Asian Hospital, Inc.
(A Subsidiary of Metro Pacific Health)

Financial Statements
As at December 31, 2022 and 2021
and for the Years Ended December 31, 2022,
2021 and 2020

and

Independent Auditor's Report

SGV
Building a better working world

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Asian Hospital, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Asian Hospital, Inc. (a subsidiary of Metro Pacific Health) (the Company) which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2022, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditor's report.

Our opinion on the 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 financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the 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 Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 27 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Asian Hospital, Inc. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Julie Christine O. Mateo

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PTR No. 9564675, January 3, 2023, Makati City

February 21, 2023

ASIAN HOSPITAL, INC.
(A Subsidiary of Metro Pacific Health)

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	**₱1,017,269,222**	₱686,585,977
Receivables (Notes 5 and 22)	**366,494,858**	368,230,538
Inventories (Note 6)	**164,156,796**	231,547,840
Other current assets (Note 7)	**35,030,147**	29,533,014
Total Current Assets	**1,582,951,023**	1,315,897,369
Noncurrent Assets		
Property and equipment (Note 8)	**3,919,303,131**	3,975,127,660
Deferred income tax assets - net (Note 19)	**119,724,657**	127,799,369
Other noncurrent assets (Note 9)	**67,205,778**	67,898,479
Total Noncurrent Assets	**4,106,233,566**	4,170,825,508
TOTAL ASSETS	**₱5,689,184,589**	₱5,486,722,877
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 10, 12 and 22)	**₱776,729,981**	₱710,211,622
Income tax payable	**45,900,002**	66,173,333
Due to a related party (Note 22)	**10,292,168**	12,165,062
Total Current Liabilities	**832,922,151**	788,550,017
Noncurrent Liabilities		
Accrued retirement benefits liability - net (Note 18)	**49,668,781**	20,003,997
Lease liability - net of current portion (Notes 23 and 24)	**2,164,796**	–
Total Noncurrent Liabilities	**51,833,577**	20,003,997
Total Liabilities	**884,755,728**	808,554,014
Equity		
Capital stock [held by 611 and 604 equity holders in 2022 and 2021, respectively] (Note 11)	**1,934,745,019**	1,934,032,691
Additional paid-in capital	**185,465,780**	185,465,780
Retained earnings (Note 11)	**2,685,216,308**	2,543,445,584
Other comprehensive income (loss) - net of tax (Notes 9, 11 and 18)	**(998,246)**	15,224,808
Total Equity	**4,804,428,861**	4,678,168,863
TOTAL LIABILITIES AND EQUITY	**₱5,689,184,589**	₱5,486,722,877

See accompanying Notes to Financial Statements.

ASIAN HOSPITAL, INC.
(A Subsidiary of Metro Pacific Health)

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2022	2021	2020
REVENUE (Note 12)	**₱3,701,553,463**	₱3,583,264,672	₱3,208,527,422
COST OF SERVICES AND SALES (Note 13)	**(2,220,472,075)**	(2,147,805,839)	(2,098,642,923)
GROSS PROFIT	**1,481,081,388**	1,435,458,833	1,109,884,499
Operating expenses (Note 14)	**(960,444,520)**	(1,044,422,200)	(971,811,190)
Other operating income - net (Note 15)	**88,612,043**	52,891,717	36,098,899
OPERATING INCOME	**609,248,911**	443,928,350	174,172,208
Interest income (Notes 4 and 5)	**4,477,770**	1,275,533	2,471,617
Finance costs (Note 16)	**(1,453,257)**	(1,217,218)	(3,024,840)
INCOME BEFORE INCOME TAX	**612,273,424**	443,986,665	173,618,985
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 19)			
Current	**136,496,847**	131,214,675	96,248,215
Deferred	**16,382,397**	(6,958,082)	(27,226,051)
	152,879,244	124,256,593	69,022,164
NET INCOME	**459,394,180**	319,730,072	104,596,821
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods, net of taxes (Notes 9, 11 and 18)	**(16,223,054)**	15,335,730	(334,695)
TOTAL COMPREHENSIVE INCOME	**₱443,171,126**	₱335,065,802	₱104,262,126
BASIC/DILUTED EARNINGS PER SHARE (Note 25)	**₱0.2372**	₱0.1651	₱0.0540

See accompanying Notes to Financial Statements.

ASIAN HOSPITAL, INC.
(A Subsidiary of Metro Pacific Health)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

	Capital Stock (Note 11)	Additional Paid-in Capital	Retained Earnings (Note 11)	Other Comprehensive Income (Loss) - net of tax (Notes 9, 11 and 18)	Total
BALANCES AT DECEMBER 31, 2019	**₱1,933,624,405**	**₱185,465,780**	**₱2,301,171,160**	**₱223,773**	**₱4,420,485,118**
Application of dividends against subscriptions receivable (Note 11)	291,012	–	–	–	291,012
Net income	–	–	104,596,821	–	104,596,821
Other comprehensive income (Notes 9, 11 and 18)	–	–	–	(334,695)	(334,695)
Total comprehensive income	–	–	104,596,821	(334,695)	104,262,126
Total before dividend declaration	1,933,915,417	185,465,780	2,405,767,981	(110,922)	4,525,038,256
Cash dividends (Note 11)	–	–	(129,760,802)	–	(129,760,802)
BALANCES AT DECEMBER 31, 2020	**1,933,915,417**	**185,465,780**	**2,276,007,179**	**(110,922)**	**4,395,277,454**
Application of dividends against subscriptions receivable (Note 11)	117,274	–	–	–	117,274
Net income	–	–	319,730,072	–	319,730,072
Other comprehensive loss (Notes 9, 11 and 18)	–	–	–	15,335,730	15,335,730
Total comprehensive income (loss)	–	–	319,730,072	15,335,730	335,065,802
Total before dividend declaration	1,934,032,691	185,465,780	2,595,737,251	15,224,808	4,730,460,530
Cash dividends (Note 11)	–	–	(52,291,667)	–	(52,291,667)
BALANCES AT DECEMBER 31, 2021	**1,934,032,691**	**185,465,780**	**2,543,445,584**	**15,224,808**	**4,678,168,863**
Application of dividends against subscriptions receivable (Note 11)	712,328	–	–	–	712,328
Net income	–	–	459,394,180	–	459,394,180
Other comprehensive loss (Notes 9, 11 and 18)	–	–	–	(16,223,054)	(16,223,054)
Total comprehensive income (loss)	–	–	459,394,180	(16,223,054)	443,171,126
Total before dividend declaration	1,934,745,019	185,465,780	3,002,839,764	(998,246)	5,122,052,317
Cash dividends (Note 11)	–	–	(317,623,456)	–	(317,623,456)
BALANCES AT DECEMBER 31, 2022	**₱1,934,745,019**	**₱185,465,780**	**₱2,685,216,308**	**(₱998,246)**	**₱4,804,428,861**

See accompanying Notes to Financial Statements.

ASIAN HOSPITAL, INC.

(A Subsidiary of Metro Pacific Health)

STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱612,273,424**	₱443,986,665	₱173,618,985
Adjustments for:			
Depreciation and impairment loss (Notes 8 and 9)	**365,757,138**	344,594,030	372,382,790
Amortization of software and licenses (Note 9)	**12,966,263**	7,402,284	10,443,997
Retirement benefits cost (Notes 17 and 18)	**9,568,309**	16,186,478	11,431,052
Provision for inventory obsolescence (Note 6)	**2,930,727**	3,845,131	5,079,795
Interest expense (Notes 16, 18 and 23)	**1,126,169**	929,035	2,754,556
Loss on disposal of property and equipment (Notes 8 and 15)	**61,179**	26,441	1,510,567
Unrealized foreign exchange loss (gain) - net	**(14,159,125)**	(6,176,393)	4,986,608
Interest income (Notes 4 and 5)	**(4,477,770)**	(1,275,533)	(2,471,617)
Provision for expected credit losses (Notes 5 and 14)	**–**	188,400,074	133,950,421
Operating income before working capital changes and provisions	**986,046,314**	997,918,212	713,687,154
Decrease (increase) in:			
Receivables	**1,291,399**	(223,054,148)	(194,291,361)
Inventories	**64,460,317**	(4,914,741)	(67,752,391)
Other current assets	**(5,497,133)**	1,511,789	(4,138,841)
Increase (decrease) in:			
Accounts payable and other current liabilities	**100,596,096**	19,038,259	93,441,230
Due to a related party	**(1,872,894)**	(3,661,387)	8,464,590
Cash generated from operations	**1,145,024,099**	786,837,984	549,410,381
Interest received	**4,477,770**	1,275,533	2,471,617
Contribution to the retirement fund and benefits paid (Note 18)	**(14,070,493)**	(19,348,396)	(23,190,167)
Income taxes paid, including creditable withholding tax	**(156,770,179)**	(129,431,931)	(123,295,345)
Net cash from operating activities	**978,661,197**	639,333,190	405,396,486
CASH FLOWS USED IN INVESTING ACTIVITIES			
Additions to:			
Property and equipment (Notes 8 and 24)	**(332,442,329)**	(251,312,675)	(272,035,772)
Software and licenses (Notes 9 and 24)	**(31,140,462)**	(4,248,076)	(3,705,234)
Proceeds from disposal of property and equipment (Note 8)	**1,432,661**	25,447	150,446
Decrease (increase) in:			
Advances to contractors	**20,884,930**	(28,504,908)	3,086,016
Other noncurrent assets	**(152,807)**	55,000	–
Net cash used in investing activities	**(341,418,007)**	(283,985,212)	(272,504,544)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Payments of:			
Dividends (Notes 11 and 24)	**(316,911,128)**	(52,174,393)	(129,469,790)
Lease liability (Note 24)	**(4,235,000)**	(3,850,000)	(3,500,000)
Interest (Note 10)	**(17,223)**	–	–
Cash used in financing activities	**(321,163,351)**	(56,024,393)	(132,969,790)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**14,603,406**	5,796,747	(4,360,351)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**330,683,245**	305,120,332	(4,438,199)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**686,585,977**	381,465,645	385,903,844
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)	**₱1,017,269,222**	₱686,585,977	₱381,465,645

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information and Authorization for Issuance of Financial Statements

Corporate Information

Asian Hospital, Inc. (AHI or the Company) is a stock corporation organized and registered with the Philippine Securities and Exchange Commission (SEC) on December 12, 1994. Its primary purpose is to operate and manage tertiary hospitals and other allied undertakings and services.

On December 6, 2011, the controlling interest in the Company was purchased by Metro Pacific Investments Corporation (MPIC) from Bumrungrad International Limited (BIL). Correspondingly, MPIC became the Company's parent in 2011. Prior to December 6, 2011, the parent company was BIL.

On April 19, 2012, a mandatory tender offer for the 43.50% stake held by the Company's non-controlling investors launched by MPIC was completed. Metro Pacific Health (MPH), a subsidiary of MPIC, and a non-controlling investor of AHI, exercised its Right of First Refusal and purchased an additional 27.98% stake in the Company from other non-controlling investors. This resulted to an increase in MPH's ownership in AHI to 52.41% as of April 19, 2012.

On May 20, 2014, MPH acquired from MPIC additional shares in AHI which resulted to an increase in MPH's ownership in AHI to 58.1% as of December 31, 2014. In addition, MPH also acquired 100% of the outstanding capital stock of Bumrungrad International Philippines, Inc. (BIPI) on July 1, 2014. BIPI has legal and beneficial ownership in AHI of 27.5%. As at December 31, 2018, MPH effectively owns 85.6% of AHI.

MPH is incorporated in the Philippines and its registered office address is 5th Floor Tower I, Rockwell Business Center, Ortigas Avenue, Brgy. Ugong, Pasig City. On September 14, 2022, MPH filed for an amendment in its articles of incorporation to change its corporate name to Metro Pacific Health. On February 10, 2023, the SEC approved the amendment.

The registered business address of the Company is 2205 Civic Drive, Filinvest Corporate City, Alabang, Muntinlupa City.

Authorization for Issuance of Financial Statements

The financial statements were authorized for issue by the Board of Directors (BOD) on February 21, 2023.

2. Summary of Significant Accounting Policies and Financial Reporting Practices

Basis of Preparation

The accompanying financial statements have been prepared on a historical cost basis, except for financial assets at fair value through other comprehensive income (FVOCI). The financial statements are presented in Philippine Peso (Peso), which is the Company's functional and presentation currency, and all values are rounded to the nearest Peso except when otherwise indicated.

The accompanying financial statements have been prepared under the going concern assumption. The Company believes that its businesses would remain relevant despite challenges posed by the COVID-19 pandemic. Despite the adverse impact of the COVID-19 pandemic on short-term business results, long-term prospects remain attractive.

Statement of Compliance
The financial statements of the Company are prepared in accordance with Philippine Financial Reporting Standards (PFRSs). The term PFRS includes all applicable PFRS, Philippine Accounting Standards (PAS) and interpretations issued by the Philippine Interpretations Committee and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Philippine Financial Reporting Standards Council (FRSC) and adopted by the Philippine SEC.

New Standards, Interpretations and Amendments
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2022. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

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

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

  The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

  At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

- Amendments to PAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*

  The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the '10 per cent' test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

    The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

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

Effective beginning on or after January 1, 2023

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

Current versus Noncurrent Classification
The Company presents assets and liabilities in the statement of financial position based on whether it is current and noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Fair Value Measurement
The Company measures financial instruments, such as financial asset at FVOCI at each reporting date 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:

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

The principal or the most advantageous market must be accessible to the Company.

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

At each reporting date, management analyzes the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Company's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

For the purpose of fair value disclosures, the Company 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 explained above.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from date of acquisition and that are subject to an insignificant risk of change in value.

Financial Instruments: Financial Assets

Initial recognition and measurement
Financial assets are classified, at initial recognition, and subsequently measured at amortized cost, FVOCI, and fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows representing solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

As at December 31, 2022 and 2021, the Company has no financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments) and financial assets at FVPL.

Financial assets at amortized cost (debt instruments)
This category is the most relevant to the Company. The Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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 closely payments of principal and interest on the principal amount outstanding.

Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

As at December 31, 2022 and 2021, the Company's financial assets at amortized cost includes cash in bank and cash equivalents, receivables and refundable deposits included under "Other noncurrent assets" in the statements of financial position (see Notes 4, 5 and 9).

Financial assets designated at FVOCI (equity instruments)
Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in Other Comprehensive Income (OCI). Equity instruments designated at FVOCI are not subject to impairment assessment.

The Company elected to classify irrevocably its equity investments under this category as the Company considers these investments to be strategic in nature.

As at December 31, 2022 and 2021, the Company's financial assets at FVOCI includes investment in shares included under "Other noncurrent assets" in the statements of financial position (see Note 9).

Impairment of financial assets
The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual cash flows in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Instruments: Financial Liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

Subsequent measurement - financial liabilities at amortized cost
This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs under the "Finance costs" in the statement of comprehensive income.

As of December 31, 2022, and 2021, the Company's accounts payable and other current liabilities (excluding statutory payables and contract liabilities), due to a related party and lease liability are classified under this category (see Notes 10, 22 and 23).

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

- the right to receive cash flows from the asset has expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or

- the Company has transferred its right to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from a financial asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay. Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

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.

<u>Offsetting of Financial Instruments</u>
Financial assets and financial liabilities are offset and the net amount is reported in the statement 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. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

<u>Inventories</u>
Inventories are valued at the lower of cost and net realizable value (NRV). Cost is the purchase cost determined using weighted average method for medicines and medical supplies. NRV of inventories is the selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Inventories are derecognized either when sold or written-off. When inventories are sold for operations, the carrying amount of those inventories shall be recognized as an expense in the period in which the related revenue is recognized.

Allowance is made, when necessary, for obsolete, slow-moving and defective inventories. The amount of any write-down of inventories to NRV and all losses of inventories shall be recognized as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-downs of inventories, arising from an increase in NRV, shall be recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

Other Current Assets
Other current assets include prepaid expenses, creditable withholding taxes (CWT) and input value-added tax (VAT). Other current assets are expenses paid in advance and recorded as asset before they are used or consumed, as the service or benefit will be received in the future. Prepayments are recognized as expenses either with the passage of time or through use or consumption.

The Company conducts regular assessment on the recoverability of the account balance depending on how these are to be utilized. The amount of the loss is measured as the difference between the asset's carrying amount and estimated recoverable value. Impairment loss is recognized in the statement of comprehensive income and the carrying amount of the asset through the use of an allowance.

Property and Equipment
Property and equipment, except land, are stated at cost less accumulated depreciation and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes, and any costs directly attributable in bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance costs, are recognized in profit or loss in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of the property and equipment.

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

	Number of Years
Buildings	40
Building equipment	15 to 25
Building improvements	5
Medical equipment and instruments	2 to 20
Hospital furniture, fixtures and equipment	3 to 20
Office furniture and equipment	5 to 20

Depreciation commences once the assets are available for use. It ceases at the earlier of the date that it is classified as held for sale and the date the asset is derecognized.

The useful lives and depreciation method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment. When assets are sold or retired, the cost and the related accumulated depreciation and any impairment in value are eliminated from the accounts. Any gain or loss resulting from the disposal is recognized in profit or loss.

Construction in progress and equipment for installation are stated at cost less any impairment in value. These include cost of construction, equipment, borrowing costs and other direct costs.

Construction in progress and equipment for installation are not depreciated until such time as the relevant assets are completed and put into operational use.

Right-of-use Assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are amortized on a straight-line basis over the shorter of its estimated useful life and the lease term. The Company classifies right-of-use assets as property and equipment.

Software and Licenses

Software and licenses, which are included under "Other noncurrent assets" in the statement of financial position, are measured on initial recognition at cost. Following initial recognition, software and licenses are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight-line method over its estimated useful life of five (5) years.

Investment Properties

Investment properties, pertaining to a condominium unit, included under "Other noncurrent assets" in the statement of financial position, are measured initially at cost, including transaction costs.

Subsequent to initial recognition, it is stated at cost less accumulated depreciation and any impairment in value.

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

Depreciation on the investment property is calculated using the straight-line method over the estimated useful life of twenty-five (25) years.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement and disposal.

Impairment of Nonfinancial Assets

Property and equipment, including right-of-use asset, software and licenses and investment properties are reviewed for impairment whenever events or changes in circumstances indicate that testing is required for an asset, and where the carrying values exceed the estimated recoverable amount. If any such indication exists, the assets or cash-generating units are written down to their recoverable amount. The recoverable amount is the greater of fair value less cost to sell or value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses, if any, are recognized in profit or loss.

Capital Stock
Capital stock is measured at par value for all shares issued. When the Company issues more than one class of stock, a separate account is maintained for each class of stock and number of shares issued.

When the shares are sold at a premium, the difference between the proceeds and the par value is credited to the "Additional paid-in capital" account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Subscription receivable is presented in the statement of financial position as a deduction from the related subscribed ordinary shares; however, when it is collectible within one year, this may be shown as a current asset. It is debited for the total proceeds of the subscriptions to the ordinary shares and credited for the collections on the subscriptions.

Retained Earnings
Retained earnings represent the cumulative balance of periodic net income or losses, dividend distributions, prior period adjustments, effect of changes in accounting policies and other capital adjustments. When the retained earnings account has a debit balance, it is called "deficit". A deficit is not an asset but a deduction from equity.

Other Comprehensive Income (OCI)
OCI comprises items of income and expense that are not recognized in profit or loss for the year in accordance with PFRS. OCI includes fair value changes financial asset at FVOCI and available-for-sale (AFS) financial assets and remeasurement gains or losses on retirement benefits.

Revenue Recognition
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods and services. The Company has generally concluded that it is principal in its revenue arrangements because it typically controls the goods and services before transferring them to the customer.

Patient service revenue
Patient service revenue qualifies for revenue recognition over time under paragraph 35(a) of PFRS 15 because the patient simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs. The Company elects to use the right to invoice practical expedient in recognizing revenue because the Company has a right to consideration from the patient in an amount that corresponds directly with the value to the patient of the Company's performance completed to date. Payment is due once the Company satisfies its performance obligation except for certain corporate customers which are allowed to settle the payment within 30-90 days.

Pharmacy sales
The Company assessed pharmacy sales to be either combined as one performance obligation with the healthcare services if the medicines are part of a series of distinct goods and services which cannot be separately identified or as a separate performance obligation if the patient can benefit solely from the goods, are readily available to the patient and separately identifiable from other goods and services of the Company. In the former case, pharmacy sales shall have the same measure of progress as the inpatient service revenue (i.e., over time) while in the latter, revenue shall be recognized as these are sold outright (i.e., point in time).

In determining the transaction price for the sale of healthcare services and goods, the Company considers the effects of any variable consideration such as discounts, rebates and implicit price concession. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Contract Balances

Trade receivables
A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets
A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays the consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

The Company has no contract assets and has no outstanding performance obligations as at December 31, 2022 and 2021.

Contract liabilities
A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If the customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

As at December 31, 2022 and 2021, the Company reported contract liabilities pertaining to advances received from patients for medical services that has yet to be performed. This can be redeemed by the patients in a future time through rendering of services and was presented as part of "Accounts payable and other current liabilities" on the statement of financial position (see Notes 10 and 12).

Interest income
Income is recognized as the interest accrues considering the effective yield of the assets.

Rent income
Income under operating lease agreements is recognized on a straight-line basis over the lease term.

VAT
Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

Cost and Expense Recognition
Costs and expenses are recognized in profit or loss in the year they are incurred. The following specific costs and expense recognition criteria must also be met before costs and expenses are recognized:

Cost of services
Costs are generally recognized when the services are rendered and when the supplies necessary in rendering healthcare services to patients are used.

Cost of sales - pharmacy
Cost of sales is recorded in the books when the medicines are administered to patients.

Operating expenses
Operating expenses constitute the costs of administering the business and are expensed as incurred. These expenses pertain to personnel costs, supplies expenses, utilities expense and other expenses incurred by the general and administrative departments of the Company.

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

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

Retirement benefits costs comprise the following:

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

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

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

Net interest on the net accrued retirement benefits liability recognized as expense or income in profit or loss and is presented under “Finance costs” in the statement of comprehensive income.

Remeasurements comprising actuarial gains and losses and return on plan assets (excluding net interest on accrued retirement benefits liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

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

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

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

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

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

Leases
A lease arrangement is established by a contract (the lease) that conveys to the user (the lessee) the right to control the use of an identified asset for a period of time in exchange for consideration. A portion of an asset is an identified asset if it is physically distinct. If it is not physically distinct, the portion of an asset is not an identified asset, unless the lessee has the right to use substantially all of the capacity of the asset during the lease term.

If a contract contains more than one lease component, or a combination of leasing and selling transactions, the consideration is allocated to each of the lease and non-lease components on conclusion and on each subsequent measurement of the contract on the basis of their stand-alone selling prices.

The Company as a lessee
The Company has certain leases of machineries, office equipment, and parking lots and spaces of land. Generally, the leases have lease terms of one year or less and are renewable under certain terms and conditions to be mutually agreed upon by the parties. The Company applies the "short-term lease" and "lease of low-value assets" recognition exemptions for these leases. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

The Company as a lessor
Leases where the Company retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Rental income under operating leases is accounted for in accordance with the terms of the leases and generally on a straight-line basis and is included under "Other operating income" in the statement of comprehensive income.

Income Taxes

Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as of the reporting date.

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

Deferred income tax liabilities are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary difference can be utilized.

Deferred income tax, however, 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 nor taxable income or loss.

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

Deferred income tax relating to items recognized outside profit or loss is recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income tax relates to the same entity and the same taxation authority.

Foreign Currency-denominated Transactions and Translations
The functional currency of the Company is the Philippine Peso. Transactions denominated in foreign currencies are recorded in Peso using the applicable exchange rate at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are restated using the applicable closing exchange rate at the reporting date. Foreign exchange gains or losses are recognized in profit or loss.

Provisions and Contingencies
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in profit or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash

flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements.

Events After the Reporting Date
Events after the reporting date that provide additional information about the Company's financial position at the reporting date (adjusting event), if any, are reflected in the financial statements. Events after the reporting date that are not adjusting events, if any, are disclosed in the notes to financial statements when material.

Earnings per Share (EPS)
Basic earnings per share is computed by dividing net income by the weighted average number of shares outstanding during the year, after giving retroactive effect to any stock split and stock dividends declared during the year.

The Company does not have potentially dilutive shares.

3. Management's Use of Significant Judgments, Accounting Estimates and Assumptions

The preparation of the financial statements in accordance with PFRS requires management to exercise judgments, make accounting estimates and use assumptions that affect the amounts reported in the financial statements and accompanying notes. The judgments, estimates and assumptions used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Future events may occur which can cause the assumptions used in arriving at those judgments and estimates to change. The effects of any changes will be reflected in the financial statements as they become reasonably determinable.

Judgments
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effects on amounts recognized in the financial statements:

Determination of whether the Company is acting as principal or agent
The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as principal on all of its revenue arrangements because the Company is the primary obligor who is responsible for providing the services to the patients and the Company bears the credit risk. The Company presents its revenues from pharmacy and hospital services, net of applicable discounts.

The Company as a lessee

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

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases of equipment. It also applies the leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below ₱0.3 million). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

The Company as a lessor
The Company has entered into commercial property leases on its investment property and concessionaire agreements with various business entities on certain areas of its building. The Company has determined that it retains all the significant risks and rewards of ownership of its investment property and certain areas of its building which are leased out on operating leases. Contingent rents are recognized as income in the period in which they are earned.

<u>Accounting Estimates and Assumptions</u>
The key assumptions concerning the future and other key sources of estimation uncertainties at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Estimating the incremental borrowing rate (PFRS 16)
The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The present value of the lease payments is determined using the discount rate representing the interest rate implicit in the lease, or the lessee's incremental borrowing rate, if that rate cannot be readily determined. The Company assessed the incremental borrowing rate based on the interest rate that the Company would have to pay over the similar lease term, the fund necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate used on the existing lease is 4.95%.

Estimation of the fair value of financial assets and financial liabilities
The Company carries certain financial assets and financial liabilities at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value would differ if the Company utilized a different valuation methodology. Any change in fair value of these financial assets and financial liabilities would affect the profit or loss and other comprehensive income of the Company.

As at December 31, 2022, and 2021, financial assets recognized in the statements of financial position amounted to ₱1,392.7 million and ₱1,067.3 million, respectively, while financial liabilities amounted to ₱753.9 million and ₱685.9 million, respectively (see Note 21).

Provision for ECL of trade receivables
The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Company's historical observed default rates. The Company calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in forward-looking estimates are analyzed.

The assessment of the correlation between observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

In its ECL model, the Company relies on a broad range of forward-looking information as economic inputs such as gross domestic product and inflation. The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The ongoing COVID-19 outbreak is widely expected to adversely affect the global economy and financial markets for the foreseeable future. The economic impact of COVID-19 depends on the mutation of the virus and the response of the authorities and the global community. The situation continues to evolve and the impact on the global and Philippine economy and the related government responses and measures depend on future developments that are highly uncertain. In light of the COVID-19 pandemic, the Company reviewed the conduct of its impairment assessment on its receivables for each customer segment.

In 2021, the Company revisited its estimate of loss given default for its receivables and updated the provision rates of receivables from actual computed loss rates for each customer segment aged up to 120 days to the actual computed loss rates for each customer segment aged up to 360 days. This is to reflect the Company's current collection trend from its receivables.

Provision for ECL amounted to nil, ₱188.4 million and ₱134.0 million in 2022, 2021 and 2020, respectively (see Note 14). Receivables, net of allowance for ECL, amounted to ₱366.5 million and ₱368.2 million as at December 31, 2022 and 2021, respectively (see Note 5).

Estimation of allowance for inventory losses
Provisions are made for expired and slow-moving medicines and medical supplies pending disposal. Medicines and medical supplies, net of allowance for inventory losses, amounted to ₱164.2 million and ₱231.5 million as at December 31, 2022 and 2021, respectively. Inventory write-off amounted to ₱5.9 million and 11.9 million as at December 31, 2022 and 2021, respectively (see Note 6).

Provision for inventory obsolescence amounted to ₱2.9 million, ₱3.8 million and ₱5.1 million in 2022, 2021 and 2020, respectively (see Notes 6 and 13).

Estimation of impairment of property and equipment, right-of-use asset, investment properties, and software and licenses
The Company assesses the impairment of property and equipment, right-of-use asset, investment properties, and software and licenses whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. The recoverable amount is the higher of an asset's net selling price and value-in-use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value-in-use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

No impairment loss was recognized on property and equipment, right-of-use asset, investment properties, and software and licenses in 2022, 2021 and 2020 (see Notes 8 and 9). Accumulated impairment losses on property and equipment amounted to ₱0.1 million and ₱1.3 million as at December 31, 2022 and 2021 (see Note 8).

As at December 31, 2022, the carrying values of property and equipment, investment properties, and software and licenses amounted to ₱3,919.3 million, ₱2.2 million and ₱23.5 million, respectively, while their carrying values as at December 31, 2021 amounted to ₱3,975.1 million, ₱2.3 million and ₱12.0 million, respectively (see Notes 8 and 9).

Recognition of deferred income tax assets
The Company reviews the carrying amounts of deferred income taxes at each reporting date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized.

Management recognized deferred income tax assets amounting to ₱123.7 million and ₱129.9 million as at December 31, 2022 and 2021, respectively, because management expects to realize their benefits in the future (see Note 19).

Estimation of retirement benefits cost
The cost of defined benefit pension plans as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, accrued retirement benefits liability are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

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

The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

Net retirement benefit cost recognized in profit or loss amounted to ₱9.6 million, ₱16.2 million and ₱11.4 million in 2022, 2021 and 2020, respectively, while net interest expense from retirement benefit cost amount to ₱0.9 million, ₱0.7 million and ₱2.4 million in 2022, 2021 and 2020, respectively (see Notes 17 and 18). Actuarial gain on accrued retirement benefits liability net of tax recognized in OCI amounted to ₱15.9 million in 2021 and actuarial loss on accrued retirement benefits liability, net of tax, recognized in OCI amounted to ₱24.9 million and ₱0.3 million in 2022 and 2020, respectively (see Note 18). As at December 31, 2022 and 2021, accrued retirement benefits liability amounted to ₱49.7 million and ₱20.0 million, respectively (see Note 18).

Contingencies
The Company is a party in various lawsuits, the outcome of which is presently undeterminable. All such cases are in the normal course of business and are not deemed to be considered as material legal proceedings. Further, these cases are either pending in courts or under protest, the outcome of which are not presently determinable. Management and its legal counsel believe that the liability, if any, that may result from the outcome of these litigations and claims will not materially affect their financial position or performance.

4. Cash and Cash Equivalents

	2022	2021
Cash on hand and in banks	**₱804,840,474**	₱456,133,969
Time deposit	**212,428,748**	230,452,008
	₱1,017,269,222	₱686,585,977

Cash and cash equivalents include cash in banks and temporary placements that are made for varying periods up to three months depending on the immediate cash requirements of the Company. Cash in banks earn interest at the prevailing bank rates.

Interest income earned from cash in banks and cash equivalents amounted to ₱3.7 million, ₱1.1 million and ₱2.4 million in 2022, 2021 and 2020, respectively.

5. Receivables

	2022	2021
Trade:		
Philippine Health Insurance Corporation (PhilHealth)	**₱315,431,108**	₱409,585,690
Self-pay	**131,525,537**	159,259,193
Health maintenance organizations (HMO)	**115,458,513**	51,269,936
Corporate accounts	**48,713,719**	31,157,676
International insurance	**17,270,744**	34,552,743
Others	**29,370,448**	31,327,362
Nontrade	**36,946,110**	33,171,559
	694,716,179	750,324,159
Less allowance for ECL	**328,221,321**	382,093,621
	₱366,494,858	₱368,230,538

Movements in the allowance for ECL follow:

	2022	2021
Beginning balances	**₱382,093,621**	₱228,186,107
Provision for ECL (Note 14)	–	188,400,074
Write off	**(53,872,300)**	(34,492,560)
Ending balances	**₱328,221,321**	₱382,093,621

The Company’s outstanding trade receivables from related parties amounted to ₱5.4 million as at December 31, 2022 and 2021 (see Note 22).

Interest income earned from late payment charges totaled ₱0.7 million, ₱0.2 million and ₱0.1 million in 2022, 2021 and 2020, respectively.

Accounts provided with allowance were evaluated on a continuous basis and specifically identified by management on the basis of factors that affect the collectability of each account.

6. **Inventories**

	2022	2021
At Cost:		
Medicines	**₱56,865,399**	₱73,224,253
Medical supplies	**114,954,567**	168,941,119
	171,819,966	242,165,372
Less allowance for inventory obsolescence	**7,663,170**	10,617,532
	₱164,156,796	₱231,547,840

The cost of medicines and medical supplies carried at net realizable value amounted to ₱7.7 million and ₱10.6 million as at December 31, 2022 and 2021, respectively. All inventories carried at net realizable value were fully provided with allowance.

Movements in the allowance for inventory obsolescence accounts follow:

	2022	2021
Beginning balance	**₱10,617,532**	₱18,641,927
Provision for inventory obsolescence (Note 13)*	**2,930,727**	3,845,131
Write off	**(5,885,089)**	(11,869,526)
	₱7,663,170	₱10,617,532

**Presented as “Others - net” under “Cost of Services and Sales”.*

7. **Other Current Assets**

	2022	2021
Prepaid expenses	**₱23,347,234**	₱17,777,755
CWT	**11,536,648**	11,755,259
Input VAT	**146,265**	–
	₱35,030,147	₱29,533,014

Prepaid expenses mainly pertain to advance payments for subscription, insurance and supplies.

CWT represents amount withheld by counterparty for services rendered by the Company which can be claimed as tax credits.

Input VAT pertains to VAT imposed on purchases of services. These are expected to be offset against output VAT arising from the Company's revenue/income subject to VAT in the future.

8. Property and Equipment

As at December 31, 2022:

	Land	Buildings	Building Equipment	Building Improvements	Medical Equipment and Instruments	Hospital Furniture, Fixtures and Equipment	Office Furniture and Equipment	Right-of-use Asset	Construction in Progress and Equipment for Installation	Total
Cost										
Beginning balances	**₱506,088,432**	**₱3,182,896,665**	**₱1,160,539,848**	**₱258,489,646**	**₱2,426,322,346**	**₱492,467,098**	**₱103,474,569**	**₱9,120,900**	**₱29,787,220**	**₱8,169,186,724**
Additions	–	–	**8,760,000**	**8,202,764**	**117,477,813**	**37,965,270**	**5,289,962**	**8,357,793**	**124,132,205**	**310,185,807**
Reclassifications	–	**133,419,425**	–	–	**20,500,000**	–	–	–	**(153,919,425)**	–
Disposals	–	–	–	–	**(66,285,817)**	**(6,138,344)**	**(1,030,058)**	–	–	**(73,454,219)**
Ending balances	**506,088,432**	**3,316,316,090**	**1,169,299,848**	**266,692,410**	**2,498,014,342**	**524,294,024**	**107,734,473**	**17,478,693**	–	**8,405,918,312**
Accumulated Depreciation										
Beginning balances	–	**965,486,369**	**643,330,962**	**248,716,564**	**1,855,329,226**	**384,850,252**	**88,179,489**	**6,882,828**	–	**4,192,775,690**
Depreciation (Notes 13 and 14)	–	**87,716,540**	**50,366,294**	**4,425,289**	**168,366,628**	**44,905,295**	**5,832,860**	**3,979,279**	–	**365,592,185**
Disposals	–	–	–	–	**(65,557,295)**	**(5,346,837)**	**(966,962)**	–	–	**(71,871,094)**
Ending balances	–	**1,053,202,909**	**693,697,256**	**253,141,853**	**1,958,138,559**	**424,408,710**	**93,045,387**	**10,862,107**	–	**4,486,496,781**
Accumulated Impairment Losses	–	–	–	–	**10,983**	**3,884**	**103,533**	–	–	**118,400**
Net Book Value	**₱506,088,432**	**₱2,263,113,181**	**₱475,602,592**	**₱13,550,557**	**₱539,864,800**	**₱99,881,430**	**₱14,585,553**	**₱6,616,586**	**₱–**	**₱3,919,303,131**

As at December 31, 2021:

	Land	Buildings	Building Equipment	Building Improvements	Medical Equipment and Instruments	Hospital Furniture, Fixtures and Equipment	Office Furniture and Equipment	Right-of-use Asset	Construction in Progress and Equipment for Installation	Total
Cost										
Beginning balances	₱506,088,432	₱3,066,781,006	₱1,136,842,088	₱253,966,334	₱2,328,611,827	₱458,594,157	₱99,600,409	₱9,120,900	₱68,728,234	₱7,928,333,387
Additions	–	–	16,017,760	4,523,312	120,178,158	34,110,717	4,087,696	–	84,854,645	263,772,288
Reclassifications	–	116,115,659	7,680,000	–	–	–	–	–	(123,795,659)	–
Disposals	–	–	–	–	(22,467,639)	(237,776)	(213,536)	–	–	(22,918,951)
Ending balances	506,088,432	3,182,896,665	1,160,539,848	258,489,646	2,426,322,346	492,467,098	103,474,569	9,120,900	29,787,220	8,169,186,724
Accumulated Depreciation										
Beginning balances	–	881,235,070	592,960,520	244,597,423	1,724,127,499	343,026,079	81,825,671	3,441,414	–	3,871,213,676
Depreciation (Notes 13 and 14)	–	84,251,299	50,370,442	4,119,141	153,664,464	42,030,731	6,551,586	3,441,414	–	344,429,077
Disposals	–	–	–	–	(22,462,737)	(206,558)	(197,768)	–	–	(22,867,063)
Ending balances	–	965,486,369	643,330,962	248,716,564	1,855,329,226	384,850,252	88,179,489	6,882,828	–	4,192,775,690
Accumulated Impairment Losses	–	–	–	–	866,303	41,312	375,759	–	–	1,283,374
Net Book Value	₱506,088,432	₱2,217,410,296	₱517,208,886	₱9,773,082	₱570,126,817	₱107,575,534	₱14,919,321	₱2,238,072	₱29,787,220	₱3,975,127,660

The cost of fully depreciated property and equipment that are still being used in operations amounted to ₱1,833.6 million and ₱1,724.5 million as at December 31, 2022 and 2021, respectively.

The Company disposed some items of property and equipment in 2022, 2021 and 2020. Transactions are as follows:

	2022	2021	2020
Net book value	**₱1,583,125**	₱51,888	₱1,703,813
Less: Proceeds	**1,432,661**	25,447	150,446
Trade-in value	**89,285**	–	42,800
Loss on disposals	**₱61,179**	₱26,441	₱1,510,567

Trade-in value received by the Company upon sale of property and equipment was included as part of the additions in property and equipment.

9. Other Noncurrent Assets

	2022	2021
Software and licenses	**₱23,502,922**	₱11,998,547
Advances to contractors	**17,552,210**	38,437,140
Financial assets at FVOCI	**17,168,000**	8,468,000
Refundable deposits	**6,810,777**	6,657,970
Investment property	**2,171,869**	2,336,822
	₱67,205,778	₱67,898,479

a. Advances to contractors pertains to advance payments to suppliers. These advances will be applied as payment for assets to be classified as property and equipment.

b. Software and licenses as at December 31 follow:

	2022	2021
Cost		
Beginning balances	**₱163,409,719**	₱152,876,890
Additions	**24,470,638**	10,532,829
Ending balances	**187,880,357**	163,409,719
Accumulated Amortization		
Beginning balances	**151,411,172**	144,008,888
Amortization (Notes 13 and 14)	**12,966,263**	7,402,284
Ending balances	**164,377,435**	151,411,172
Net Book Value	**₱23,502,922**	₱11,998,547

c. Movement in the carrying values of financial assets at FVOCI as at December 31 are as follows:

	2022	2021
Beginning balance	**₱8,468,000**	₱8,568,000
Unrealized gain (loss) on changes in fair value	**8,700,000**	(100,000)
Ending balance	**₱17,168,000**	₱8,468,000

Movement in the unrealized gain on changes in fair value of financial assets at FVOCI as at December 31 are as follows:

	2022	2021
Beginning balance	**₱5,835,000**	₱5,935,000
Unrealized gain (loss) on changes in fair value	**8,700,000**	(100,000)
Ending balance (Note 11)	**₱14,535,000**	₱5,835,000

d. As at December 31, 2022, and 2021, refundable deposits consist of Meralco deposit equivalent to an estimated one-month billing and a meter deposit made in 2001 for the installation of electricity lines in the Hospital buildings.

e. Investment property consists of a condominium unit as at December 31:

	2022	2021
Cost	**₱4,123,808**	₱4,123,808
Accumulated Depreciation		
Beginning balances	**1,786,986**	1,622,033
Depreciation (Note 14)	**164,953**	164,953
Ending balances	**1,951,939**	1,786,986
Net Book Value	**₱2,171,869**	₱2,336,822

The fair value of the investment property cannot be determined as there is no recent market transaction for these investments. No impairment loss was recognized on investment property in 2022, 2021 and 2020.

There are no direct operating expenses including repairs and maintenance arising from investment property that generated rental income in 2022, 2021 and 2020.

10. Accounts Payable and Other Current Liabilities

	2022	2021
Trade accounts payable	**₱359,359,438**	₱352,225,849
Accrued expenses	**215,826,642**	140,153,057
Accrued physician fees	**64,575,644**	44,537,328
Statutory payables	**24,410,253**	24,583,375
Contract liabilities (Note 12)	**11,087,245**	12,091,059
Retention payable	**8,501,957**	9,632,423
Refund payable	**6,891,737**	8,662,262
Others	**86,077,065**	118,326,269
	₱776,729,981	₱710,211,622

a. Trade payables include unpaid billings of creditors, suppliers and contractors. The trade suppliers generally provide 7, 15 or 30-day terms to the Company. Prompt payment discounts of 1%, 1.25%, 1.5%, 2%, 3% and 5% are given by a number of trade suppliers.

Related party balances included in “Trade accounts payable” and “Accrued expenses” amounted to ₱25.0 million and ₱10.1 million as at December 31, 2022 and 2021, respectively (see Note 22).

b. Accrued expenses include accruals for various expenses used in the operations of the Company which are normally settled within the next twelve months. Details of accrued expenses as at December 31 are as follows.

	2022	2021
Personnel	**₱47,285,304**	₱16,757,304
Outside services	**36,288,529**	30,122,718
Professional fees	**32,160,250**	23,400,969
Cost of medical supplies	**30,887,252**	27,751,740
Utilities	**23,507,893**	10,423,010
Maintenance	**9,164,243**	3,088,587
General expenses	**8,653,520**	7,478,125
Rebate	**5,861,211**	5,250,460
Rent	**3,472,954**	3,402,482
Others	**18,545,486**	12,477,662
	₱215,826,642	₱140,153,057

c. Physician fees pertain to professional fees, payable to its physicians and being remitted upon collection of the related receivables from patients. The Company is a party under a 'pass-through' arrangement wherein it acts as a collecting agent from patients and remits professional fees to its physicians upon collection of the related receivables.

d. Statutory payables pertain to VAT payable, expanded withholding taxes payable, withholding taxes payable on compensation, and contributions to Social Security System, PhilHealth and Pag-IBIG which are normally settled within the next twelve months.

e. Contract liabilities pertain to advances received from patients for medical services that has yet to be performed which can be redeemed by the patient in a future time through rendering of services which are normally settled within the next twelve months (see Note 12).

f. Retention payable pertains to the 10% of progress billings related to the construction of the fit-outs to be paid upon satisfactory completion of the construction which are normally settled within the next twelve months.

g. Refund payable pertains to payments received by the Company in excess of the final invoice amount which are normally settled within the next twelve months.

h. Others represent unliquidated Debit Credit Payment Method from PhilHealth, current portion of lease liability, advances from employees and other officers, cooperative dues, and charities fund, among others which are normally settled within the next twelve months. Interest payment pertains to short-term loan availment to maintain credit facility amounting to ₱5.0 million.

11. **Equity**

Capital Stock

	Number of Shares	
	2022	2021
Authorized - ₱1 par value	**2,000,000,000**	2,000,000,000
Issued and subscribed	**1,936,728,391**	1,936,728,391

Subscription receivable
Movement of subscription receivable as at December 31 are as follows:

	2022	2021	2020
Beginning balance	**₱2,695,700**	₱2,812,974	₱3,103,986
Application of dividends against subscription receivable (see Note 24)	**(712,328)**	(117,274)	(291,012)
Ending balance	**₱1,983,372**	₱2,695,700	₱2,812,974

Retained Earnings
As at December 31, 2022 the Company's unappropriated retained earnings exceeded its paid-in capital. The Company plans to declare its excess retained earnings over paid-in capital as at December 31, 2022 as cash dividends in 2023.

Details of the Company's cash dividend declarations are as follows:

BOD Declaration Date	**Record Date**	**Payment Date**	**Dividend Per Share**	**Outstanding Shares as of Declaration Date**	**Total**
May 2, 2022	**May 12, 2022**	**May 27, 2022**	**₱0.082**	**₱1,936,728,391**	**₱158,811,728**
December 1, 2022	**December 12, 2022**	**December 21, 2022**	**0.082**	**1,936,728,391**	**158,811,728**
					₱317,623,456

BOD Declaration Date	Record Date	Payment Date	Dividend Per Share	Outstanding Shares as of Declaration Date	Total
November 15, 2021	November 26, 2021	December 15, 2021	₱0.027	₱1,936,728,391	₱52,291,667

BOD Declaration Date	Record Date	Payment Dates	Dividend Per Share	Outstanding Shares as of Declaration Date	Total
November 25, 2020	December 7, 2020	December 18, 2020	₱0.067	₱1,936,728,391	₱129,760,802

Other Comprehensive Income (Loss) - net
Accumulated other comprehensive income (loss) presented in the statements of financial position as at the years ended consists of the following, net of applicable income taxes:

	2022	2021	2020
Actuarial gain (loss) in accrued retirement benefits liability	**(₱15,533,246)**	₱9,389,808	(₱6,045,922)
Unrealized gain on changes in fair value	**14,535,000**	5,835,000	5,935,000
	(₱998,246)	₱15,224,808	(₱110,922)

12. **Revenue**

Disaggregated Revenue Information
Set out below is the disaggregation of the Company's revenue from contracts with customers for the years ended December 31.

	2022	2021	2020
By source			
Patient service revenue	**₱3,542,489,597**	₱3,270,492,785	₱2,857,266,829
Pharmacy sales	**643,269,320**	807,444,135	777,030,312
Discounts	**(484,205,454)**	(494,672,248)	(425,769,719)
	₱3,701,553,463	₱3,583,264,672	₱3,208,527,422

	2022	2021	2020
By customers			
Inpatient	**₱2,345,647,918**	₱2,642,350,148	₱2,553,248,327
Outpatient	**1,840,110,999**	1,435,586,772	1,081,048,814
Gross revenue	**4,185,758,917**	4,077,936,920	3,634,297,141
Discounts	**(484,205,454)**	(494,672,248)	(425,769,719)
	₱3,701,553,463	₱3,583,264,672	₱3,208,527,422

Contract Balances
The Company's trade receivables amounted to ₱657.8 million and ₱717.2 million as at December 31, 2022 and 2021, respectively (see Note 5).

Contract liabilities include deposits received from patients, amounting to ₱11.1 million and ₱12.1 million as at December 31, 2022 and 2021, respectively (see Note 10). Revenue recognized from contract liabilities included in 2022 and 2021 amounted to ₱7.1 million and ₱4.6 million, respectively.

13. Cost of Services and Sales

	2022	2021	2020
Medical supplies	**₱604,530,677**	₱595,879,595	₱552,312,558
Personnel costs (Note 17)	**358,302,427**	361,159,182	357,438,980
Reader's fee	**234,843,174**	177,454,313	148,835,039
Professional fees and outside services	**212,941,821**	204,511,101	197,380,881
Depreciation (Notes 8 and 9)	**191,425,089**	175,616,037	210,140,280
Communication, light and water (Note 22)	**145,146,844**	91,773,760	90,515,605
Patient meals	**35,450,177**	34,203,852	45,739,961
Repairs and maintenance	**33,353,764**	20,062,149	10,422,580
Supplies	**22,189,509**	17,703,464	18,375,486
Rent (Note 23)	**8,895,938**	15,283,886	17,769,336
Amortization of software and licenses (Note 9)	**2,891,050**	767,823	512,017
Others - net (Note 6)	**23,785,822**	26,924,477	17,417,296
Cost of services	**1,873,756,292**	1,721,339,639	1,666,860,019
Cost of sales - Pharmacy	**346,715,783**	426,466,200	431,782,904
	₱2,220,472,075	₱2,147,805,839	₱2,098,642,923

14. Operating Expenses

	2022	2021	2020
Personnel costs (Note 17)	**₱332,157,222**	₱303,203,588	₱267,975,262
Depreciation (Notes 8 and 9)	**174,332,049**	168,977,993	162,242,510
Professional fees and outside services (Note 22)	**167,948,443**	140,820,271	133,326,423
Repairs and maintenance	**68,100,295**	50,045,488	45,285,252

(Forward)

	2022	2021	2020
Communication, light and water (Note 22)	**₱57,091,281**	₱42,140,709	₱39,793,722
Taxes and licenses	**33,962,148**	31,105,111	49,758,710
Entertainment, amusement and recreation	**19,719,849**	18,974,651	17,826,482
Supplies	**18,760,743**	16,341,279	17,020,543
Insurance	**15,285,504**	14,516,308	15,721,951
Transportation and travel	**11,500,399**	10,571,328	9,688,339
Amortization of software and licenses (Note 9)	**10,075,213**	6,634,461	9,931,980
Advertising	**9,566,577**	3,305,297	6,619,402
Rent (Note 23)	**8,746,456**	6,905,022	7,229,699
Provision for ECL (Note 5)	**–**	188,400,074	133,950,421
Others	**33,198,341**	42,480,620	55,440,494
	₱960,444,520	₱1,044,422,200	₱971,811,190

Others pertains to credit card commission expense, association dues, canteen operation costs, employee meals, among others.

15. **Other Operating Income - Net**

	2022	2021	2020
Rent income (Note 23)	**₱12,370,622**	₱10,799,702	₱10,254,251
Foreign exchange gain (loss) - net	**23,949,325**	11,449,723	(1,759,339)
Loss on disposal of property and equipment (Note 8)	**(61,179)**	(26,441)	(1,510,567)
Others	**52,353,275**	30,668,733	29,114,554
	₱88,612,043	₱52,891,717	₱36,098,899

Others pertains to income from canteen operations, rebates and parking fees, among others.

16. **Finance Costs**

	2022	2021	2020
Net interest from retirement benefits cost (Note 18)	**₱936,230**	₱727,278	₱2,384,901
Interest expense on lease liability (Note 23)	**172,716**	201,757	369,655
Bank charges	**344,311**	288,183	270,284
	₱1,453,257	₱1,217,218	₱3,024,840

17. **Personnel Costs**

	2022	2021	2020
Salaries and wages (Notes 13 and 14)	**₱680,891,340**	₱648,176,292	₱613,983,190
Retirement benefits cost (Note 18)	**9,568,309**	16,186,478	11,431,052
	₱690,459,649	₱664,362,770	₱625,414,242

18. Retirement Benefits

The Company has a non-contributory retirement plan which provides retirement benefit equal to one hundred percent (100%) of plan salary for every year of credited service of qualified employees, not less than the regulatory benefit under the Retirement Pay Law (Republic Act No. 7641). The retirement plan trustee, as appointed by the Company in the trust agreement executed between the Company and the duly appointed retirement plan trustee, is responsible for the general administration of the retirement plan and the management of the retirement fund. The retirement plan trustee may seek the advice of counsel and appoint the investment managers to manage the retirement fund, an independent accountant to audit the fund and an actuary to value the retirement fund.

		Net Retirement Benefits Cost in Statement of Comprehensive Income				**Remeasurements in Other Comprehensive Income**					
	January 1, 2022	**Current Service Cost* (Notes 14 and 17)**	**Net Interest** (Note 16)**	**Subtotal**	**Contributions and Benefits Paid**	**Return on Plan Assets (Excluding Amount Included in Net Interest)**	**Actuarial Changes Arising from Changes in Demographic Assumptions**	**Actuarial Changes Arising from Changes in Financial Assumptions**	**Experience Adjustments**	**Subtotal**	**December 31, 2022**
Present value of defined benefit obligation	**₱106,190,781**	**₱9,568,309**	**₱5,415,730**	**₱14,984,039**	**(₱10,777,375)**	**₱–**	**₱37,363,430**	**(₱11,076,146)**	**(₱1,157,673)**	**₱25,129,611**	**₱135,527,056**
Fair value of plan assets	**(86,186,784)**	**–**	**(4,479,500)**	**(4,479,500)**	**(3,293,118)**	**8,101,127**	**–**	**–**	**–**	**8,101,127**	**(85,858,275)**
Accrued retirement benefits liability - net	**₱20,003,997**	**₱9,568,309**	**₱936,230**	**₱10,504,539**	**(₱14,070,493)**	**₱8,101,127**	**₱37,363,430**	**(₱11,076,146)**	**(₱1,157,673)**	**₱33,230,738**	**₱49,668,781**

**Presented as retirement benefits cost under "Personnel Costs".*
***Presented as net interest from retirement benefits cost under "Finance Costs".*

		Net Retirement Benefits Cost in Statement of Comprehensive Income					Remeasurements in Other Comprehensive Income					
	January 1, 2021	Current Service Cost* (Notes 14 and 17)	Settlement Loss	Net Interest** (Note 16)	Subtotal	Contributions and Benefits Paid	Return on Plan Assets (Excluding Amount Included in Net Interest)	Actuarial Changes Arising from Changes in Demographic Assumptions	Actuarial Changes Arising from Changes in Financial Assumptions	Experience Adjustments	Subtotal	December 31, 2021
Present value of defined benefit obligation	₱123,760,952	₱11,073,985	₱5,112,493	₱4,840,910	₱21,027,388	(₱14,072,503)	₱–	(₱2,091,232)	(₱15,821,257)	(₱6,612,567)	(₱24,525,056)	₱106,190,781
Fair value of plan assets	(80,165,539)	–	–	(4,113,632)	(4,113,632)	(5,275,893)	3,368,280	–	–	–	3,368,280	(86,186,784)
Accrued retirement benefits liability - net	₱43,595,413	₱11,073,985	₱5,112,493	₱727,278	₱16,913,756	(₱19,348,396)	₱3,368,280	(₱2,091,232)	(₱15,821,257)	(₱6,612,567)	(₱21,156,776)	₱20,003,997

**Presented as retirement benefits cost under "Personnel Costs".*
***Presented as net interest from retirement benefits cost under "Finance Costs".*

		Net Retirement Benefits Cost in Statement of Comprehensive Income				Remeasurements in Other Comprehensive Income					
	January 1, 2020	Current Service Cost* (Notes 14 and 17)	Net Interest** (Note 16)	Subtotal	Contributions and Benefits Paid	Return on Plan Assets (Excluding Amount Included in Net Interest)	Actuarial Changes Arising from Changes in Demographic Assumptions	Actuarial Changes Arising from Changes in Financial Assumptions	Experience Adjustments	Subtotal	December 31, 2020
Present value of defined benefit obligation	₱108,265,522	₱11,431,052	₱6,030,390	₱17,461,442	(₱3,840,947)	₱–	₱12,599,283	(₱2,551,112)	(₱8,173,236)	₱1,874,935	₱123,760,952
Fair value of plan assets	(55,774,031)	–	(3,645,489)	(3,645,489)	(19,349,220)	(1,396,799)	–	–	–	(1,396,799)	(80,165,539)
Accrued retirement benefits liability - net	₱52,491,491	₱11,431,052	₱2,384,901	₱13,815,953	(₱23,190,167)	(₱1,396,799)	₱12,599,283	(₱2,551,112)	(₱8,173,236)	₱478,136	₱43,595,413

**Presented as retirement benefits cost under "Personnel Costs".*
***Presented as net interest from retirement benefits cost under "Finance Costs".*

The principal actuarial assumptions used to determine retirement benefits are as follows:

	2022	2021	2020
Discount rate	**7.87%**	5.10%	3.78%
Salary increase rate	**7.00%**	5.00%	5.00%
Employees covered	**1,319**	1,375	1,505
Mortality rate	**2017 Philippine Intercompany Mortality Table**	2017 Philippine Intercompany Mortality Table	The 2001 CSO Table - Generational
Disability rate	**The Disability Study, Period 2 Benefit 5**	The Disability Study, Period 2 Benefit 5	The Disability Study, Period 2 Benefit 5

Withdrawal rates are as follows:

	Nurse			Non-Nurse		
Age	**2022**	2021	2020	**2022**	2021	2020
19 - 24	**34.22%**	28.77%	27.73%	**22.41%**	22.10%	22.78%
25 - 29	**34.29%**	35.79%	33.23%	**21.94%**	19.90%	20.17%
30 - 34	**37.53%**	33.51%	40.40%	**15.42%**	14.22%	15.94%
35 - 39	**46.24%**	47.16%	61.71%	**8.27%**	7.26%	7.18%
40 - 44	**50.00%**	32.69%	45.00%	**6.02%**	6.08%	5.97%
45 - 49	**16.00%**	35.00%	35.00%	**5.73%**	5.21%	5.02%
50 - 54	**0.50%**	35.00%	35.00%	**2.00%**	5.21%	5.02%
≥ 55	**0.50%**	35.00%	35.00%	**0.50%**	5.21%	5.02%

The composition of the fair value of plan assets by each class as at December 31 is as follows:

	2022	2021
Cash and cash equivalents	**₱7,186,338**	₱5,412,530
Debt instruments:		
Government securities	**74,387,609**	78,438,592
Not rated debt securities	**8,328,253**	–
	82,715,862	78,438,592
Others	**(4,043,925)**	2,335,662
Fair value of plan assets	**₱85,858,275**	₱86,186,784

The distribution of fair value of plan assets by each class as at December 31, 2022 are as follows:

	2022	2021
Cash and cash equivalents	**8.37%**	6.28%
Debt instruments:		
Government securities	**86.64%**	91.01%
Not rated debt securities	**9.70%**	–
	96.34%	91.01%
Others	**(4.71%)**	2.71%
	100.0%	100.0%

All debt instruments held have quoted prices in active markets. The remaining plan assets do not have quoted market prices in active markets.

The plan assets consist mainly of government securities that are risk-free.

Each sensitivity analysis on the significant actuarial assumptions was prepared by re-measuring accrued retirement benefits liability at the end of the reporting period after first 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 sensitivities were expressed as the corresponding change in the accrued retirement benefits liability.

	2022		2021	
	Increase (Decrease)	**Accrued Retirement Benefits**	Increase (Decrease)	Accrued Retirement Benefits
Discount rates	**1.0%**	**(₱12,629,842)**	1.0%	(₱9,770,336)
	(1.0%)	**14,685,771**	(1.0%)	11,473,507
Future salary increases	**1.0%**	**14,666,720**	1.0%	11,367,929
	(1.0%)	**(12,836,358)**	(1.0%)	(9,865,711)
No attrition rates		**80,160,661**		131,228,980

The retirement plan trustee has no specific matching strategy between the plan assets and the plan liabilities but the plan trustee is generally assumed to use an approach that would meet the goals of the fund.

The Company is not required to pre-fund the future defined benefits payable under the retirement plan before they become due. For this reason, the amount and timing of contributions to the retirement fund are at the Company's discretion. However, in the event a benefit claim arises and the retirement fund is insufficient to pay the claim, this will then be due and payable from the Company to the retirement fund.

The weighted average duration of the defined benefit obligation is 10.1 years and 10.0 years on December 31, 2022 and 2021, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31:

	2022	2021
Not exceeding one year	**₱13,629,066**	₱18,541,744
More than one year but not exceeding two years	**3,597,580**	6,987,304
More than two years but not exceeding five years	**27,222,329**	17,987,974
More than five years but not exceeding ten years	**109,221,415**	52,682,289
	₱153,670,390	₱96,199,311

The latest actuarial valuation report of the Company is as at December 31, 2022.

19. **Income Taxes**

a. Corporate Recovery and Tax Incentives for Enterprises Act

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, RCIT rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- MCIT rate is reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

- Imposition of improperly accumulated earnings tax (IAET) is repealed.

b. The components of the Company's provision for income tax are as follows:

	2022	2021	2020
Current:			
RCIT	**₱135,748,749**	₱138,347,773	₱95,777,866
Final tax on interest income	**748,098**	202,922	470,349
Impact of change in income tax rate beginning July 1, 2020	–	(7,336,020)	–
	136,496,847	131,214,675	96,248,215
Deferred	**16,382,397**	(6,958,082)	(27,226,051)
	₱152,879,244	₱124,256,593	₱69,022,164

Applying the provisions of the CREATE Act, the Company would have been subjected to lower RCIT rate of 25% and MCIT rate of 1% effective July 1, 2020.

The Company recognized in its comprehensive income for the year ended December 31, 2021, a reduction in Provision for income tax (current and deferred), Deferred tax on comprehensive income directly charged to Equity and Deferred tax income tax assets - net amounting to ₱13,325,851, ₱431,852 and ₱20,661,871, respectively, pertaining to the one-time impact of CREATE for the year ended December 31, 2020.

c. The components of the Company's net deferred income tax assets as at December 31 are as follows:

	2022	2021
Deferred income tax assets on:		
Allowance for:		
ECL	**₱82,055,331**	₱95,523,406
Inventory obsolescence	**1,915,792**	2,654,382
Accrued retirement benefits liability - net	**12,417,197**	5,000,999
Difference between the depreciation expense per books and the depreciation expense deducted for income tax purposes	**10,912,272**	17,171,387
Unamortized past service cost	**5,908,862**	5,600,521
Accrued service incentive	**5,727,686**	–

(Forward)

	2022	2021
Accrued expenses	**₱3,750,000**	₱2,500,000
Rental deposit	**542,388**	545,868
Right-of-use asset	**435,303**	585,578
Allowance for possible loss of equipment	**29,600**	320,843
	123,694,431	129,902,984
Deferred income tax liability on:		
Unrealized foreign exchange gain - net	**(3,539,781)**	(1,544,098)
Lease liability	**(429,993)**	(559,517)
	(3,969,774)	(2,103,615)
	₱119,724,657	₱127,799,369

	2022	2021
Deferred tax asset recognized in other comprehensive (income) loss - actuarial (income) loss on accrued retirement benefits liability	**₱8,307,685**	(₱5,289,194)

d. A reconciliation of the Company's provision for income tax computed at the statutory income tax rate based on income before income tax to the provision for income tax is as follows:

	2022	2021	2020
Provision for income tax computed at the statutory income tax rate	**₱153,068,356**	₱110,996,666	₱52,085,696
Additions to (reductions in) income tax resulting from:			
Interest income subjected to final tax	**(937,210)**	(268,846)	(709,645)
Final tax on interest income	**748,098**	202,922	470,349
Change in tax rate of deferred income tax – net	–	20,661,871	–
Change in tax rate on prior year's provision for current income tax	–	(7,336,020)	–
Deficiencies and penalties	–	–	7,745,616
Nondeductible expenses	–	–	5,168,130
Write-off of deferred tax assets	–	–	4,262,018
Provision for income tax	**₱152,879,244**	₱124,256,593	₱69,022,164

20. **Capital Management**

The primary objective of the Company'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 stockholder value.

The Company monitors capital using the liabilities to tangible net worth ratio. Liabilities include accounts payable and other current liabilities, net accrued retirement benefits liability, income tax payable, due to a related party and lease liability. Tangible net worth pertains to the total stockholders' equity minus intangible assets. Ratio should not be greater than 1:1.

	2022	2021
Liabilities (a):		
Accounts payable and other current liabilities	**₱772,786,635**	₱707,869,310
Accrued retirement benefits liability - net	**49,668,781**	20,003,997
Income tax payable	**45,900,002**	66,173,333
Due to a related party	**10,292,168**	12,165,062
Lease liability	**6,108,142**	2,342,312
	₱884,755,728	₱808,554,014
Tangible net worth (b):		
Retained earnings	**₱2,685,216,308**	₱2,543,445,584
Additional paid-in capital	**185,465,780**	185,465,780
Capital stock	**1,934,745,019**	1,934,032,691
Other comprehensive income (loss) - net of tax	**(998,246)**	15,224,808
	4,804,428,861	4,678,168,863
Less software and licenses - net	**23,502,922**	11,998,547
	₱4,780,925,939	₱4,666,170,316
Liabilities to tangible net worth ratio (a/b)	**0.19:1.0**	0.17:1.0

21. Financial Instruments and Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise mainly of cash and cash equivalents. The Company has various other financial assets and financial liabilities such as trade receivables and trade payables, which arise directly from its operations.

It is, and has been throughout the year, the Company's policy that no free-standing derivatives or trading in financial instruments shall be undertaken.

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

Current financial assets and financial liabilities
Due to the short-term nature of the transactions, the fair value of cash and cash equivalents (excluding cash on hand), receivables, accounts payable and other current liabilities (excluding statutory payables and contract liabilities), amounts due to a related party, and lease liability approximate the carrying amount as of the reporting date.

Refundable deposits
The carrying value approximates the fair value of refundable deposits included under "Other noncurrent assets" in the statements of financial position because of recent and regular repricing based on market conditions.

Financial asset at FVOCI
The fair value of equity financial assets designated at FVOCI included under "Other noncurrent assets" in the statement of financial position is based on the quoted prices in the active market.

Categories of Financial Instruments

	December 31, 2022			
	Amortized Cost	**Financial Asset at FVOCI**	**Financial Liabilities**	**Total**
Assets				
Cash and cash equivalents*	**₱1,002,195,600**	**₱–**	**₱–**	**₱1,002,195,600**
Trade receivables	**336,479,038**	–	–	**336,479,038**
Non-trade receivables	**30,015,820**	–	–	**30,015,820**
Refundable deposits	**6,810,777**	–	–	**6,810,777**
Equity financial assets measured at FVOCI	**–**	**17,168,000**	–	**17,168,000**
Total financial assets	**₱1,375,501,235**	**₱17,168,000**	**₱–**	**₱1,392,669,235**
Liabilities				
Accounts payable and other current liabilities**	**₱–**	**₱–**	**₱737,289,137**	**₱737,289,137**
Lease liability***	**–**	**–**	**6,280,858**	**6,280,858**
Due to a related party	**–**	**–**	**10,292,168**	**10,292,168**
Total financial liabilities	**₱–**	**₱–**	**₱753,862,163**	**₱753,862,163**

**Excluding cash on hand amounting to ₱15.1 million as at December 31, 2022*
***Excluding statutory payables and contract liabilities amounting to ₱24.4 million and ₱11.1 million, respectively, as at December 31, 2022*
****Includes future interest payments*

	December 31, 2021			
	Amortized Cost	Financial Asset at FVOCI	Financial Liabilities	Total
Assets				
Cash and cash equivalents*	₱683,895,907	₱–	₱–	₱683,895,907
Trade receivables	339,082,221	–	–	339,082,221
Non-trade receivables	29,148,317	–	–	29,148,317
Refundable deposits	6,657,970	–	–	6,657,970
Equity financial assets measured at FVOCI	–	8,468,000	–	8,468,000
Total financial assets	₱1,058,784,415	₱8,468,000	₱–	₱1,067,252,415
Liabilities				
Accounts payable and other current liabilities**	₱–	₱–	₱671,194,876	₱671,194,876
Lease liability***	–	–	2,544,069	2,544,069
Due to a related party	–	–	12,165,062	12,165,062
Total financial liabilities	₱–	₱–	₱685,904,007	₱685,904,007

**Excluding cash on hand amounting to ₱2.7 million as at December 31, 2021*
***Excluding statutory payables and contract liabilities amounting to ₱24.6 million and ₱12.1 million, respectively, as at December 31, 2021*
****Includes future interest payments*

Fair Value Hierarchy

The Company's financial assets that are carried at fair value are the quoted shares classified as equity financial assets as at December 31, 2022, and 2021, the fair value of these investments amounting to ₱17.2 million and ₱8.5 million, respectively, are determined and disclosed using Level 2 inputs, which are quoted in inactive markets indicated by the low volume or level of activity and sizes of transactions for a particular share. In 2022 and 2021, there were no transfers into and out of the different levels of fair value measurements.

Financial Risk Management Objectives and Policies

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and foreign currency risk. The BOD reviews and approves policies for managing these risks and they are summarized as follows:

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The Company extends credit only to reputable HMO or insurance companies. The receivable balances are regularly monitored. Credit limits are set in the system and a regular review of these limits is being done by management.

As a healthcare provider, the Company is exposed to credit risk on patients who are unable to pay their medical bills upon discharge. The Company has a policy to require deposits from patients upon admission and to require top-ups from patients whose bills have exceeded deposited amount. To lessen the exposure on credit risk, the Company closely monitors its receivables on an on-going basis. The Company's exposure to credit risk arises from default of the counterparty.

The table below provides the maximum credit risk exposure of the Company as at December 31:

	Gross Maximum Exposure[(1)]		Net Maximum Exposure[(2)]	
	2022	2021	**2022**	2021
Cash and cash equivalents*	**₱1,002,195,600**	₱683,895,907	**₱998,195,600**	₱679,895,907
Receivables	**366,494,858**	368,230,538	**366,494,858**	368,230,538
Refundable deposits**	**6,810,777**	6,657,970	**6,810,777**	6,657,970
Financial asset at FVOCI**	**17,168,000**	8,468,000	**17,168,000**	8,468,000
	₱1,392,669,235	₱1,067,252,415	**₱1,388,669,235**	₱1,063,252,415

[(1)]Gross financial assets before taking into account any collateral held or other credit enhancements or insurance in case of bank deposits.
[(2)]Net financial assets after taking into account any collateral held or other credit enhancements or insurance in case of bank deposits.
**Excluding cash on hand amounting to ₱15.1 million and ₱2.7 million as at December 31, 2022 and 2021, respectively.*
***Included as part of "Other noncurrent assets" account.*

The tables below and in the next page provide the age analysis of the Company's financial assets according to the Company's credit ratings of debtors:

	December 31, 2022							
	Neither Past Due nor Impaired	Past Due					Provision for ECL	Total
		<30 Days	30-60 Days	61-90 Days	91-120 Days	>120 Days		
Cash and cash equivalents*	**₱1,002,195,600**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,002,195,600**
Receivables:								
Trade:								
PhilHealth	**19,795,433**	**18,737,421**	**23,659,655**	**22,316,842**	**19,578,535**	**211,343,222**	**(195,155,977)**	**120,275,131**
HMO	**62,471,454**	**38,675,874**	**6,628,100**	**4,333,962**	**1,229,944**	**2,119,179**	**(137,723)**	**115,320,790**
Corporate accounts	**19,134,735**	**19,643,990**	**6,464,218**	**2,859,173**	**259,224**	**352,379**	**(115,350)**	**48,598,369**
International insurance	**4,051,021**	**6,259,494**	**2,371,665**	**1,367,671**	**2,828,666**	**392,227**	**(1,681,507)**	**15,589,237**
Self-pay	**4,410,203**	**2,437,775**	**1,411,287**	**1,244,420**	**3,972,613**	**118,049,239**	**(124,200,474)**	**7,325,063**
Others	**15,179,193**	**10,581,940**	**257,548**	**782,482**	**33**	**2,569,252**	**–**	**29,370,448**
Nontrade	**4,829,715**	**9,480,750**	**3,513,578**	**12,077,430**	**627,390**	**6,417,247**	**(6,930,290)**	**30,015,820**
Refundable deposits**	**6,810,777**	**–**	**–**	**–**	**–**	**–**	**–**	**6,810,777**
Financial assets at FVOCI**	**17,168,000**	**–**	**–**	**–**	**–**	**–**	**–**	**17,168,000**
	₱1,156,046,131	**₱105,817,244**	**₱44,306,051**	**₱44,981,980**	**₱28,496,405**	**₱341,242,745**	**(₱328,221,321)**	**₱1,392,669,235**

**Excluding cash on hand amounting to ₱15.1 million as at December 31, 2022.*
***Included as part of "Other noncurrent assets" account.*

	December 31, 2021							
	Neither Past Due nor Impaired	Past Due <30 Days	30-60 Days	61-90 Days	91-120 Days	>120 Days	Provision for ECL	Total
Cash and cash equivalents*	₱683,895,907	₱–	₱–	₱–	₱–	₱–	₱–	₱683,895,907
Receivables:								
Trade:								
PhilHealth	15,139,649	24,257,222	33,603,984	44,125,227	42,060,174	250,399,434	(239,413,526)	170,172,164
HMO	42,127,437	7,765,891	893,625	74,095	62,864	346,024	(94,602)	51,175,334
Corporate accounts	12,766,504	13,404,212	2,779,904	815,486	1,294,699	96,871	(181,253)	30,976,423
International insurance	7,221,262	9,090,267	9,809,967	6,448,125	295,935	1,687,187	(4,065,323)	30,487,420
Self-pay	700,522	9,846,314	6,924,587	9,861,759	9,543,462	122,382,549	(134,315,676)	24,943,517
Others	4,507,557	13,026,842	7,250,583	421,546	5,790,244	330,590	–	31,327,362
Nontrade	6,614,236	8,661,656	2,827,269	5,127,045	3,273,397	6,667,956	(4,023,241)	29,148,318
Refundable deposits**	6,657,970	–	–	–	–	–	–	6,657,970
Financial assets at FVOCI**	8,468,000	–	–	–	–	–	–	8,468,000
	₱788,099,044	₱86,052,404	₱64,089,919	₱66,873,283	₱62,320,775	₱381,910,611	(₱382,093,621)	₱1,067,252,415

**Excluding cash on hand amounting to ₱2.7 million as at December 31, 2021.*
***Included as part of "Other noncurrent assets" account.*

For cash and cash equivalents (excluding cash on hand), the Company applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from the external credit rating agencies to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

For trade and other receivables, an impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type or by payors). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Based on the Company's credit risk experience, ECL rate increases as the age of receivables also increases.

Credit quality
The financial assets of the Company are grouped according to stage whose description is explained as follows:

Stage 1 - Those that are considered current and up to 120 past due and based on change in rating delinquencies and payment history, do not demonstrate significant increase in credit risk.

Stage 2 - Those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 120 to 360 days past due but does not demonstrate objective evidence of impairment as of reporting date.

Stage 3 - Those that are considered in default or demonstrate objective evidence of impairment as of reporting date.

The table below shows determination of ECL stage of the Company's financial assets:

	December 31, 2022			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	
Cash and cash equivalents*	**₱1,002,195,600**	**₱–**	**₱–**	**₱1,002,195,600**
Trade receivables	**322,944,571**	**334,825,498**	**–**	**657,770,069**
Nontrade receivables	**30,528,863**	**6,417,247**	**–**	**36,946,110**
Refundable deposits**	**6,810,777**	**–**	**–**	**6,810,777**
Total financial assets	**₱1,362,479,811**	**₱341,242,745**	**₱–**	**₱1,703,722,556**

** Excluding cash on hand amounting to ₱15.1 million.*
***Included as part of "Other noncurrent assets" account.*

	December 31, 2021			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
Cash and cash equivalents*	₱683,895,907	₱–	₱–	₱683,895,907
Trade receivables	341,909,945	375,242,655	–	717,152,600
Nontrade receivables	26,503,603	6,667,956	–	33,171,559
Refundable deposits**	6,657,970	–	–	6,657,970
Total financial assets	₱1,058,967,425	₱381,910,611	₱–	₱1,440,878,036

** Excluding cash on hand amounting to ₱2.7 million.*
***Included as part of "Other noncurrent assets" account.*

<u>*Liquidity Risk*</u>
Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. The Company's objective is to be able to finance its working capital requirements and capital expenditures. To cover the Company's financing requirements, the Company uses internally-generated funds. Projected and actual cash flow information are regularly evaluated to ensure it meets these requirements.

The tables below summarize the maturity profile of the financial liabilities of the Company based on remaining undiscounted contractual obligations. The table also analyzes the maturity profile of the Company's financial assets in order to provide a complete view of the Company's contractual commitments and liquidity:

Financial assets
The maturity grouping is based on the remaining period from the end of the reporting period to the contractual maturity date or if earlier, the expected dates the assets will be realized.

Financial liabilities
The maturity grouping is based on the remaining period for the end of the reporting period to the contractual maturity date.

	December 31, 2022						
	On demand	**Within one year**	**1-2 years**	**2-3 years**	**3-4 years**	**More than 4 years**	**TOTAL**
Cash and cash equivalents*	**₱789,766,852**	**₱212,428,748**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,002,195,600**
Trade receivables	–	**336,479,038**	–	–	–	–	**336,479,038**
Nontrade receivables	–	**30,015,820**	–	–	–	–	**30,015,820**
Refundable deposits	–	–	**6,810,777**	–	–	–	**6,810,777**
Financial assets at FVOCI	–	–	**17,168,000**	–	–	–	**17,168,000**
Total financial assets	**789,766,852**	**578,923,606**	**23,978,777**	–	–	–	**1,392,669,235**
Accounts payable and other current liabilities**	–	**737,289,137**	–	–	–	–	**737,289,137**
Due to a related party	–	**10,292,168**	–	–	–	–	**10,292,168**
Lease liability***	–	**4,116,062**	**2,164,796**	–	–	–	**6,280,858**
Total financial liabilities***	–	**751,697,367**	–	–	–	–	**753,862,163**
Liquidity position (gap)	**₱789,766,852**	**(₱172,773,761)**	**₱21,813,981**	**₱–**	**₱–**	**₱–**	**₱638,807,072**

**Excluding cash on hand amounting to ₱15.1 million as at December 31, 2022*
***Excluding statutory payables and contract liabilities amounting to ₱24.4 million and ₱11.1 million, respectively, as at December 31, 2022*
****Includes future interest payments*

	December 31, 2021						
	On demand	Within one year	1-2 years	2-3 years	3-4 years	More than 4 years	TOTAL
Cash and cash equivalents*	₱453,443,899	₱230,452,008	₱–	₱–	₱–	₱–	₱683,895,907
Trade receivables	–	339,082,220	–	–	–	–	339,082,220
Nontrade receivables	–	29,148,318	–	–	–	–	29,148,318
Refundable deposits	–	–	6,657,970	–	–	–	6,657,970
Financial assets at FVOCI	–	–	8,468,000	–	–	–	8,468,000
Total financial assets	453,443,899	598,682,546	15,125,970	–	–	–	1,067,252,415
Accounts payable and other current liabilities**	–	671,194,876	–	–	–	–	671,194,876
Due to a related party	–	12,165,062	–	–	–	–	12,165,062
Lease liability***	–	2,544,069	–	–	–	–	2,544,069
Total financial liabilities***	–	685,904,007	–	–	–	–	685,904,007
Liquidity position (gap)	₱453,443,899	(₱87,221,461)	₱15,125,970	₱–	₱–	₱–	₱381,348,408

**Excluding cash on hand amounting to ₱2.7 million as at December 31, 2021*
***Excluding statutory payables and contract liabilities amounting to ₱24.6 million and ₱12.1 million, respectively, as at December 31, 2021*
****Includes future interest payments*

The Company expects that the cash generated from operations will adequately cover those immediately maturing obligations. All expected collections, check disbursements and other cash payments are determined daily to arrive at the projected cash position to cover its obligations and to ensure that obligations are met as they fall due. The Company monitors its cash flow position, particularly collections from receivables and the funding requirements of operations to ensure an adequate balance of inflows and outflows. The Company has online facilities with its depository banks wherein bank balances are monitored daily to determine the Company's actual cash balances at any time. The Company also has available credit facilities from which it can draw to ensure sufficient available funding for its projects.

Foreign Currency Risk
Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Company has foreign currency risk arising from its cash and cash equivalents and international insurance included under receivables. The Company also has transactional currency exposures arising from purchases of medical equipment or supplies in currencies other than the Peso. The Company relies on its ability to generate dollar-based revenue from its foreign patients to mitigate this risk.

The table below shows the details of the Company's currency exposure in US dollar (US$) on its cash and cash equivalents and receivables:

	2022		2021	
	Original Currency	**Peso Equivalent**	Original Currency	Peso Equivalent
Cash and cash equivalents	**US$2,013,123**	**₱112,251,751**	US$2,395,643	₱122,177,793
Receivables	**178,177**	**9,935,162**	622,462	31,745,552
	US$2,191,300	**₱122,186,913**	US$3,018,105	₱153,923,345

As at December 31, 2022, and 2021, the exchange rates used were ₱55.76 and ₱51.00 per US$1.00, respectively.

The tables below represent the impact on the Company's profit or loss before income tax due to changes in fair value of monetary assets brought about by a change in Peso to US dollar exchange rates (holding all other variables constant):

	Foreign Exchange Rate	**Increase (Decrease) in Foreign Currency**	**Impact on Income Before Tax**
2022	**₱55.76**	**(9.34%)**	**(₱11,412,258)**
		9.34%	**11,412,258**
2021	51.00	(6.2%)	(9,558,640)
		6.2%	9,558,640

There is no other effect on the Company's equity other than those already affecting the profit or loss.

22. Significant Related Party Transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprise and its key management personnel, directors or its stockholders.

On November 4, 2011, MPIC and BIL executed a Sales and Purchase Agreement (SPA) whereby MPIC purchased BIL's ownership interest in the Company, resulting to the transfer of controlling equity interest in the Company to MPIC.

In connection with the SPA, MPIC, BIL and Bumrungrad International Holdings Pte Ltd. (BIHPL) entered into an Assignment and Accession Agreement on December 6, 2011, wherein BIL and BIHPL transferred to MPIC all of their rights and obligations under the Consultancy Services Agreement and Service Agreement, respectively.

The consultancy services agreement with BIL provide for fees equivalent to 3% of net revenue and 5% of EBITDA of the Company, payable in cash to the extent of US$70,572 annually, with the balance payable by way of issuance of the Company's shares or shall be deemed to be payment for subscription of the Company's shares based on a subscription price at the higher of (a) ten times the earnings per share of the Company during the previous fiscal year or (b) ₱1.13 as may be adjusted by reason of any change in par value.

Under the services agreement with BIHPL, the fees shall be payable in cash to the extent of US$70,572 annually.

For both the Consultancy Services Agreement and Service Agreement, the basis of the cash payment to be made to MPIC, previously entered with the Company, shall be amended annually based on the change in the Philippine Consumer Price Index (CPI) for the most recent past twelve months. On January 1, 2015, the right to collect management fee was transferred to MPH.

On February 24, 2015, the Company changed the currency denomination from US Dollar to Philippine Peso using the foreign exchange rate as at February 16, 2015.

Increase in CPI of 3% and 2% in 2022 and 2021, respectively, resulted to increase in management fee in 2022 and 2021.

The tables below provide the total amount of transactions and their outstanding balances included in "Due to a related party" with MPH as of and for the years ended December 31, 2022 and 2021.

	Nature of transactions	Transactions for the year		Outstanding balances			
		2022	2021	**2022**	2021	**Terms**	**Conditions**
Parent							
MPH	Management fee	**₱11,006,151**	₱10,651,153	**₱6,412,168**	₱4,654,528	Due every month; Cash payment adjusted for the changes in the CPI	Unsecured
	Legal	–	1,440,000	**2,494,286**	4,988,571	Due upon receipt of invoice	Unsecured
	Group purchasing	**800,000**	800,000	**1,385,714**	2,078,572	Due upon receipt of invoice	Unsecured
	Other services	–	–	–	443,391	Due upon receipt of invoice	Unsecured
	Total	**₱11,806,151**	₱12,891,153	**₱10,292,168**	₱12,165,062		

The Company also avails of and provides several services from its affiliates under normal terms and conditions and which are also offered to third parties.

The tables in the next page provide the total amount of transactions and their outstanding balances included in "Receivables" and "Accounts payable and other current liabilities" with other related parties as of and for the years ended December 31, 2022 and 2021.

	Nature of transaction	Transactions for the year 2022	Transactions for the year 2021	Outstanding balances 2022	Outstanding balances 2021	Terms	Conditions
Receivables							
Affiliate Under Common Control							
Philippine Long Distance Telephone Company	Hospital bills	**₱21,668,957**	₱32,044,082	**₱4,717,660**	₱4,890,937	30 days; noninterest-bearing	Unsecured
Smart Communications, Inc.	Rental income	**1,374,978**	1,003,615	**439,135**	465,994	30 days; noninterest-bearing	Unsecured
Metro Pacific Investments Corporation	Hospital Bills	**640,796**	386,433	**171,694**	22,131	30 days; noninterest-bearing	
Metro Pac Water Investments Corp	Hospital Bills	**73,140**	50,000	**22,810**	48,128	30 days; noninterest-bearing	
		₱23,757,871	₱33,484,130	**₱5,351,299**	₱5,427,190		
Payables							
Affiliate Under Common Control							
MeralcoPowerGen Corporation	Availment of electric services	**₱143,587,682**	₱95,266,707	**₱14,274,960**	₱8,291,925	30 days; noninterest-bearing	Unsecured
Medi Linx Laboratory Inc.	Laboratory services and purchase of reagents	**43,151,247**	44,289,924	**10,140,245**	1,320,124	30 days; noninterest-bearing	Unsecured
Philippine Long Distance Telephone Company	Availment of communication services	**4,746,062**	5,387,537	**449,819**	414,351	30 days; noninterest-bearing	Unsecured
Smart Communications, Inc.	Availment of communication services	**1,159,558**	1,222,562	**104,102**	93,181	30 days; noninterest-bearing	Unsecured
Maynilad Water Services Inc.	Availment of utilities services	**292,133**	188,217	**10,011**	1,020	30 days; noninterest-bearing	Unsecured
East Manila Hospital Managers Corporation	Availment of utilities services	**142,042**	28,286	–	28,286	30 days; noninterest-bearing	Unsecured
		₱193,078,724	₱146,383,233	**₱24,979,137**	₱10,148,887		

Outstanding balances at yearend are normally settled in cash. The Company did not make any provision for impairment loss relating to amounts owed by related parties.

The compensation of key management personnel follows:

	2022	2021
Salaries and short-term employee benefits	**₱117,266,535**	₱113,477,405
Post-employment retirement benefits	**12,187,500**	7,343,938
Separation benefits	**7,890,355**	3,892,389
	₱137,344,390	₱124,713,732

23. **Leases**

The Company as a lessor

a. The Company entered into various lease agreements with its concessionaires. These leases generally provide for either (a) a fixed monthly rent or (b) a minimum rent or a certain percentage of gross revenue. Fixed rent income from leases amounted to ₱10.0 million, ₱9.5 million and ₱7.8 million in 2022, 2021 and 2020, respectively. Contingent rent income recognized in profit or loss amounted to ₱1.6 million, ₱0.9 million and ₱1.8 million in 2022, 2021 and 2020, respectively. Generally, the lease term is 1 year and renewable annually.

b. The Company entered into lease agreement with its doctors for the rent of one condominium unit as clinic. The condominium unit is located in the Medical Office Building and is owned by the Company. The Company earned rent income of ₱0.7 million, ₱0.4 million and ₱0.7 million in 2022, 2021 and 2020, respectively.

The Company as a lessee

On January 1, 2020, the Company recognized a lease liability for the contract of lease relating to the parking lots and spaces of land located at Block 40, Lot 4, Civic Drive, Filinvest Corporate City.

The carrying amount of lease liabilities as at December 31 follows:

	2022	2021
Beginning balance	**₱2,342,312**	₱5,990,555
Addition to lease liability	**7,828,114**	–
Interest expense on lease liability (Note 16)	**172,716**	201,757
Lease payments	**(4,235,000)**	(3,850,000)
Ending balance	**6,108,142**	2,342,312
Current portion of lease liability*	**3,943,346**	2,342,312
Noncurrent portion of lease liability	**₱2,164,796**	₱–

**Presented as "Others" under "Accounts payable and other current liabilities".*

The lease liabilities were measured at the present value of the remaining lease payments discounted at the Company's incremental borrowing rates at the inception of the lease contract. The incremental borrowing rate applied to the lease liability is 4.95 %.

Shown below is the maturity analysis of lease liabilities pertaining to contractual undiscounted cash flows as at December 31, 2022:

	2022	2021
Within one year	**₱4,159,375**	₱2,032,800
After one year but not more than five years	**2,196,150**	–
Total undiscounted lease liabilities	**₱6,355,525**	₱2,032,800

The Company also has certain leases of machineries, office equipment, and parking lots and spaces of land. Generally, the leases have lease terms of one year or less and are renewable under certain terms and conditions to be mutually agreed upon by the parties. The Company applies the "short-term lease" and 'lease of low-value assets' recognition exemptions for these leases. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Rental expenses relating to short-term and low value assets charged to operations and administrative expenses are as follows:

	2022	2021
Cost of services and sales	**₱8,895,938**	₱15,283,886
Operating expenses	**8,746,456**	6,905,022
	₱17,642,394	₱22,188,908

24. **Note to Statements of Cash Flows**

a. Principal non-cash investing activities pertain to the unpaid acquisitions of property and equipment amounting to ₱11.4 million and ₱40.4 million for years ended December 31, 2022 and 2021, respectively, and unpaid acquisition of software and licenses amounting to ₱7,994 and ₱6.7 million for the years ended December 31, 2022 and 2021, respectively.

b. Changes in liabilities arising from financing activities

	Dividends Payables (Note 11)	Lease Liability (Note 23)
Balance as at December 31, 2019	**₱–**	**₱–**
Cash flow (see Statements of Cash Flows)		
Payments of/for:		
Lease liability	₱–	(₱3,500,000)
Dividends	(129,469,790)	–
Non-cash:		
Addition to lease liability	–	9,120,900
Interest expense on lease liability	–	369,655
Dividend declaration	129,760,802	–
Application of dividends against subscriptions receivable	(291,012)	–
	129,469,790	9,490,555
Balance as at December 31, 2020	**₱–**	**₱5,990,555**
Cash flow (see Statements of Cash Flows)		
Payments of/for:		
Lease liability	₱–	(₱3,850,000)
Dividends	(52,174,393)	–
Non-cash:		
Interest expense on lease liability	–	201,757
Dividend declaration	52,291,667	–
Application of dividends against subscriptions receivable	(117,274)	–
	52,174,393	201,757
Balance as at December 31, 2021	**₱–**	**₱2,342,312**

	Dividends Payables (Note 11)	Lease Liability (Note 23)
Cash flow (see Statements of Cash Flows)		
Payments of/for:		
Lease liability	₱–	(₱4,235,000)
Dividends	(316,911,128)	–
Non-cash:		
Addition to lease liability	–	7,828,114
Interest expense on lease liability	–	172,716
Dividend declaration	317,623,456	–
Application of dividends against subscriptions receivable	(712,328)	–
	316,911,128	8,000,830
Balance as at December 31, 2022	**₱–**	**₱6,108,142**

25. **Basic/Diluted Earnings per Share**

The table below represents information necessary to compute the basic/diluted earnings per share:

	2022	2021	2020
(a) Net income	**₱459,394,180**	₱319,730,072	₱104,596,821
(b) Adjusted weighted average number of shares	**1,936,728,391**	1,936,728,391	1,936,728,391
Basic/diluted earnings per share (a/b)	**₱0.2372**	₱0.1651	₱0.0540

There were no potentially dilutive shares as at December 31, 2022, 2021 and 2020. Thus, the basic earnings per share is equal to the diluted earnings per share as of those dates.

26. **Other Matters**

COVID-19 Outbreak

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 virus as a global pandemic. In a move to contain the COVID-19 pandemic, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region (NCR) effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine (ECQ) throughout the island of Luzon until April 12, 2020, which was subsequently extended to April 30, 2020 and further extended to May 15, 2020. The ECQ shifted to modified enhanced community quarantine (MECQ) until May 31, 2020 and to general community quarantine (GCQ) for NCR until the first part of the third quarter. On August 4, 2020, NCR was placed back to a stricter MECQ after an appeal made by medical societies due to rising COVID-19 cases. On August 19, 2020, NCR was transitioned back to GCQ after the recommendation of the local authorities. On August 19, 2020, NCR was transitioned back to GCQ after the recommendation of the local authorities. On March 29, 2021, NCR was placed back to ECQ effective until April 11, 2021. The ECQ shifted to MECQ from April 12, 2021 until May 14, 2021. On May 15, 2021, NCR was transitioned back to GCQ until August 5, 2021. On August 6, 2021, NCR was placed back to ECQ until August 20, 2021. The ECQ shifted to MECQ from August 20, 2020 until September 15, 2021. On September 16, 2021, pilot implementation of the new alert system was placed on NCR. NCR was placed under alert level 4 until October 15, 2021. The alert level 4 shifted from alert level 3 from October 16, 2021 to November 4, 2021. On November 5, 2021, NCR was placed under alert level 2 to January 4, 2022. On January 5, 2022, NCR was placed under alert level 3 until January 31, 2022. On February 1, 2022, NCR was placed under alert level 2 until February 22, 2022. NCR was placed under Alert Level 1 beginning March 1, 2022 until further notice according to the Philippine Inter-Agency Task Force for the Management of Emerging Infectious Disease.

The COVID-19 pandemic has caused disruptions in the Company's business activities. As this global problem evolves, the Company will continually adapt and adjust its business model according to the business environment in the areas where the Company operates, in full cooperation with the national and local government units.

27. Disclosures Required Under Revenue Regulations (RR) No. RR 15-2010 of the Bureau of Internal Revenue

The Company reported and/or paid the following taxes, duties and license fees during the year:

Value Added Tax (VAT)

The Company is primarily engaged in the sale of medical and hospital services and lease of properties which is incidental to its operation. Sec. 109(l) of the 1997 Tax Code, as amended, provides that "Medical and hospital services are VAT Exempt". However, lease of properties which are not connected to medical and hospital services are subject to VAT. RA No. 9337 increased the VAT rate from 10% to 12%, effective February 1, 2006.

Output VAT

The breakdown of the Company's sales transaction for the year ended December 31, 2022 is as follows:

	Base Amount	Output VAT
Vatable sales:		
Lease income	₱12,370,622	₱1,484,475
Others	99,943,729	11,993,248
VAT exempt	3,679,776,658	–
Total	₱3,792,091,009	₱13,477,723

Others pertains to sale of medicines and medical supplies to outpatient.

VAT exempt revenues from hospital services account for 97% of the total sales; hence the Company does not recognize input VAT from purchases of goods and services from different suppliers/vendor except purchases related to outpatient pharmacy and purchases of power from Meralco wherein the Company claims 7.69% of the total bill as tenant's share which is directly connected to vatable rental income. Any VAT passed on by VAT registered suppliers of goods and services (except outpatient pharmacy purchases and 7.69% VAT on Meralco bill) are recorded as part of the cost as mandated by existing laws and regulation.

Input VAT
The amount of VAT input taxes claimed are broken down as follows:

Balance at January 1, 2022	₱–
Current year's domestic purchases/payments for:	
Domestic purchase of goods other than capital goods	
Domestic purchase of services	4,110,121
Applied against output VAT	(3,963,856)
Balance at December 31, 2022	₱146,265

Input VAT claimed from Meralco for the year ended December 31, 2022 amounted to ₱1,245,392.

VAT payments made during the year amounted to ₱9,064,080.

Outstanding balance of output VAT and input VAT as at December 31, 2022 amounted to ₱596,052 and ₱146,265, respectively. Output VAT and input VAT are presented as part of "Statutory payables" under "Accounts payables and other current liabilities" and "Other current assets", respectively, in the statements of financial position.

The Company's vatable revenue are based on actual cash collections, hence may not be the same with the amounts accrued in the statements of comprehensive income.

Withholding Taxes
The categories of the Company's withholding taxes for the year ended December 31, 2022 are as follows:

Expanded withholding taxes	₱125,124,349
Compensation and benefits	29,704,306
Final taxes	5,261,967
Withholding VAT	9,367,601
Total	₱169,458,223

Taxes and Licenses and Other Matter
The Company did not have any importations nor purchases of products subject to excise tax in 2022.

The components of the Company's taxes and licenses for the year ended December 31, 2022 are as follows:

Business taxes	₱23,298,886
Real estate taxes	4,852,069
Fringe benefits tax	195,037
Community tax certificate	10,500
Barangay permit	15,015
Other taxes	6,052,590
Total	₱34,424,097

Permits and licenses included as part of business taxes amounted to ₱461,949 is presented as "Others" under "Cost of Sales and Services"