes**

*Current Tax.* Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and the tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting year.

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax liability is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss. Also, deferred tax liabilities are not provided on taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures when the parent, investor, joint venturer or joint operator is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits (excess of minimum corporate income taxes or MCIT over regular corporate income taxes or RCIT) and unused tax losses (net operating loss carryover or NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences and carryforward benefits of unused tax credits and unused tax losses can be utilized.

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

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

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

Deferred tax relating to items recognized outside profit or loss (either in other comprehensive income or directly in equity) is recognized outside profit or loss (either in other comprehensive income or directly in equity).

#### **Related Party Relationship and Transactions**

Related party transactions consist of transfers of resources, services or obligations between the Group and its related parties.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals who, by owning directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) associates; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the Group and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on legal form.

#### **Earnings per Share**

The Group presents basic and diluted earnings per share. Basic and diluted earnings per share is calculated by dividing the net income by the weighted average number of common shares outstanding during the year, excluding parent shares held by a subsidiary.

There are no potential dilutive common shares as at December 31, 2025 and 2024.

### **Segment Reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. The operating results of an operating segment are reviewed regularly by the chief operating decision maker, which is defined to be the Parent Company's BOD, to determine the resources to be allocated to the segment and assess its performance, and for which financial information is available.

Segment results that are reported to the chief operating decision maker include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the year to acquire property and equipment and intangible assets.

### **Provisions and Contingencies**

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

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

### **Events after the Reporting Year**

Post year-end events that provide additional information about the Group's financial position at the end of reporting year (adjusting events) are reflected in the consolidated financial statements when material. Post year-end events that are non-adjusting events are disclosed in the notes to consolidated financial statements, when material.

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## **3. Significant Judgments, Accounting Estimates and Assumptions**

The preparation of the consolidated financial statements requires the Group to exercise judgments, make accounting estimates and use assumptions that affect the reported amounts of assets, liabilities, income, expenses and related disclosures. The Group makes accounting estimates and uses assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as these become reasonably determinable.

Judgments, accounting estimates and assumptions are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group believes the following represent a summary of significant judgments, accounting estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities, as well as to the related revenues and expenses, within the next year, and related impact and associated risk in the consolidated financial statements.

#### **Judgments**

In the process of applying the Group's accounting policies, management exercises judgment on the following items, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements.

*Determining the Functional Currency.* Based on the economic substance of the underlying circumstances, the Group has determined that its functional currency is the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Parent Company and certain subsidiaries operate. It is the currency that has the greater economic influence to the Group.

*Recognizing the Deferred Tax Liability on Undistributed Income of a Foreign Subsidiary.* Since Paxys N.V., a company incorporated and domiciled in Curacao, is a wholly owned subsidiary of the Parent Company, management believes that the Parent Company can control the timing of the dividend distribution of Paxys N.V. to the Parent Company and it is probable that the temporary difference will not reverse in the foreseeable future. Thus, no deferred tax liability was recognized on the undistributed income of Paxys N.V. Unrecognized deferred tax liability on undistributed income of a foreign subsidiary amounted to ₱914.0 million and ₱875.8 million as at December 31, 2025 and 2024 (see Note 19).

*Determining the Classification of Financial Instruments.* Classification of financial instruments under PFRS Accounting Standards 9 depends on the results of the business model test and "sole payment of principal and interest" (SPPI) test performed by the Group. The Group exercises judgment in determining the business model to be used in managing its financial instruments to achieve its business objectives.

The classification of various financial assets and liabilities of the Group are disclosed in Note 2.

#### **Accounting Estimates and Assumptions**

The key assumptions concerning future and other key sources of estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when these occur.

*Determining the Fair Value of Financial Instruments.* Certain financial assets are carried at fair value and whose fair values are disclosed, which requires extensive use of accounting estimates. When the fair values of financial assets recorded or disclosed in the consolidated statements of financial position cannot be measured based on quoted prices in active market, their fair value is measured using valuation techniques including the Discounted Cash Flow model. The inputs to this model are taken from observable market where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Fair values of financial assets and liabilities are presented in Note 22, *Financial Instruments*.

*Assessing Impairment Losses on Financial Assets.* Impairment losses on financial assets are determined based on expected credit losses. In assessing the expected credit losses, the Group uses historical loss experience adjusted for forward-looking factors, as appropriate.

The Group's cash and cash equivalents and investments securities are maintained at reputable financial institutions with good industry rating and score.

For investment securities, the Group estimates impairment based on 12-month expected credit loss. Investment securities at amortized cost and FVOCI, which have credit quality equivalent to "high grade" and have low credit risk at reporting date, are presumed to have no significant increase in credit risk since initial recognition.

The Group estimates impairment on trade receivables based on lifetime expected credit loss using a provision matrix that is based on days past due and takes into consideration historical credit loss experience, adjusted for forward-looking factors, as applicable. Management recognizes losses on credit-impaired receivables from related parties considering its ability to pay based on its available assets.

Provision on trade and other receivables in 2025, 2024, and 2023 is disclosed in Note 7 to the consolidated financial statements.

No provision for impairment losses on investment securities classified under financial assets at amortized cost and FVOCI were recognized in 2025, 2024 and 2023.

The carrying amounts of financial assets at amortized cost and FVOCI as at December 31, 2025 and 2024 are disclosed in Notes 5, 6, 7, and 21 to the consolidated financial statements.

*Assessing the Impairment of Nonfinancial Assets.* The Group assesses at the end of each reporting year whether there is any indication that the nonfinancial assets listed below may be impaired. If such an indication exists, the Group estimates the recoverable amount of the asset, which is the higher of an asset's fair value less costs to sell and its value-in-use. In determining fair value less costs to sell, an appropriate valuation model is used, which can be based on quoted prices or other available fair value indicators. In estimating the value-in-use, the Group is required to make an estimate of the expected future cash flows from the cash generating unit and also to choose an appropriate discount rate in order to calculate the present value of those cash flows.

Determining the recoverable amounts of the nonfinancial assets, which involves the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the use of estimates and assumptions that can materially affect the consolidated financial statements. Future events could indicate that these nonfinancial assets are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations of the Group.

The carrying amount of nonfinancial assets that are subject to impairment assessment when impairment indicators are present are disclosed in Notes 8, 10 and 21 to the consolidated financial statements.

Allowance for impairment loss as at December 31, 2025 and 2024 is disclosed in the consolidated financial statements (see Note 8).

Investments in joint ventures are fully provided with allowance for impairment losses as at December 31, 2025 and 2024 (see Note 9).

*Assessing the Realizability of Deferred Tax Assets.* The Group reviews the carrying amounts at the end of each reporting year and reduces the amount of deferred tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred tax assets as at December 31, 2025 and 2024 were not recognized because management believes that sufficient future taxable income may not be available against which the carry forward benefits of NOLCO, excess of MCIT over RCIT and other deductible temporary differences may be utilized. Details of unrecognized deferred tax assets are disclosed in Note 19.

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#### 4. Segment Information

The Group's operating businesses are organized and managed separately according to the nature of the services provided, with each segment representing a strategic business unit that offers different services and serves different market.

*Segment Assets and Liabilities.* Segment assets include all operating assets used by a segment and consist principally of operating cash, receivables, property and equipment and intangible assets. Segment liabilities include all operating liabilities and consist principally of trade and other payables.

*Inter-segment Transactions.* Segment revenue, segment expenses and segment performance include transfers among business segments. Such transfers are eliminated in consolidation.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating income or loss and is measured consistently with operating income or loss in the consolidated financial statements.

Business segment information is reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources among operating segments. For management purposes, the Group is organized into business units based on the services rendered and has two reportable operating segments as follows:

- Services - This segment pertains to managed services, leasing and subleasing, and other outsourcing services. The services segment is managed and operated in the Philippines.
- Investment Holding - This segment includes holding and investment companies, which consist of the Parent Company, Paxys N.V., and other non-operating subsidiaries with excess funds invested in investment securities and other deposits from various banks.

### Business Segment Information

The following table presents the revenue and expenses and certain assets and liabilities information of the Group's business segments as at and for the years ended December 31, 2025, 2024 and 2023.

	2025 (Amounts in Thousands)			
	Services	Investment Holdings	Eliminations	Consolidated
<b>Results of Operations</b>				
Service income	₱3,497	₱-	₱-	₱3,497
Interest income	89	222,839	-	222,928
Cost and expenses	(1,902)	(96,117)	5,093	(92,926)
Interest expense on lease liabilities	-	(317)	-	(317)
Other income (charges)	(217)	14,069	(1,909)	11,943
Provision for income tax	(14)	(7,823)	-	(7,837)
Net income	₱1,453	₱132,651	₱3,184	₱137,288
<b>Assets and Liabilities</b>				
Assets	₱30,910	₱6,237,115	(₱1,639,001)	₱4,629,024
Liabilities	43,297	198,951	(186,997)	55,251
<b>Other Segment Information</b>				
Capital expenditures:				
Property and equipment	₱-	₱370	₱-	₱370
Intangible assets	-	70	-	70
Depreciation and amortization	-	7,385	-	7,385

	2024 (Amounts in Thousands)			
	Services	Investment Holdings	Eliminations	Consolidated
<b>Results of Operations</b>				
Service income	₱10,722	₱-	₱-	₱10,722
Interest income	217	217,315	-	217,532
Cost and expenses	(13,544)	(85,376)	2,756	(96,164)
Interest expense on lease liabilities	(42)	(632)	-	(674)
Other income	7,191	9,458	(6,517)	10,132
Provision for income tax	(153)	(9,023)	-	(9,176)
Net income	₱4,391	₱131,742	(₱3,761)	₱132,372
<b>Assets and Liabilities</b>				
Assets	₱38,417	₱6,050,119	(₱1,667,656)	₱4,420,880
Liabilities	48,759	220,420	(207,693)	61,486
<b>Other Segment Information</b>				
Capital expenditures:				
Property and equipment	₱-	₱89	₱-	₱89
Depreciation and amortization	6,067	7,412	-	13,479

	2023 (Amounts in Thousands)			
	Services	Investment Holdings	Eliminations	Consolidated
<b>Results of Operations</b>				
Service income	₱20,156	₱-	₱-	₱20,156
Interest income	562	189,347	-	189,909
Cost and expenses	(15,607)	(82,648)	-	(98,255)
Interest expense on lease liabilities	(490)	(932)	-	(1,422)
Other income (charges)	10,383	(923)	(24)	9,436
Provision for income tax	(229)	(8,870)	-	(9,099)
<b>Net income</b>	<b>₱14,775</b>	<b>₱95,974</b>	<b>(₱24)</b>	<b>₱110,725</b>
<b>Assets and Liabilities</b>				
Assets	₱50,763	₱5,754,824	(₱1,654,340)	₱4,151,247
Liabilities	61,812	189,546	(190,374)	60,984
<b>Other Segment Information</b>				
Capital expenditures:				
Property and equipment	₱-	₱6	₱-	₱6
Depreciation and amortization	13,155	7,690	-	20,845

## 5. Cash and Cash Equivalents

This account consists of:

	2025	2024
Cash on hand and in banks	₱165,858	₱46,534
Cash equivalents	3,191,918	1,788,823
	<b>₱3,357,776</b>	<b>₱1,835,357</b>

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are time deposits and treasury bills made for varying periods, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. Any pre-termination or redemption prior to maturity date shall not result in significant change in investment values and penalties.

Total interest income earned from cash and cash equivalents amounted to ₱126.2 million in 2025, ₱109.2 million in 2024 and ₱127.9 million in 2023 (see Note 18).

## 6. Investment Securities

This account consists of financial assets measured at:

	2025	2024
FVOCI	P665,365	P886,793
Amortized cost	468,743	1,549,629
	<b>P1,134,108</b>	<b>P2,436,422</b>
	2025	2024
Current	P947,709	P2,436,422
Noncurrent	186,399	-
	<b>P1,134,108</b>	<b>P2,436,422</b>

### Financial Assets at FVOCI

These pertain to investment in fixed income securities held to collect and sell designated as FVOCI.

Movements in financial assets at FVOCI follow:

	2025	2024
Balances at beginning of year	P886,793	P1,245,519
Additions	8,942	-
Redemptions	(265,913)	(416,074)
Unrealized fair value gain (loss)	18,842	(1,503)
Translation adjustment	16,701	58,851
Balances at end of year	<b>P665,365</b>	<b>P886,793</b>

Unrealized fair value gain amounting to P18.8 million in 2025 and unrealized fair value loss amounting to P1.5 million in 2024 were reported in other comprehensive income.

Interest income earned from these financial assets amounted to P34.0 million in 2025, P49.7 million in 2024 and P51.0 million in 2023 (see Note 18).

### Financial Assets at Amortized Cost

These consist of bonds intended to be held through maturity with fixed interest rate and maturity date until 2032. Interest income earned from these bonds amounted to P62.7 million in 2025, P58.6 million in 2024 and P11.0 million in 2023 (see Note 18).

Movements in financial assets at amortized cost follow:

	2025	2024
Balances at beginning of year	P1,549,629	P371,569
Redemption	(1,335,121)	(11,751)
Additions	186,386	1,148,980
Discount amortization	41,844	23,447
Translation adjustment	26,005	17,384
Balances at end of year	468,743	1,549,629
Current portion	282,344	1,549,629
Noncurrent portion	<b>P186,399</b>	P-

## 7. Trade and Other Receivables

This account consists of:

	Note	2025	2024
Trade		<b>₱10,376</b>	₱10,376
Due from related parties	15	<b>102,368</b>	113,325
Accrued interest		<b>74,306</b>	63,216
Others		<b>24,901</b>	20,643
		<b>211,951</b>	207,560
Allowance for impairment losses		<b>(125,433)</b>	(112,963)
		<b>₱86,518</b>	₱94,597

Trade receivables are noninterest bearing with average credit terms of 30 to 60 days.

Accrued interest is normally received within one year after the reporting date.

Other receivables comprise receivables from third parties and employees which are collectible upon demand.

Movements in the allowance for impairment losses are as follows:

	Note	2025	2024
Balance at beginning of year		<b>₱112,963</b>	₱107,426
Provision	16	<b>20,759</b>	5,799
Reversal		<b>(8,289)</b>	(262)
Balance at end of year		<b>₱125,433</b>	₱112,963

Details of allowance for impairment losses as at December 31, 2025 and 2024 are as follows:

	Note	2025	2024
Trade		<b>₱9,616</b>	₱9,616
Due from related parties	15	<b>98,133</b>	85,663
Others		<b>17,684</b>	17,684
		<b>₱125,433</b>	₱112,963

## 8. Other Current Assets

This account consists of:

	2025	2024
Input VAT	<b>₱83,143</b>	₱80,091
Prepaid expenses	<b>6,101</b>	5,891
	<b>89,244</b>	85,982
Allowance for impairment losses on input VAT	<b>(49,632)</b>	(49,607)
	<b>₱39,612</b>	₱36,375

Prepaid expenses include prepaid insurance, subscriptions and creditable withholding taxes.

Movements in the allowance for impairment losses on input VAT are as follows:

	Note	2025	2024
Balance at beginning of year		<b>₱49,607</b>	<b>₱49,607</b>
Provision	16	<b>25</b>	<b>–</b>
Balance at end of year		<b>₱49,632</b>	<b>₱49,607</b>

## 9. Investments in Joint Ventures

The Group holds an investment in a joint venture, Simpro Solutions Limited (SSL), which is incorporated in Hong Kong and operates primarily as a call center. The Group owns 50.0% of this joint venture. As of December 31, 2025 and 2024, the total investment in joint ventures has been fully provided with an allowance for impairment losses.

The Group has no outstanding commitments with the joint venture as at December 31, 2025 and 2024. The joint venture has no contingent liabilities or capital investments as at December 31, 2025 and 2024.

## 10. Property and Equipment

The balances and movements of this account are as follows:

	Note	2025					Total
		Computer Equipment	Communication Equipment	Leasehold Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	
<b>Cost</b>							
Balances at beginning of year		<b>₱69,584</b>	<b>₱7,624</b>	<b>₱154,605</b>	<b>₱7,360</b>	<b>₱8,748</b>	<b>₱247,921</b>
Additions		<b>190</b>	<b>–</b>	<b>93</b>	<b>87</b>	<b>–</b>	<b>370</b>
Balances at end of year		<b>69,774</b>	<b>7,624</b>	<b>154,698</b>	<b>7,447</b>	<b>8,748</b>	<b>248,291</b>
<b>Accumulated Depreciation and Amortization</b>							
Balances at beginning of year		<b>69,462</b>	<b>7,624</b>	<b>154,605</b>	<b>7,360</b>	<b>8,748</b>	<b>247,799</b>
Depreciation and amortization	18	<b>91</b>	<b>–</b>	<b>67</b>	<b>16</b>	<b>–</b>	<b>174</b>
Balances at end of year		<b>69,553</b>	<b>7,624</b>	<b>154,672</b>	<b>7,376</b>	<b>8,748</b>	<b>247,973</b>
Net Book Value		<b>₱221</b>	<b>₱–</b>	<b>₱26</b>	<b>₱71</b>	<b>₱–</b>	<b>₱318</b>
<b>2024</b>							
	Note	Computer Equipment	Communication Equipment	Leasehold Improvements	Office Furniture, Fixtures and Equipment	Transportation Equipment	Total
<b>Cost</b>							
Balances at beginning of year		<b>₱110,412</b>	<b>₱7,624</b>	<b>₱158,233</b>	<b>₱13,871</b>	<b>₱9,749</b>	<b>₱299,889</b>
Additions		<b>89</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>89</b>
Disposals		<b>(40,917)</b>	<b>–</b>	<b>(3,628)</b>	<b>(6,511)</b>	<b>(1,001)</b>	<b>(52,057)</b>
Balances at end of year		<b>69,584</b>	<b>7,624</b>	<b>154,605</b>	<b>7,360</b>	<b>8,748</b>	<b>247,921</b>
<b>Accumulated Depreciation and Amortization</b>							
Balances at beginning of year		<b>110,251</b>	<b>7,624</b>	<b>157,984</b>	<b>13,815</b>	<b>9,749</b>	<b>299,423</b>
Depreciation and amortization	18	<b>128</b>	<b>–</b>	<b>249</b>	<b>56</b>	<b>–</b>	<b>433</b>
Disposals		<b>(40,917)</b>	<b>–</b>	<b>(3,628)</b>	<b>(6,511)</b>	<b>(1,001)</b>	<b>(52,057)</b>
Balances at end of year		<b>69,462</b>	<b>7,624</b>	<b>154,605</b>	<b>7,360</b>	<b>8,748</b>	<b>247,799</b>
Net Book Value		<b>₱122</b>	<b>₱–</b>	<b>₱–</b>	<b>₱–</b>	<b>₱–</b>	<b>₱122</b>

As at December 31, 2025 and 2024, fully depreciated property and equipment amounting to ₱18.8 million and ₱18.6 million are still being used by the Group.

In 2024, the Group disposed fully depreciated property and equipment resulting to a gain on disposal of ₱1.4 million (see note 18).

## 11. Other Noncurrent Assets

This account consists of:

	Note	2025	2024
Creditable withholding tax for tax refund		<b>₱5,137</b>	₱5,137
Rental and security deposits	21	<b>1,905</b>	2,079
Intangible assets		<b>54</b>	2
		<b>₱7,096</b>	₱7,218

Creditable withholding tax for tax refund pertains to unused balance from prior years.

Rental and security deposits mainly pertain to cash deposits on lease agreements, which are refundable at the end of the lease period.

Intangible assets pertain to computer software and programs, which are amortized over three to five years. Movements in this account are as follows:

	Note	2025	2024
<b>Cost</b>			
Balance at beginning of year		<b>₱15,624</b>	₱15,624
Additions		<b>70</b>	–
Balance at end of year		<b>15,694</b>	15,624
<b>Accumulated Amortization</b>			
Balance at beginning of year		<b>15,622</b>	15,613
Amortization	18	<b>18</b>	9
Balance at end of year		<b>15,640</b>	15,622
<b>Net Book Value</b>		<b>₱54</b>	₱2

## 12. Trade and Other Payables

This account consists of:

	Note	2025	2024
Trade		<b>₱893</b>	₱524
Accrued expenses:			
Professional fees		<b>3,441</b>	3,985
Contracted services		<b>3,133</b>	3,293
Taxes and licenses		<b>1,754</b>	1,753
Salaries and wages		<b>401</b>	377
Rent		<b>322</b>	300
Dividends	14	<b>6,554</b>	6,554
Statutory payables		<b>5,884</b>	6,166
Others		<b>995</b>	970
		<b>₱23,377</b>	₱23,922

Trade payables are noninterest-bearing and are normally settled on a 60-day term.

Accrued expenses are normally settled within 30 to 60 days.

Statutory payables represent withholding taxes payable, SSS, HDMF and PhilHealth premiums, and other liabilities to the government agencies which are normally settled in the subsequent month.

### 13. Retirement Benefits

The Parent Company maintains a separate unfunded, non-contributory, and defined benefit plan covering all eligible employees. An independent actuary conducts an actuarial valuation of the retirement liability. The latest actuarial report is as at December 31, 2024 for the Parent Company. The Parent Company did not obtain actuarial report in 2025. The Company believes that this will not materially affect the consolidated financial statements.

The retirement benefits expense recognized in the consolidated statements of income is as follows (see Note 17):

	2025	2024	2023
Current service costs	<b>₱941</b>	₱993	₱138
Interest costs	<b>1,603</b>	268	434
	<b>₱2,544</b>	₱1,261	₱572

The net cumulative remeasurement gains losses on retirement liability recognized as other comprehensive income follows:

	2025	2024	2023
Balance at beginning of year	<b>(₱18,622)</b>	(₱295)	(₱295)
Remeasurement loss	–	(18,327)	–
Balance at end of year	<b>(₱18,622)</b>	(₱18,622)	(₱295)

Changes in the present value of retirement liability are as follows:

	2025	2024
Balance at beginning of year	<b>₱26,497</b>	₱6,909
Interest costs	<b>1,603</b>	268
Current service costs	<b>941</b>	993
Remeasurement loss	–	18,327
Balance at end of year	<b>₱29,041</b>	₱26,497

The principal assumptions used in determining the retirement liability are shown below:

	2025	2024
Discount rate	<b>6.41%</b>	6.08%
Salary increase rate	<b>2.00%</b>	2.00%

The sensitivity analysis based on reasonably possible changes of the assumptions as at December 31, 2025 is as follows:

	Change in Assumption	Effect on Retirement Liability
Discount rate	+100 bps	(P5,089,614)
	-100 bps	6,264,686
Salary rate	+100 bps	P6,495,237
	-100 bps	(5,333,666)

Each sensitivity analysis on the significant actuarial assumptions was prepared by remeasuring the defined benefit liability at the end of each reporting date after adjusting one of the current assumptions according to the applicable sensitivity increment or decrement (based on changes in the relevant assumption that were reasonably possible at the valuation date) while all other assumptions remained unchanged. The corresponding change in the defined benefit liability was expressed as a percentage change from the base defined benefit liability.

As at December 31, 2025, expected future benefit payments are shown below:

One year	P15,942,521
More than one year	11,748,890
	<u>P27,691,411</u>

The weighted average duration of the defined benefit obligation at the end of the reporting year is at 1.3 years.

#### 14. Equity

##### Capital Stock

This account consists of the following:

	Number of Shares	Amount
Common Stock "Class A" - P1 par value		
Authorized	1,800,000,000	P1,800,000
Issued and outstanding	1,148,534,866	1,148,535

*\*Number of shares and par value figures are stated at absolute values.*

##### Additional Paid-in Capital

This account consists of:

Premium on issuance of shares of stock	P348,213
Premium on forfeited stock option	103,151
	<u>P451,364</u>

Premium on issuance of shares of stock represents the excess of paid-up capital over the par value of capital stock. Premium on forfeited stock option represents increase in equity arising from equity-settled share-based payment transactions.

Parent Shares Held by a Subsidiary

In 2014, Paxys N.V., through a tender offer, purchased 345,622,477 common shares of the Parent Company representing 30.09% of its outstanding capital stock for a total consideration of ₱1,149.9 million.

Retained Earnings

Undistributed retained earnings of a foreign subsidiary amounting to ₱3,656 million and ₱3,503 million as at December 31, 2025 and 2024, respectively, are not available for dividend declaration until these are distributed by the subsidiary to the Parent Company.

Dividends payable of the Parent Company as at December 31, 2025 and 2024 amounted to ₱6.6 million, which pertain to dividends declared in prior years (see Note 12).

**15. Related Party Transactions and Balances**

In the ordinary course of business, the Group has transactions and balances with related parties pertaining to the following:

Related Parties	Nature of Transaction	Amount of Transactions		Outstanding Balance	
		2025	2024	2025	2024
<b>Trade</b>					
Entity under Common Control	Service fee	<b>₱3,457</b>	₱3,443	<b>₱-</b>	₱-
<b>Due from Related Parties</b>					
Joint Venture	Advances	<b>₱1,218</b>	₱289	<b>₱19,378</b>	₱18,160
Entities with Common Stockholders	Advances (collections)	<b>(12,175)</b>	12,132	<b>82,990</b>	95,165
		<b>(10,957)</b>	12,421	<b>102,368</b>	113,325
Less: allowance for doubtful accounts	Provision for impairment - net of reversal	<b>12,470</b>	5,537	<b>(98,133)</b>	(85,663)
				<b>₱4,235</b>	₱27,662

Service fees charged by the Parent Company to an entity under common control pertain to technical support services.

Due from entities that have common stockholders pertains to advances for working capital purposes.

Outstanding balances are unsecured, noninterest-bearing with no fixed repayment terms and are normally settled in cash. No guarantees have been provided or received for these balances. Impairment assessment is undertaken at each reporting date.

Allowance for impairment losses related to these receivables amounted to ₱98.1 million and ₱85.7 million as at December 31, 2025 and 2024, respectively (see Note 7).

Compensation of Key Management Personnel of the Group

	2025	2024	2023
Salaries and wages	<b>₱11,211</b>	₱13,919	₱13,919
Professional fees	<b>5,988</b>	5,282	5,161
Other short-term benefits	<b>2,474</b>	2,782	3,780
	<b>₱19,673</b>	₱21,983	₱22,860

## 16. Cost and Expenses

This account consists of:

	Note	2025	2024	2023
Personnel costs	17	<b>₱24,876</b>	₱25,662	₱21,665
Professional fees		<b>22,181</b>	28,499	27,075
Provision for impairment loss on receivables	7	<b>20,764</b>	5,799	6,756
Depreciation and amortization	18	<b>7,385</b>	13,479	20,845
Utilities		<b>3,061</b>	4,268	5,267
Bank charges		<b>3,042</b>	3,598	2,951
Insurance		<b>1,853</b>	1,742	1,559
Security and janitorial services		<b>1,797</b>	1,631	1,540
Communication		<b>1,735</b>	1,739	1,712
Entertainment, amusement and recreation		<b>1,164</b>	1,574	2,306
Membership dues		<b>702</b>	673	660
Rent	21	<b>630</b>	2,190	580
Transportation and travel		<b>351</b>	545	528
Provision for impairment loss on input VAT	8	<b>25</b>	—	—
Others		<b>3,360</b>	4,765	4,811
		<b>₱92,926</b>	₱96,164	₱98,255

Others consist of association dues, taxes and licenses, supplies and repairs and maintenance.

## 17. Personnel Costs

This account consists of:

	Note	2025	2024	2023
Salaries and wages		<b>₱15,948</b>	₱18,340	₱17,744
Retirement benefits	13	<b>2,544</b>	1,261	572
Trainings		<b>5</b>	14	18
Other employee benefits		<b>6,379</b>	6,047	3,331
		<b>₱24,876</b>	₱25,662	₱21,665

Other employee benefits pertain mainly to statutory contributions, incentives, and health care and insurance benefits of employees.

Personnel costs in 2025, 2024, and 2023 are classified under cost and expenses (see Note 16).

## 18. Interest Income, Other Income, Depreciation and Amortization

### Interest Income

	Note	2025	2024	2023
Cash and cash equivalents	5	<b>₱126,203</b>	₱109,243	₱127,894
Investment securities:	6			
Financial assets at:				
Amortized cost		<b>62,738</b>	58,604	10,969
FVOCI		<b>33,987</b>	49,685	51,046
		<b>₱222,928</b>	₱217,532	₱189,909

### Other Income

	Note	2025	2024	2023
Reversal of allowance for impairment loss		<b>₱8,289</b>	₱-	₱-
Realized fair value gain on redemption		<b>1,028</b>	-	-
Rent income		-	4,321	6,890
Gain on disposal of property and equipment	10	-	1,429	-
Income from billed utilities		-	1,252	2,410
Others		<b>2</b>	287	607
		<b>₱9,319</b>	₱7,289	₱9,907

### Depreciation and Amortization

This account consists of:

	Note	2025	2024	2023
ROU assets	21	<b>₱7,193</b>	₱13,037	₱20,018
Property and equipment	10	<b>174</b>	433	810
Intangible assets	11	<b>18</b>	9	17
		<b>₱7,385</b>	₱13,479	₱20,845

## 19. Income Taxes

- a. The components of current income tax expense as presented in the consolidated statements of income are as follows:

	2025	2024	2023
MCIT	<b>₱70</b>	₱309	₱236
Final tax	<b>7,767</b>	8,867	8,863
	<b>₱7,837</b>	₱9,176	₱9,099

- b.

- c. The reconciliation of income tax expense computed at statutory tax rate and provision for income tax as shown in the consolidated statements of income is as follows:

	2025	2024	2023
Income tax at statutory income tax rate	<b>₱36,281</b>	₱35,387	₱29,956
Income tax effects of:			
Nontaxable income	<b>(29,106)</b>	(29,953)	(31,474)
Expired NOLCO	<b>29,127</b>	-	-
Interest income subjected to final tax	<b>(11,203)</b>	(12,570)	(12,223)
Others	-	391	10,897
Net changes in unrecognized net deferred tax assets	<b>(17,679)</b>	15,801	11,744
Expired MCIT	<b>269</b>	171	389
Difference in the tax rates of subsidiaries	<b>148</b>	(51)	(190)
<b>Income tax at the effective tax rate</b>	<b>₱7,837</b>	₱9,176	₱9,099

The Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act or RA No. 11534 was signed into law on March 26, 2021 and took effect on April 11, 2021 which reduced the regular corporate income tax rate from 30% to 25% starting July 1, 2020. For MCIT rate, the prescribed MCIT for the period July 1, 2020 until June 30, 2023 is 1%. Effective July 1, 2023, the MCIT rate reverted to its previous rate of 2% based on the gross income.

- d. Details of unrecognized net deferred tax assets are as follows:

	2025	2024
NOLCO	<b>₱49,731</b>	₱67,647
Allowance for impairment losses on trade and other receivables	<b>9,350</b>	9,318
Retirement liability	<b>7,225</b>	6,589
Excess MCIT over RCIT	<b>573</b>	772
Others	<b>308</b>	540
	<b>₱67,187</b>	₱84,866

Management has assessed that sufficient future taxable income may not be available against which the carry-forward benefits of NOLCO, excess MCIT over RCIT and other deductible temporary differences may be utilized.

As at December 31, 2025 and 2024, the Group did not recognize deferred tax liability on undistributed income of Paxys N.V., a wholly owned subsidiary of the Parent Company, amounting to ₱914.0 million and ₱875.8 million, respectively. Management believes that the Parent Company can control the timing of the dividend distribution of Paxys N.V. to the Parent Company and it is probable that the temporary difference will not reverse in the foreseeable future.

e. Details of carry-forward benefits arising from NOLCO and excess MCIT over RCIT are as follows:

NOLCO

Year Incurred	Balance as at December 31, 2024	Additions	Applied/ Expired	Balance as at December 31, 2025	Available Until
2020	₱62,880	₱-	(₱62,880)	₱-	2025
2021	59,538	-	-	59,538	2026
2022	53,562	-	(53,562)	-	2025
2023	49,404	-	-	49,404	2026
2024	45,423	-	-	45,423	2027
2025	-	46,354	-	46,354	2028
	<b>₱270,807</b>	<b>₱46,354</b>	<b>(₱116,442)</b>	<b>₱200,719</b>	

Under the Republic Act No. 11494, also known as “*Bayanihan to Recover as One Act*,” and Revenue Regulation 25-2020, the Group is allowed to carry-over the NOLCO incurred for taxable year 2020 and 2021 for the next five years immediately following the year of such loss.

MCIT

Year Incurred	Balance as at December 31, 2024	Additions	Applied/ Expired	Balance as at December 31, 2025	Available Until
2022	₱269	₱-	(₱269)	₱-	2025
2023	194	-	-	194	2026
2024	309	-	-	309	2027
2025	-	70	-	70	2028
	<b>₱772</b>	<b>₱70</b>	<b>(₱269)</b>	<b>₱573</b>	

20. Earnings per Share

Basic/diluted earnings per share are computed as follows:

	Note	2025	2024	2023
Net income (a)		<b>₱137,288</b>	₱132,372	₱110,725
Issued and outstanding shares	14	<b>1,148,535</b>	1,148,535	1,148,535
Parent shares held by a subsidiary	14	<b>(345,622)</b>	(345,622)	(345,622)
Number of shares issued and outstanding (b)		<b>802,913</b>	802,913	802,913
Basic/diluted earnings per share (a/b)		<b>₱0.171</b>	₱0.165	₱0.138

There are no potential dilutive common shares as at December 31, 2025, 2024 and 2023.

## 21. Commitments

### Lease Commitments

#### a. The Group as a Lessee

- i. The Parent Company has an existing lease agreement with a third party for the lease of office space and parking spaces for five years until April 30, 2026. The quarterly rent for parking spaces is subject to escalation rate of 5% per annum. The lease is renewable upon mutual consent of the parties to be covered by a separate lease agreement. As at December 31, 2025 and 2024, refundable security deposit amounted to ₱1.4 million.
- ii. SWA had a non-cancellable five-year agreement with a third party for the lease of an office space in Laguna until October 20, 2024 and was no longer renewed thereafter. The rental rate was subjected to an escalation rate of 7.5% starting January 1, 2024.
- iii. On July 1, 2022, SWA entered into a two-year lease agreement with a third party for the lease of an office space in Cebu until May 17, 2024. The rental rate is subject to an escalation rate of 5% per annum effective on the third year of lease term. The lease was no longer renewed thereafter.
- iv. On June 5, 2024, SWA entered into a one-year lease agreement with a third-party for the lease of an office space in San Pedro, Laguna.

Outstanding rental and security deposits on lease commitments, presented under "Other noncurrent assets" in the consolidated statements of financial position, amounted to ₱1.9 million and ₱2.1 million as at December 31, 2025 and 2024, respectively (see Note 11).

Amounts recognized in the consolidated statements of income follow:

	Note	2025	2024	2023
Amortization of ROU assets	18	<b>₱7,193</b>	₱13,037	₱20,018
Rent expense	16	<b>630</b>	2,190	580
Interest expense on lease liabilities		<b>317</b>	674	1,422
		<b>₱8,140</b>	₱15,901	₱22,020

Rent expenses include rent on low-value asset leases on storage and equipment and short-term leases.

The discount rate of 4% also served as the incremental borrowing rate of the Group.

The movements in the ROU assets are presented below:

	Note	2025	2024
Balance at beginning of year		<b>₱10,789</b>	₱23,826
Amortization	18	<b>(7,193)</b>	(13,037)
Balance at end of year		<b>₱3,596</b>	₱10,789
Current portion		<b>3,596</b>	–
Noncurrent portion		<b>₱–</b>	₱10,789

The movements in the lease liabilities are presented below:

	2025	2024
Balance at beginning of year	<b>₱10,939</b>	₱23,577
Payments	<b>(8,444)</b>	(13,312)
Interest expense	<b>317</b>	674
	<b>2,812</b>	10,939
Current portion	<b>2,812</b>	8,127
Noncurrent portion	<b>₱–</b>	₱2,812

The future minimum lease payments under non-cancellable leases are as follows:

	2025	2024
Within one year	<b>₱2,842</b>	₱8,444
After one year but not more than five years	<b>–</b>	2,842
	<b>₱2,842</b>	₱11,286

b. The Group as a Lessor

SWA also subleased a portion of its office space in Laguna to related parties and third parties, which ended on September 30, 2022. On October 1, 2022, SWA subleased office space to a third party for 21 months from October 1, 2022 to June 30, 2024. The sublease was not renewed upon its expiration on June 30, 2024.

Rent income from subleased portion amounted to nil in 2025, ₱4.3 million in 2024 and ₱6.9 million in 2023 (see Note 18).

Facilities and Support Services Agreement

SWA entered into another agreement with a third party for work-ready seats for a period of two years until May 17, 2024. The service agreement provides outsourced facility services, data connectivity, IT support and power for the leased work seats. Security deposit under this agreement. The service agreement was no longer renewed after May 17, 2024.

Income earned from this agreement amounted to nil in 2025, ₱7.0 million in 2024 and ₱16.7 million in 2023, as part of the revenues in the consolidated statements of income of the Group.

## 22. Financial Instruments

### **Financial Risk Management Objectives and Policies**

The Group's principal financial instruments comprise cash and cash equivalents, investment securities, trade and other receivables, rental and security deposits, and trade and other payables (excluding statutory payables), and lease liabilities which arise directly from the operations. The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, and liquidity risk. The BOD reviews and agrees policies for managing each of these risks and these are summarized below.

### **Foreign Currency Risk**

The Group's exposure to foreign currency risk results mainly from foreign currency-denominated services rendered by SWA and other business transactions of the Group denominated in foreign currencies. The Group's consolidated financial position and financial performance may be affected by the movements in the U.S. Dollar (US\$) to Philippine Peso exchange rates.

The following rates of exchange have been used by the Group in translating foreign currency consolidated statements of income and consolidated statements of financial position items as at and for the years ended December 31, 2025 and 2024:

	2025		2024	
	Closing	Average	Closing	Average
Philippine Peso to 1 unit of US\$	58.79	57.51	₱57.85	₱57.28

As at December 31, 2025 and 2024, the significant foreign currency-denominated financial assets of the Group are as follows:

	2025		2024	
	In US\$	Philippine Peso Equivalent	In US\$	Philippine Peso Equivalent
Cash and cash equivalents	US\$45,273	₱2,661,618	US\$19,353	₱1,119,428
Trade and other receivables	1,219	71,685	1,067	61,721
Investment securities -				
Financial assets at:				
FVOCI	11,318	665,365	15,329	886,793
Amortized cost	7,973	468,743	26,789	1,549,629
Foreign currency-denominated financial assets	US\$65,783	₱3,867,411	US\$62,538	₱3,617,571

A reasonably possible change of -0.94/+0.94 in 2025 and -2.48/+2.48 in 2024 in the US\$ to Philippine Peso exchange rate based on latest year-on-year movement in the currency, with all other variables held constant, shall result to the following income before tax movements in the Group's consolidated statements of income:

	2025		2024	
	Increase (Decrease) in Exchange Rates	Increase (Decrease) on Income before Tax	Increase (Decrease) in Exchange Rates	Increase (Decrease) on Income before Tax
US\$	0.94 (0.94)	₱2,451,892 (2,451,892)	2.48 (2.48)	₱154,759 (154,759)

**Credit Risk**

Credit risk is the risk that the Group will incur losses when its counterparties fail to discharge their contractual obligations.

Receivables are monitored on an on-going basis to minimize the Group's exposure to possible losses. The Group trades only with recognized, creditworthy third parties. It is Group policy to subject customers who trade on credit terms to credit verification procedures.

The credit risk for cash and cash equivalents and investment securities is considered negligible because the counterparties are reputable banks and investment institutions with high quality external credit ratings.

The gross maximum exposure of the Group to credit risk corresponds to the total gross amounts of the following financial assets:

	Note	2025	2024
Cash and cash equivalents <sup>(a)</sup>	5	₱3,357,726	₱1,835,307
Investment securities -	6		
Financial assets at:			
FVOCI		665,365	886,793
Amortized cost		468,743	1,549,629
Trade and other receivables	7	211,951	207,560
Rental and security deposits <sup>(b)</sup>	21	1,905	2,079
		<b>₱4,705,690</b>	<b>₱4,481,368</b>

<sup>(a)</sup>Excluding cash on hand amounting to ₱50 as at December 31, 2025 and 2024.

<sup>(b)</sup>Included under "Other noncurrent assets".

The analysis of the financial assets that were past due but not impaired follows:

	2025						
	Neither Past Due nor Impaired	Past Due but not Impaired			Total	Impaired	Total
		Less than 30 Days	30 to 60 Days	More than 60 Days			
Cash and cash equivalents <sup>(a)</sup>	₱3,357,726	₱-	₱-	₱-	₱3,357,726	₱-	₱3,357,726
Investment securities -							
Financial assets at:							
FVOCI	665,365	-	-	-	665,365	-	665,365
Amortized cost	468,743	-	-	-	468,743	-	468,743
Trade and other receivables:							
Trade	760	-	-	-	760	9,616	10,376
Accrued interest	74,306	-	-	-	74,306	-	74,306
Due from related parties	-	-	-	4,235	4,235	98,133	102,368
Others	7,217	-	-	-	7,217	17,684	24,901
Rental and security deposits <sup>(b)</sup>	1,905	-	-	-	1,905	-	1,905
	<b>₱4,576,022</b>	<b>₱-</b>	<b>₱-</b>	<b>₱4,235</b>	<b>₱4,580,257</b>	<b>₱125,433</b>	<b>₱4,705,690</b>

<sup>(a)</sup>Excluding cash on hand amounting to ₱50.

<sup>(b)</sup>Included under "Other noncurrent assets."

	2024						
	Neither Past Due nor Impaired	Past Due but not Impaired			Total	Impaired	Total
		Less than 30 Days	30 to 60 Days	More than 60 Days			
Cash and cash equivalents <sup>(a)</sup>	₱1,835,307	₱-	₱-	₱-	₱1,835,307	₱-	₱1,835,307
Investment securities -							
Financial assets at:							
FVOCI	886,793	-	-	-	886,793	-	886,793
Amortized cost	1,549,629	-	-	-	1,549,629	-	1,549,629
Trade and other receivables:							
Trade	760	-	-	-	760	9,616	10,376
Accrued interest	63,216	-	-	-	63,216	-	63,216
Due from related parties	-	-	-	27,662	27,662	85,663	113,325
Others	2,959	-	-	-	2,959	17,684	20,643
Rental and security deposits <sup>(b)</sup>	2,079	-	-	-	2,079	-	2,079
	<b>₱4,340,743</b>	<b>₱-</b>	<b>₱-</b>	<b>₱27,662</b>	<b>₱4,368,405</b>	<b>₱112,963</b>	<b>₱4,481,368</b>

<sup>(a)</sup>Excluding cash on hand amounting to ₱50.

<sup>(b)</sup>Included under "Other noncurrent assets."

The table below shows the credit quality of the financial assets classified as neither past due nor impaired as at December 31, 2025 and 2024:

	2025			2024		
	High Grade	Standard Grade	Total	High Grade	Standard Grade	Total
Cash and cash equivalents <sup>(a)</sup>	₱3,357,726	₱-	₱3,357,726	₱1,835,307	₱-	₱1,835,307
Investment securities -						
Financial assets at:						
FVOCI	665,365	-	665,365	886,793	-	886,793
Amortized cost	468,743	-	468,743	1,549,629	-	1,549,629
Trade and other receivables	-	86,518	86,518	-	94,597	94,597
Rental and security deposits <sup>(b)</sup>	-	1,905	1,905	-	2,079	2,079
	<b>₱4,491,834</b>	<b>₱88,423</b>	<b>₱4,580,257</b>	<b>₱4,271,729</b>	<b>₱96,676</b>	<b>₱4,368,405</b>

<sup>(a)</sup> Excluding cash on hand amounting to ₱50 as at December 31, 2025 and 2024.

<sup>(b)</sup>Included under "Other current assets" and "Other noncurrent assets."

For trade receivables, the Group calculates impairment based on lifetime ECL using a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial assets at amortized cost, which comprise cash equivalents, investment securities, other receivables (including due from related parties) and rental and security deposits, ECL is based on 12-month ECL. However, the ECL for certain receivables, which are identified as credit-impaired, is based on lifetime ECL.

The credit quality of financial assets is managed by the Group using high grade and standard grade as internal credit ratings.

**High Grade.** Financial assets with high credit quality are normally collected within the credit period and without history of default collection.

Cash and cash equivalents and investment securities are placed in or deposited with reputable banks, thus, are fully realizable. The probability of default is close to zero and significant change in credit risk is unlikely for these financial instruments.

**Standard Grade.** Standard grade financial assets pertain mainly to receivables from counter parties that have a strong capacity to meet contractual obligations in the near term and have acceptable probability of default.

Past due receivables from related parties are not impaired when management assesses that these are fully realizable based on the counter parties' available assets.

Receivables from related parties are considered credit-impaired when the counter parties have no liquid assets and/or available assets to pay the outstanding receivables. Thus, these are provided with allowance for impairment losses.

### Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk may arise primarily from mismatch of the maturities of financial assets and liabilities.

The Group's objective is to maintain continuity of funding. The Group's liquidity risk management policy is to measure and forecast its cash commitments, to match debt maturities with the assets being financed, to maintain a diversity of funding sources with its access to bank financing and the capital market and to hold a sufficient level of cash reserves.

The Group monitors its risk of shortage of funds by considering the maturity of both its financial assets and liabilities projected cash flows.

The table below summarizes the maturity profile of the Group's financial assets and liabilities (excluding statutory payables) used to manage liquidity based on contractual undiscounted payments.

	2025				2024			
	Upon Demand	Within One Year	Over One Year	Total	Upon Demand	Within One Year	Over One Year	Total
<b>Financial Assets</b>								
Cash and cash equivalents	R3,357,726	R-	R-	R3,357,726	R1,835,307	R-	R-	R1,835,307
Investment securities -								
Financial assets at:								
Amortized cost	-	282,344	186,399	468,743	-	1,549,629	-	1,549,629
FVOCI	665,365	-	-	665,365	-	886,793	-	886,793
Trade and other receivables	7,216	79,302	-	86,518	2,959	91,638	-	94,597
Rental and security deposits	-	-	1,905	1,905	-	-	2,079	2,079
<b>Total undiscounted financial assets</b>	<b>4,030,307</b>	<b>361,646</b>	<b>188,304</b>	<b>4,580,257</b>	<b>1,838,266</b>	<b>2,528,060</b>	<b>2,079</b>	<b>4,368,405</b>
<b>Financial Liabilities</b>								
Trade payables	-	893	-	893	-	524	-	524
Accrued expenses	-	9,051	-	9,051	-	9,708	-	9,708
Dividends payable	6,554	-	-	6,554	6,554	-	-	6,554
Other current liabilities	-	995	-	995	-	970	-	970
Lease liabilities	-	2,842	-	2,842	-	8,127	2,812	10,939
<b>Total undiscounted financial liabilities</b>	<b>6,554</b>	<b>13,781</b>	<b>-</b>	<b>20,335</b>	<b>6,554</b>	<b>19,329</b>	<b>2,812</b>	<b>28,695</b>
<b>Net undiscounted financial assets (liabilities)</b>	<b>R4,023,753</b>	<b>R347,865</b>	<b>R188,304</b>	<b>R4,559,922</b>	<b>R1,831,712</b>	<b>R2,508,731</b>	<b>(R733)</b>	<b>R4,339,710</b>

### Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group competes in an industry where opportunities for growth still abound. Projects are selected if their expected returns are higher than cost of capital. Funding is sourced from a combination of retained earnings, debt and new capital. The Group aims for flexibility in the capital structure to meet changing conditions and adapt with minimum cost and delay. It looks at solvency by keeping its debt capacity within its ability to generate future cash flows.

The Group is not subject to externally imposed capital requirements. The table below summarizes the equity components of the Group.

	2025	2024
Capital stock	<b>₱1,148,535</b>	₱1,148,535
Additional paid-in capital	<b>451,364</b>	451,364
Parent shares held by a subsidiary	<b>(1,149,886)</b>	(1,149,886)
Retained earnings	<b>3,298,264</b>	3,160,976
Other equity reserves	<b>825,496</b>	748,405
	<b>₱4,573,773</b>	₱4,359,394

### **Fair Values**

The following is a comparison by category of carrying amounts and fair values of the Group's financial instruments that are reflected in the consolidated financial statements:

	2025		2024	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash and cash equivalents	<b>₱3,357,726</b>	<b>₱3,357,726</b>	₱1,835,357	₱1,835,357
Investment securities -				
Financial assets at:				
Amortized cost	<b>468,743</b>	<b>468,743</b>	1,549,629	1,549,629
FVOCI	<b>665,365</b>	<b>665,365</b>	886,793	886,793
Trade and other receivables	<b>86,518</b>	<b>86,518</b>	94,597	94,597
Rental and security deposits	<b>1,905</b>	<b>1,905</b>	2,079	2,079
	<b>₱4,580,257</b>	<b>₱4,580,257</b>	₱4,368,455	₱4,368,455
<b>Financial Liabilities</b>				
Trade and other payables*:				
Trade	<b>₱893</b>	<b>₱893</b>	₱524	₱524
Accrued expenses	<b>9,051</b>	<b>9,051</b>	9,708	9,708
Dividends	<b>6,554</b>	<b>6,554</b>	6,554	6,554
Other current liabilities	<b>995</b>	<b>995</b>	970	970
Lease liabilities	<b>2,842</b>	<b>2,842</b>	10,939	10,939
	<b>₱20,335</b>	<b>₱20,335</b>	₱28,695	₱28,695

\*Excluding statutory payables amounting to ₱5,884 and ₱6,116 as at December 31, 2025 and 2024, respectively.

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

*Cash and Cash Equivalents, Financial Assets at Amortized Cost, Trade and Other Receivables and Trade and Other Payables (excluding statutory payables).* Due to the relatively short-term maturities of the financial assets and liabilities, the fair values approximate the carrying amounts at initial recognition.

*Financial Assets at FVOCI.* The fair value of the Group's financial assets at FVOCI is estimated by reference to quoted bid price in an active market at the end of the reporting period and is categorized as Level 1.

*Lease Liabilities.* The fair value of lease liabilities was determined based on Level 2 in which the inputs are based on the discounted interest rate of the prevailing comparable instrument in the market.

*Rental and Security Deposits and Other Noncurrent Liabilities.* Fair values of security deposits are based on the present value of the expected future cash flows using discount rates ranging from 1.21% to 1.81%. These are categorized under Level 2 of the fair value measurements hierarchy for financial instruments.

For the years ended December 31, 2025 and 2024, there were no transfers between Level 1 and Level 2 fair value measurement.



**REPORT OF INDEPENDENT AUDITORS  
ON SUPPLEMENTARY SCHEDULES FOR FILING WITH THE  
SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and the Board of Directors  
Paxys, Inc.  
15th Floor, 6750 Ayala Office Tower  
Ayala Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Paxys, Inc. (the Parent Company) and Subsidiaries (the Group) as at December 31, 2025 and 2024 and for the years ended December 31, 2025, 2024 and 2023 and have issued our report thereon dated March 16, 2026. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying Supplementary Schedules for submission to the Securities and Exchange Commission (SEC) are the responsibility of the Group's management.

The supplementary schedules include the following:

- Schedule Required under Annex 68-E of the Revised Securities Regulation Code (SRC) Rule 68 as at and for the years ended December 31, 2025 and 2024
- Schedules Required under Annex 68-J of the Revised SRC Rule 68 as at and for the year ended December 31, 2025
- Reconciliation of the Parent Company Retained Earnings Available for Dividend Declaration for the year ended December 31, 2025
- Corporate Structure as at December 31, 2025

The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, is the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) Accounting Standards and may not be comparable to similarly titled measures presented by other companies. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2025 and 2024 and for the years ended December 31, 2025, 2024 and 2023 and no material exceptions were noted.



The supplementary schedules are presented for purposes of complying with the Revised SRC Rule 68 issued by the SEC, and are not part of the basic consolidated financial statements. The supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

**REYES TACANDONG & Co.**

  
MICHELLE R. MENDOZA-CRUZ

Partner

CPA Certificate No. 97380

Tax Identification No. 201-892-183-000

BOA Accreditation No. 4782/P-011; Valid until June 6, 2026

SEC Accreditation No. 97380-SEC Group A

Issued April 8, 2021

Valid for Financial Periods 2024 to 2025

BIR Accreditation No. 08-005144-012-2025

Valid until September 10, 2028

PTR No. 10764028

Issued January 2, 2026, Makati City

March 16, 2026

Makati City, Metro Manila

**PAXYS, INC. AND SUBSIDIARIES**  
**LIST OF SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2025**

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**Schedules Required under Annex 68-J of the Revised Securities Regulation Code Rule 68**

	Page No.
A Financial Assets	1
B Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	2
C Amounts Receivable from Related Parties which are Eliminated during the Consolidation of the Financial Statements	3
D Long-term Borrowings	*
E Indebtedness to Related Parties	*
F Guarantees of Securities of Other Issuers	*
G Capital Stock	4

**Other Required Information**

H Reconciliation of the Parent Company Retained Earnings Available for Dividend Declaration for the year ended December 31, 2025	5
I Financial Soundness Indicators as at and for the years ended December 31, 2025 and 2024	6
J Corporate Structure as at December 31, 2025	7

\* *Not Applicable*

## PAXYS, INC. AND SUBSIDIARIES

## FINANCIAL ASSETS

DECEMBER 31, 2025

Amounts in Thousands

Financial Asset/ Name of issuing entity	Number of Shares or Principal Amount of Bonds	Amount Shown in the Consolidated Statement of Financial Position	Income Received and Accrued
<b>Financial Assets at Fair Value through Other Comprehensive Income</b>			
Bank Julius Baer	\$8,444	₱496,467	₱23,293
Hongkong and Shanghai Banking Corporation Limited	2,873	168,897	5,290
J.P Morgan Chase	—	—	5,404
	<b>\$11,317</b>	<b>₱665,364</b>	<b>₱33,987</b>
<b>Financial Assets at Amortized Cost</b>			
Export Import Bank of Malaysia	\$4,780	₱282,320	₱14,358
United Overseas Bank Ltd	3,171	186,423	748
Overseas Chinese banking	—	—	34,745
Petronas Capital	—	—	9,216
DBS Group Holdings Ltd	—	—	3,671
	<b>\$7,951</b>	<b>₱468,743</b>	<b>₱62,738</b>
<b>Trade and Other Receivables – Net</b>			
Due from related parties		₱4,235	₱—
Trade		760	—
Accrued interest		74,306	—
Others		7,217	—
		<b>₱86,518</b>	<b>₱—</b>
<b>Rental and Security Deposits</b>			
		<b>₱1,905</b>	<b>₱—</b>
		<b>₱1,222,530</b>	<b>₱96,725</b>

SCHEDULE B

PAXYS, INC. AND SUBSIDIARIES

AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS  
(OTHER THAN RELATED PARTIES)

DECEMBER 31, 2025

Amounts in Thousands

	Balance at Beginning of Year	Additions	Amounts Collected	Amounts Written-off	Current	Noncurrent	Balance at end of year
Advances to officers and employees	₱1,214	₱-	₱-	₱-	₱-	₱-	₱1,214

PAXYS, INC. AND SUBSIDIARIES

AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE  
ELIMINATED DURING CONSOLIDATION OF FINANCIAL STATEMENTS

DECEMBER 31, 2025

Amounts in Thousands

Related Parties	Balance at Beginning of Year	Additions*	Amounts Collected*	Current	Noncurrent	Balance at end of Year
<b>Due from Related Parties</b>						
Paxys Global Services, Inc.	P67,512	P56	P-	P67,568	P-	P67,568
Scopeworks Asia, Inc.	46,353	126	5,501	40,978	-	40,978
Paxys Global Services Pte. Ltd	41,025	1,647	-	42,672	-	42,672
Paxys N.V.	21,683	69	18,926	2,826	-	2,826
Paxys Global Services Ltd. Regional Operating Headquarters	4,735	281	-	5,016	-	5,016
Paxys Ltd.	27,092	1,571	-	28,663	-	28,663
	P208,400	P3,750	P24,427	P187,723	P-	P187,723

\*Inclusive of foreign currency translation adjustments on dollar-denominated receivables

SCHEDULE G

PAXYS, INC. AND SUBSIDIARIES

CAPITAL STOCK  
DECEMBER 31, 2025

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related consolidated statement of financial position caption	Number of shares reserved for options, warrants, conversion, and other rights held by related parties	Directors and officers	Others
Common shares - "Class A" at \$1 par value	1,800,000,000	1,148,534,866	-	217,800	171,850,551

**PARENT COMPANY'S RECONCILIATION OF RETAINED EARNINGS  
AVAILABLE FOR DIVIDEND DECLARATION  
FOR THE REPORTING PERIOD ENDED DECEMBER 31, 2025**

**PAXYS INC.**

15th Floor, 6750 Ayala Office Tower  
Ayala Avenue, Makati City

	Amount
Deficit as at the beginning of reporting period	(P319,966,079)
Add: Net loss for the current year	(1,308,957)
Add/Less: <u>Category F</u> : Other items that should be excluded from the determination of the amount of available for dividend distribution	
Net movement of unrealized foreign exchange	(2,525,877)
Net movement on set-up of ROU assets and lease liabilities	(934,832)
<b>Deficit as at the end of reporting period</b>	<b>(P324,735,745)</b>

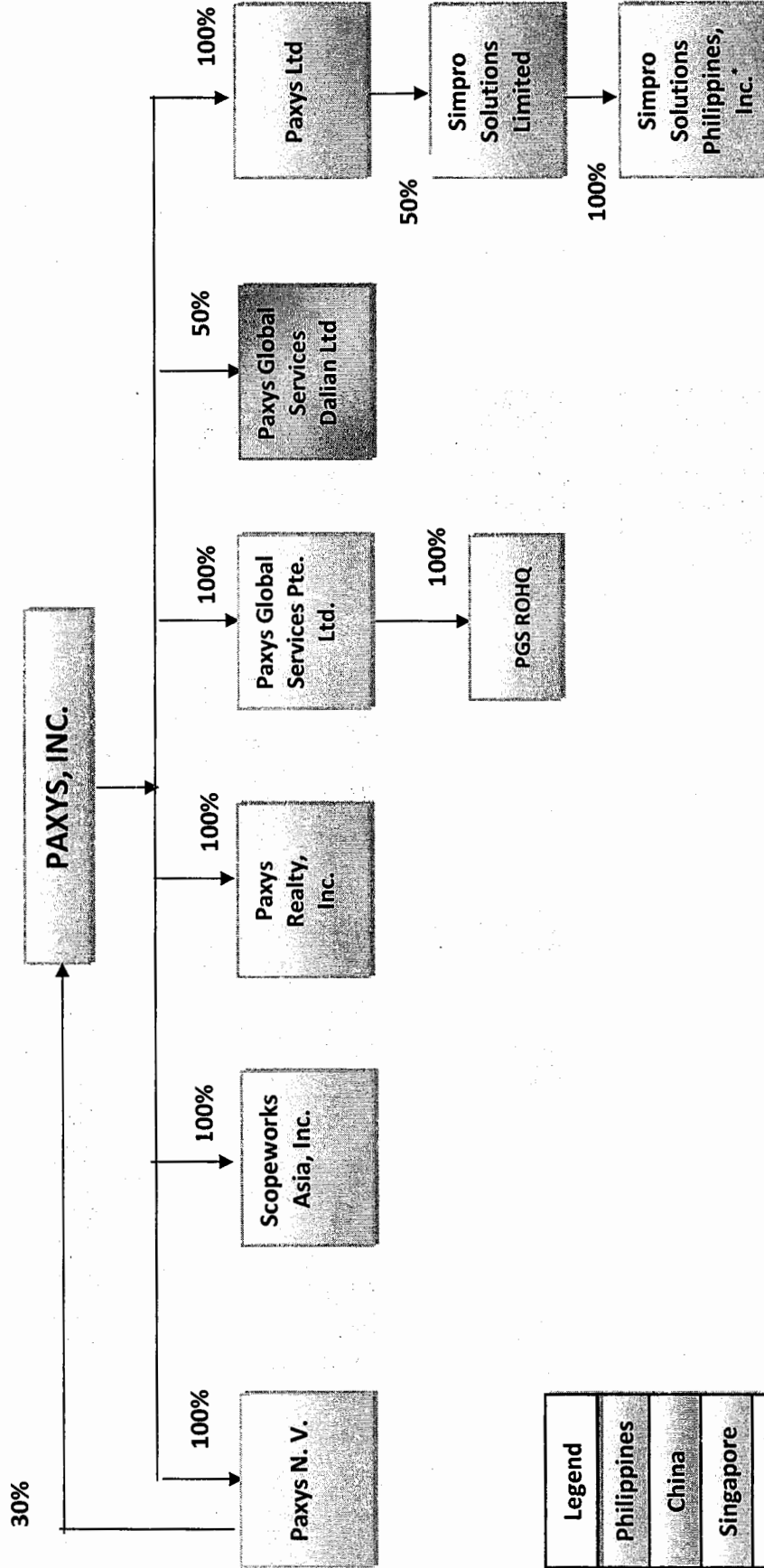
SCHEDULE I

**PAXYS, INC. AND SUBSIDIARIES**  
**FINANCIAL SOUNDNESS INDICATORS**  
**DECEMBER 31, 2025 AND 2024**  
*Amounts in Thousands*

Formula		2025	2024
<b>Liquidity ratio</b>			
Current ratio	Total Current Assets Divide by: Total Current Liabilities Current ratio	<b>₱4,435,211</b> <u>26,210</u> <b>169.22</b>	169.22:1 136.83:1
<b>Solvency ratio</b>			
Debt to equity ratio	Total Liabilities Divide by: Total Equity Debt to equity ratio	<b>₱55,251</b> <u>4,573,773</u> <b>0.01</b>	0.01:1 0.01:1
<b>Profitability ratio</b>			
Return on equity	Net Income Divide by: Total Equity Return on equity	<b>₱137,288</b> <u>4,573,773</u> <b>0.03</b>	3.0% 3.04%
Net income margin	Net Income Divide by: Revenue Net income margin	<b>₱137,288</b> <u>226,425</u> <b>0.61</b>	61% 50%
Earnings before interest, tax, depreciation and amortization (EBITDA) margin	Net income before tax Add: Depreciation and amortization Interest expense EBITDA Divided by: Revenue	<b>₱145,125</b> <b>7,385</b> <b>317</b> <u>152,827</u> <u>226,425</u> <b>0.67</b>	67% 60%

**PAXYS, INC. AND SUBSIDIARIES**

**CORPORATE STRUCTURE**  
AS AT DECEMBER 31, 2025



<b>Legend</b>
Philippines
China
Singapore
Curacao
Hong Kong

\*Currently under dissolution and liquidation. See Notes to Consolidated Financial Statements

**PAXYS, INC. AND SUBSIDIARIES**

**SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR FEE-RELATED INFORMATION  
AS AT AND FOR THE YEAR ENDED DECEMBER 31, 2025 AND 2024**

	2025	2024
<b>Total Audit Fees</b>	<b>₱1,350,000</b>	<b>₱1,300,000</b>
<b>Total Non-audit Fees</b>	<b>—</b>	<b>—</b>
<b>Total Audit and Non-audit Fees</b>	<b>₱1,350,000</b>	<b>₱1,300,000</b>