



SECURITIES AND EXCHANGE COMMISSION

THE SEC HEADQUARTERS 7907 Makati Avenue, Salcedo Village, Bel-Air, Makati City
1209 Trunk Line No:02-5322-7696 Email Us:www.sec.gov.ph/imessagemo@sec.gov.ph



The following document has been received:

Receiving: ICTD ERMD

Receipt Date and Time: May 21, 2024 05:18:15 PM

Company Information

SEC Registration No.: 0000141994

Company Name: MAXICARE HEALTHCARE CORP.

Industry Classification: N85190

Company Type: Stock Corporation

Document Information

Document ID: OST10521202482618968

Document Type: Financial Statement

Document Code: FS

Period Covered: December 31, 2023

Submission Type: Annual

Remarks: None

Acceptance of this document is subject to review of forms and contents



Building a better
working world

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Maxicare Healthcare Corp.
Maxicare Tower, 203 Salcedo Street
Legaspi Village, Makati City



Report on the Audit of the Financial Statements

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

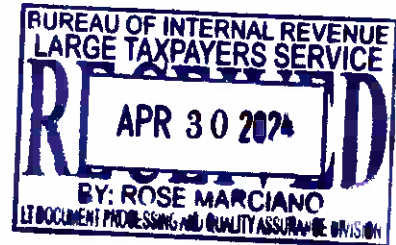
We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Parent Company in accordance 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.

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 Parent 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 Parent Company or to cease operations, or has no realistic alternative but to do so.





Those charged with governance are responsible for overseeing the Parent 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 Parent 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 Parent 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 Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



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

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 33 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Maxicare Healthcare Corp. 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.



Bernalette L. Ramos

Partner

CPA Certificate No. 0091096

Tax Identification No. 178-486-666

BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026

BIR Accreditation No. 08-001998-081-2024, January 26, 2024, valid until January 25, 2027

PTR No. 10079998, January 6, 2024, Makati City

April 24, 2024



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

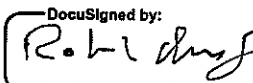
The management of Maxicare Healthcare Corp. (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.


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

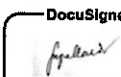
The Board of Directors is responsible for overseeing the Company's financial reporting process.

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

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

DocuSigned by:

80B5C71B2C704A3...
Roberto M. Macasaet Jr.
Chairman of the Board of Directors

DocuSigned by:

5D02F94AF90248C...
Christian S. Argos
President / Chief Executive Officer

DocuSigned by:

8E5BF1D8389A45A...
Maria Teresita A. Espallardo
Treasurer

Signed this 9th day of May 2024

MAXICARE HEALTHCARE CORP.

STATEMENTS OF FINANCIAL POSITION

	December 31		January 1
	2023	2022 (As restated - Note 2)	2022 (As restated - Note 2)
ASSETS			
Current Assets			
Cash and cash equivalents (Notes 6 and 30)	₱3,441,942,036	₱3,764,443,525	₱2,402,632,187
Short-term investments (Note 7)	1,760,298,861	2,028,872,303	3,134,655,545
Trade and other receivables – net (Notes 8 and 30)	7,560,407,673	7,299,976,693	6,810,330,125
Prepaid expenses and other current assets – net (Note 9)	1,126,075,188	576,622,134	518,882,335
	₱13,888,723,758	₱13,669,914,655	₱12,866,500,192
Noncurrent Assets			
Available-for-sale investments (Note 10)	6,276,675	10,276,675	139,276,675
Investments in associates (Note 11)	97,330,745	107,626,352	8,952,369
Investment in subsidiary (Note 12)	284,851,700	284,851,700	200,000,000
Property and equipment – net (Note 13)	1,279,803,962	680,004,660	903,165,929
Software costs – net (Note 14)	160,443,905	132,450,666	142,405,366
Investment properties (Note 15)	142,871,440	129,659,038	136,334,355
Retirement asset – net (Note 16)	–	52,623,431	–
Deferred tax assets – net (Note 17)	979,323,881	809,672,420	477,773,995
Other noncurrent assets (Note 18)	50,308,493	49,691,409	68,475,316
	3,001,210,801	2,256,856,351	2,076,384,005
TOTAL ASSETS	₱16,889,934,559	₱15,926,771,006	₱14,942,884,197
LIABILITIES AND EQUITY			
Current Liabilities			
Healthcare plan liabilities – net (Note 19)	₱11,400,650,425	₱9,961,043,474	₱8,408,312,509
Accrued liabilities and other payables (Note 20)	3,550,478,372	3,231,326,935	3,544,080,460
Lease liabilities – current portion (Note 21)	8,796,179	18,574,644	47,276,060
Income tax payable (Note 17)	–	–	123,569,346
	₱14,959,924,976	₱13,210,945,053	₱12,123,238,375
Noncurrent Liabilities			
Loans payable (Note 22)	–	1,000,000,000	100,000,000
Retirement liability – net (Note 16)	253,096	–	81,060,863
Lease liabilities – noncurrent portion (Note 21)	22,075,188	24,618,445	67,523,226
Other noncurrent liabilities	56,595,496	55,471,217	51,512,606
	78,923,780	1,080,089,662	300,096,695
TOTAL LIABILITIES	₱15,038,848,756	₱14,291,034,715	₱12,423,335,070
Equity (Note 23)			
Capital stock			
Common	1,000,000,000	1,000,000,000	598,029,500
Preferred	850,000,000	–	–
Capital paid in excess of par value	176,766,604	26,766,604	26,766,604
Deposit for future stock subscriptions	–	500,000,000	–
Treasury stock	(36,702,230)	(36,702,230)	(36,702,230)
Subscribed Capital	–	–	100,493,975
Share in remeasurement gain on retirement liability of an associate (Note 11)	312,203	319,939	319,939
Remeasurement gain (loss) on retirement plan (Note 16)	52,281,852	76,942,355	(63,757,843)
Revaluation surplus on property and equipment (Notes 13)	494,463,099	–	–
Retained earnings (deficit)			
Appropriated	257,377,882	257,377,882	257,377,882
Unappropriated	(943,413,607)	(188,968,259)	1,637,021,300
TOTAL EQUITY	1,851,085,803	1,635,736,291	2,519,549,127
TOTAL LIABILITIES AND EQUITY	₱16,889,934,559	₱15,926,771,006	₱14,942,884,197

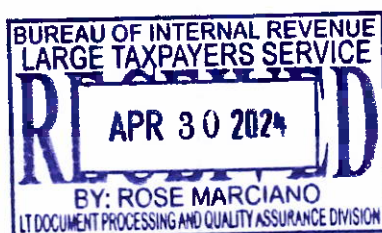
See accompanying Notes to Financial Statements



MAXICARE HEALTHCARE CORP.**STATEMENTS OF INCOME**

	Years Ended December 31	
	2023	2022
		(As restated - Note 2)
REVENUE (Note 24)		
Membership fees from medical plans – net (Notes 19, 24 and 30)	₱24,825,773,584	₱20,819,525,480
Administrative services only and network access fees (Note 24)	287,006,060	217,132,953
	25,112,779,644	21,036,658,433
COST AND EXPENSES		
Healthcare benefits, claims and commissions (Note 25)	24,456,242,818	20,613,075,124
General and administrative expenses (Note 26)	1,379,187,549	1,469,442,092
Selling and marketing expenses (Note 27)	592,863,172	569,076,318
	26,428,293,539	22,651,593,534
OTHER INCOME (EXPENSE)		
Interest income (Notes 6, 7, 8 and 30)	293,493,409	96,057,919
Interest expense (Note 22)	(38,853,855)	(16,404,386)
Others – net (Notes 13, 15 and 21)	53,995,220	109,214,600
	308,634,774	188,868,133
LOSS BEFORE SHARE IN NET LOSS OF ASSOCIATES	(1,006,879,121)	(1,426,066,968)
SHARE IN NET LOSS OF ASSOCIATES (Note 11 and 30)	(3,251,884)	(2,894,045)
LOSS BEFORE INCOME TAX	(1,010,131,005)	(1,428,961,013)
INCOME TAX BENEFIT (Note 17)	(255,685,657)	(352,971,454)
NET LOSS	(₱754,445,348)	(₱1,075,989,559)

See accompanying Notes to Financial Statements.

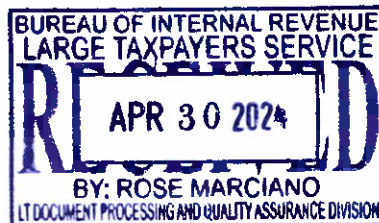


MAXICARE HEALTHCARE CORP.

STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2023	2022
		(As restated - Note 2)
NET LOSS	(₱754,445,348)	(₱1,075,989,559)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX		
Item that may not be reclassified to profit or loss:		
Revaluation surplus on property and equipment (Notes 13)	494,463,099	—
Change in remeasurement gain (loss) on retirement plan (Note 16)	(24,660,503)	140,700,198
Share in remeasurement loss on retirement liability of an associate (Note 11)	(7,736)	—
TOTAL COMPREHENSIVE LOSS	(₱284,650,488)	(₱935,289,361)

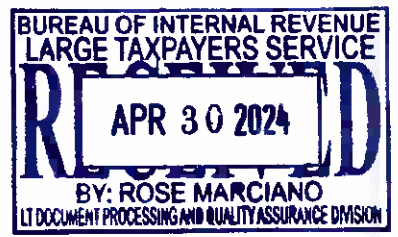
See accompanying Notes to Financial Statements.



MAXICARE HEALTHCARE CORP.
STATEMENTS OF CHANGES IN EQUITY

	Capital Stock (Note 23)	Common	Preferred	Capital Paid in Excess of Par Value (Note 23)	Treasury Stock (Note 23)	Subscribed Capital (Note 23)	Deposit for future stock subscriptions (Note 23)	Share in Remeasurement Gain (Loss) on Retirement Liability of an Associate (Note 11)	Remeasurement Gain (Loss) on Retirement Plan (Note 16)	Revaluation Surplus on Property and Equipment (Notes 13)	Appropriated Retained Earnings (Note 23)	Unappropriated Retained Earnings (Deficit) (Note 23)	Total
Balance at January 1, 2023, as previously reported		₱1,000,000,000	₱-	₱26,766,604	(₱36,702,230)	₱-	₱500,000,000	₱319,939	₱76,942,355	₱-	₱257,377,882	(₱204,811,114)	₱1,619,893,436
Effect of change in accounting policy (Notes 2 and 15)		-	-	-	-	-	-	-	-	-	-	15,842,855	15,842,855
Balance at January 1, 2023, as restated		₱1,000,000,000	₱-	₱26,766,604	(₱36,702,230)	₱-	₱500,000,000	₱319,939	₱76,942,355	₱-	₱257,377,882	(₱188,968,259)	₱1,635,736,291
Issuance of preferred stock		-	850,000,000	150,000,000	-	-	(500,000,000)	-	-	-	-	-	1,000,000,000
Total comprehensive income (loss) during the year		-	-	-	-	-	-	(7,736)	(24,660,503)	494,463,099	-	(754,445,348)	(284,650,489)
Balance at December 31, 2023		₱1,000,000,000	₱850,000,000	₱176,766,604	(₱36,702,230)	₱-	₱-	₱312,203	₱52,281,852	₱494,463,099	₱257,377,882	(943,413,607)	₱1,851,085,803
Balance at January 1, 2022, as previously reported		₱598,029,500	₱-	₱26,766,604	(₱36,702,230)	₱100,493,975	₱-	₱319,939	(₱63,757,843)	-	₱257,377,882	₱1,620,805,251	₱2,503,333,078
Effect of change in accounting policy (Notes 2 and 15)		-	-	-	-	-	-	-	-	-	-	16,216,049	16,216,049
Balance at January 1, 2022, as restated		598,029,500	-	26,766,604	(36,702,230)	100,493,975	-	319,939	(63,757,843)	-	257,377,882	1,637,021,300	2,519,549,127
Distribution of cash dividend		-	-	-	-	-	-	-	-	-	-	(750,000,000)	(750,000,000)
Issuance of subscribed capital		401,970,500	-	-	-	(100,493,975)	-	-	-	-	-	-	301,476,525
Deposit for future stock subscriptions		-	-	-	-	-	500,000,000	-	-	-	-	-	500,000,000
Total comprehensive income (loss) during the year		-	-	-	-	-	-	-	140,700,198	-	-	(1,075,989,559)	(935,289,361)
Balance at December 31, 2022		₱1,000,000,000	₱-	₱26,766,604	(₱36,702,230)	₱-	₱500,000,000	₱319,939	₱76,942,355	₱-	₱257,377,882	(₱188,968,259)	₱1,635,736,291

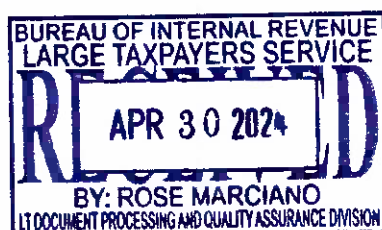
See accompanying Notes to Financial Statements.



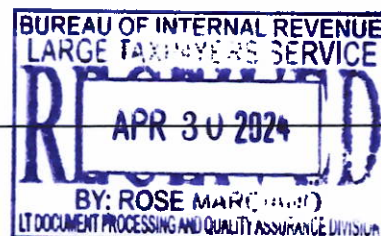
MAXICARE HEALTHCARE CORP.**STATEMENTS OF CASH FLOWS**

	Years Ended December 31	
	2023	2022 (As Restated - Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(₱1,010,131,005)	(₱1,428,961,013)
Adjustments for:		
Interest income (Notes 6, 7, 8 and 30)	(293,493,409)	(96,057,919)
Depreciation and amortization (Note 29)	149,278,934	227,211,647
Interest expense (Notes 21 and 22)	41,800,464	20,188,755
Retirement and interest cost (Note 16)	19,995,857	53,915,969
Provision for credit and other losses (Note 26)	14,333,977	114,596,306
Fair value loss (gain) of investment properties (Note 15)	(13,212,402)	6,675,317
Share in net loss of associates (Note 11)	3,251,884	2,894,045
Gain (loss) on disposal of property and equipment (Note 13 and 21)	(699,783)	1,001,522
Gain on retirement of lease	-	(7,178,390)
Operating income (loss) before working capital changes	(1,088,875,483)	(1,105,713,761)
Changes in operating assets and liabilities:		
Decrease (increase) in:		
Prepaid expenses and other current assets	(546,061,592)	(68,313,782)
Trade and other receivables – net	(260,627,578)	(601,284,305)
Other noncurrent assets	(617,084)	18,783,907
Increase in:		
Healthcare plan liabilities – net	1,439,606,951	1,552,730,965
Accrued liabilities and other payables	319,467,319	405,588,994
Other noncurrent liabilities	1,124,279	-
Net cash generated from (used in) operations	(135,983,188)	201,792,018
Income taxes paid	(70,566,670)	(149,396,383)
Net cash provided by (used in) operating activities	(206,549,858)	52,395,635
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of:		
Short-term investments (Note 7)	(4,568,302,003)	(2,777,688,733)
Software costs (Note 14)	(73,199,398)	(33,498,670)
Property and equipment – net (Note 13)	(44,730,910)	(87,115,018)
Investment in associates (Note 11)	-	(102,400,000)
Proceeds from sale/maturities of:		
Short-term investments (Note 7)	4,836,875,445	3,883,471,975
Investment in associates (Note 11)	7,035,987	-
Property and equipment – net	5,050,981	8,504,391
Available-for-sale investments (Note 10)	4,000,000	129,000,000
Interest received	279,356,030	93,931,322
Net cash provided by investing activities	446,086,132	1,114,205,267
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from capital stock subscription (Note 23)	500,000,000	301,476,525
Availment of loans payable (Note 22)	-	1,000,000,000
Receipt of deposit for future stock subscription (DFFS)	-	500,000,000
Payments of:		
Loans payable (Note 22)	(1,000,000,000)	(100,000,000)
Interest	(38,853,855)	(16,404,386)
Lease liabilities (Note 21)	(22,868,025)	(36,190,612)
Dividends (Note 23)	(315,883)	(1,453,671,091)
Net cash provided by (used in) financing activities	(562,037,763)	195,210,436
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(322,501,489)	1,361,811,338
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,764,443,525	2,402,632,187
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	₱3,441,942,036	₱3,764,443,525

See accompanying Notes to Financial Statements.



MAXICARE HEALTHCARE CORP.
NOTES TO FINANCIAL STATEMENTS



1. Corporate Information

Maxicare Healthcare Corp. (the Parent Company) was incorporated in the Philippines on June 30, 1987. Its primary purpose is to establish, maintain, conduct and operate a prepaid group practice healthcare delivery system. It provides medical plan members with integrated medical/dental and preventive healthcare services, facilities and assistance through its network of medical/dental specialists or hospitals. Upon enrolment, members become eligible to avail medical services covered by a plan.

As of December 31, 2023 and 2022, the Parent Company is co-owned by Pin-An Holdings Corporation and JE Holdings, Inc. with 42.31% equal ownership. Both companies were incorporated in the Philippines.

The Parent Company's registered office address is Maxicare Tower, 203 Salcedo Street, Legaspi Village, Makati City.

2. Material Accounting Policy Information

Basis of Preparation

The separate financial statements of the Parent Company have been prepared on a historical cost basis, except for quoted available-for-sale (AFS) investments, certain property and equipment and investment properties which are measured at fair value. The Parent Company's separate financial statements are presented in Philippine Peso (₱), which is the Parent Company's functional and presentation currency. Amounts are rounded to the nearest peso unless otherwise indicated.

Statement of Compliance

The accompanying separate financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The Parent Company also prepares, and issues consolidated financial statements for the same period as the parent company financial statements, which is also presented in compliance with PFRS.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2023. The Parent 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 separate financial statements of the Parent Company.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.





The amendments to the Practice Statement provide non-mandatory guidance.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

Future Changes in Accounting Policies

The Parent Company intends to adopt the following standards when they become effective. Unless otherwise indicated, the Parent Company does not expect the adoption of these new and amended standards to have a significant impact on its financial statements.

Effective beginning on or after January 1, 2024

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

The amendments clarify:

- That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
- That classification is unaffected by the likelihood that an entity will exercise its deferral right.
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Parent Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.





Effective beginning on or after January 1, 2025

- **PFRS 17, Insurance Contracts**

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

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

The core of PFRS 17 is the general model, which is based on the following building blocks for each group of insurance contracts: (a) fulfilment cash flows and (b) a contractual service margin or CSM (i.e., unearned profit). This is supplemented by:

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

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

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with full retrospective application from the transition date is required. The transition date is the beginning of the annual reporting period immediately preceding the date of initial application. If it is impracticable to apply PFRS 17 retrospectively for a group of insurance contracts, the Company must apply either the modified retrospective approach or the fair value approach. Early application is permitted.

On March 7, 2022, the Insurance Commission issued Circular Letter (CL) No. 2022-12 which prescribes the application of PFRS 17 to the agreements/contracts issued by Health Maintenance Organizations (HMOs). Based on the CL, PFRS 17 shall be applied to HMO agreements with membership fee-based benefits or where the fixed prepaid fee is in the form of a membership fee where the risks are borne by the HMO. Further, an HMO agreement with a combination of membership fee-based and fund-based benefits shall be bifurcated.

The Parent Company has decided not to early adopt PFRS 17, foreseeing a significant impact on its financial statements due to the complexity and judgment required by the new standard. Additionally, the Parent Company is continuously assessing other changes under PFRS 17 and their impact on financial presentation and disclosure. The Parent Company established a transition program, dedicating significant resources to manage associated risks. As of December 31, 2023, a reliable estimate of the impact to the Parent Company's financial statements arising from the initial application of PFRS 17 is not yet available.



- Amendments to PAS 21, *Lack of exchangeability*

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

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

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*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial and Sustainability Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Accounting Standards Effective but not yet Adopted

The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

Qualifying for temporary exemption from PFRS 9

The Parent Company applied the temporary exemption from PFRS 9 as permitted by the amendments to PFRS 4 Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts issued in September 2016. The temporary exemption permits entities whose activities are predominantly connected with insurance to continue applying PAS 39 rather than PFRS 9 for annual periods beginning before January 1, 2025.



The assessment for whether a reporting entity's activities are predominantly connected with insurance is based on the liabilities connected with insurance in proportion to the entity's total liabilities. An entity may elect the temporary exemption if, and only if:

- The carrying amount of its liabilities arising from contracts within the scope of PFRS 4 is significant compared to the total carrying amount of all its liabilities; and
- The percentage of the total carrying amount of its liabilities connected with insurance relative to the total carrying amount of all of its liabilities is:
 - Greater than 90 percent; or
 - Less than or equal to 90 percent but greater than 80 percent, and the insurer does not engage in a significant activity unconnected with insurance.

The predominance assessment is performed using the carrying amounts of liabilities reported on the statement of financial position at the annual reporting date December 31, 2015 and before December 31, 2021. Applying the requirements, the Parent Company performed the predominance assessment using the Parent Company's statement of financial position as of December 31, 2015.

The Parent Company concluded that it qualified for the temporary exemption from PFRS 9 because its activities are predominantly connected with insurance. As at December 31, 2015, the Parent Company's gross liabilities arising from contracts within the scope of PFRS 4 represented a significant portion of the total carrying amount of all its liabilities, and the Parent Company did not engage into any significant activities not connected with insurance. Since December 31, 2015, there has been no change in the activities of the Parent Company that requires reassessment of the use of the temporary exemption.

Restatement of Prior Year's Financial Statements

In 2023, the Parent Company voluntarily changed its accounting policy on the subsequent measurement of investment properties from cost model to fair value model and of certain classes of property and equipment from cost model to revaluation model. The management believes that the change will result in providing reliable and more relevant information about the effects of transactions, other events or conditions on the Parent Company's financial position and financial performance. The change results in more useful information to the main users of the financial statements because: (a) the revalued amounts and fair values are reflective of current prices of the properties which are appreciating based on the appraisal reports which are based on sales or listings of comparable properties. This will help the users of the financial statements, particularly, its shareholders to readily assess the net worth of the Parent Company in comparison with other companies in the same industry; and (b) using the fair value model and revaluation model to reflect current market values of the properties increases the Parent Company's total assets, which in turn raises its overall net worth and enables it to comply with the net worth requirements set by the Insurance Commission.

As allowed by PAS 8, the change in accounting policy from cost model to revaluation model for certain classes of property and equipment has been applied prospectively. For investment properties, the change in accounting policy has been applied retrospectively.



Below is the summary of the above restatements on the Parent Company's statement of financial position as of January 1, 2022 and December 31, 2022 and statement of income for the year ended December 31, 2022:

	As at December 31, 2022		
	As previously reported	Effect of change in accounting policy	As restated
Statements of Financial Position			
Increase (decrease) in:			
Investment properties (Note 15)	P108,535,232	P21,123,806	P129,659,038
Deferred tax assets – net	814,953,371	(5,280,951)	809,672,420
Retained earnings (unappropriated)	(204,811,114)	(15,842,855)	220,653,969

	For year ended December 31, 2022		
	As previously reported	Effect of change in accounting policy	As restated
Statements of Income			
Increase (decrease) in:			
General and administrative expenses	P1,475,619,817	(P6,177,725)	P1,469,442,092
Others – net	115,889,917	(6,675,317)	109,214,600
Income tax benefit	(352,847,056)	124,398	(352,971,454)

	As at January 1, 2022		
	As previously reported	Effect of change in accounting policy	As restated
Statements of Financial Position			
Increase (decrease) in:			
Investment properties	P114,712,957	P21,621,398	P136,334,355
Deferred tax assets – net	483,179,344	(5,405,349)	477,773,995
Unappropriated retained earnings	1,620,805,251	(16,216,049)	1,637,021,300

For the year ended December 31, 2022, the above adjustments resulted in an increase in net loss by P373,194.

Summary of Material Accounting Policies

Product Classification

For purposes of complying with the provisions of PFRS 4, the Parent Company classifies its health care products as insurance contracts on a product per product basis. Under PFRS 4, insurance contracts are defined as those contracts under which the Parent Company (the insurer) accepts significant insurance risk from another party (the members) by agreeing to compensate the members if a specified uncertain future event (the insured event) adversely affects the member. As a general guideline, the Parent Company measures the significance of insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

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



As provided under PFRS 4, this product classification exercise is solely for accounting purposes and does not make the Parent Company an insurance company for statutory or regulatory purposes. The Parent Company is an HMO duly licensed by the IC and as such, it is authorized to underwrite, offer and sell HMO products. Under existing IC regulations, HMO products are defined as pre-agreed or designated healthcare services to enrolled members for a fixed pre-paid fee for a specified period of time through the use of a selected network of health care providers. An HMO product provides a wide array of medical, surgical and hospital services that include preventive care and wellness programs and generally does not require initial cash-out from members. As such, the Parent Company's HMO agreements and products although accounted as insurance contracts should not be deemed as contracts to compensate its members should an insured event/s occur adversely affecting its members.

Fair Value Measurement

For measurement and disclosure purposes, the Parent Company determines the fair value of an asset or liability at initial measurement date or at each statement of financial position 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 Parent 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.

If an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy.

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 Parent 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.

External valuers are involved for valuation of land, building and condominium units under property and equipment and buildings under investment properties.

For the purpose of fair value disclosures, the Parent 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 in Note 5.

Financial Instruments - Initial Recognition and Subsequent Measurement

Date of recognition

Financial instruments are recognized in the statement of financial position when the Parent Company becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.



Initial recognition of financial instruments

All financial instruments, including trading and investment securities and loans and receivables, are initially measured at fair value. Except for financial assets and liabilities at fair value through profit or loss (FVPL), the initial measurement of financial assets includes transaction costs. The Parent Company classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables. Financial liabilities are classified into liabilities at FVPL and other financial liabilities at amortized cost. The classification depends on the purpose for which the investments were acquired and whether they were quoted in an active market.

Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every statement of financial position date.

As of December 31, 2023 and 2022, the Parent Company has no financial assets and liabilities at FVPL and HTM investments.

'Day 1' difference

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

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 up to three months or less and that are subject to an insignificant risk of change in value.

Short-term investments

Short-term investments are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of more than ninety (90) days but less than one year from dates of placement. These earn interests at the respective short-term investment rates.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS investments or financial assets at FVPL. This accounting policy relates to the Parent Company's statement of financial position captions 'Trade and other receivables'.

Medical plans receivables are recognized when the Parent Company becomes a party to the contract and represents the total membership fees stated in the HMO Agreement which is uncollected as at the statement of financial position date, net of recognized and outstanding Client Experience Refund (CER) and Allowance for Credit and Impairment Losses (ADA). Administrative Services Only (ASO) receivables, excess utilization and other trade receivables arise when the Parent Company provides money and goods, and renders services directly to a debtor.



After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less any allowance for credit and impairment losses. Amortized cost is calculated taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). The amortization is included in 'Interest income' in the statement of income. The losses arising from impairment of such loans and receivables are recognized in the statement of income.

AFS investments

AFS investments are those non-derivative financial assets that are designated as such or do not qualify as financial assets at FVPL, HTM investments or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. They include government debt securities, equity instruments and other debt instruments.

After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses being recognized directly in equity as other comprehensive income (OCI) under 'Net unrealized gain or loss on AFS investments'. When the investment is disposed of, the cumulative gain or loss previously recorded in OCI is recognized in the statement of income. Interest earned on the investment is reported as interest income using the EIR method. Dividends earned on investments are recognized in the statement of income when the right to receive has been established.

These financial assets are classified as noncurrent assets unless there is intention to dispose of such assets within twelve (12) months from the statement of financial position date. When the fair value of AFS investments cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost.

Other financial liabilities at amortized cost

Issued financial instruments or their components, which are not designated as at FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Parent Company having an obligation either to pay in cash or another financial asset for a fixed number of own equity shares.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are integral part of the EIR. Any effects on restatement of foreign currency-denominated liabilities are recognized in the statement of income.

This accounting policy applies primarily to statement of financial position captions, 'Accrued liabilities and other payables' and, 'Lease liabilities' 'Loans payable' and 'Other non-current liabilities', that meet the above definition (other than liabilities covered by other accounting standards, such as retirement liability, income tax payable and deferred tax liabilities). Financial liabilities under 'Accrued liabilities and other payables' caption include trade payables, accrued expenses, dividends payable, commission payable, deposit from customers and Other payables.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to 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 Parent 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 Parent Company and all of the counterparties.

Derecognition of Financial Assets and Liabilities

Financial assets

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

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

Financial liabilities

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

Impairment of Financial Assets

The Parent Company assesses at each statement of financial position whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

For financial assets carried at amortized cost, the Parent Company first assesses at each statement of financial position date whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Parent Company determines that no objective evidence of impairment exists for individually assessed financial assets, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment.



Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). The carrying amount of the asset is reduced through use of an allowance account and the amount of loss is charged to the statement of income.

Interest income continues to be recognized based on the original EIR of the asset. Trade and other receivables, together with the associated allowance accounts, are written off, when there is no realistic prospect of future recovery and all collateral, if any, has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a write-off is later recovered, any amounts formerly charged are credited to 'Provision for credit and other losses' included under the 'General and administrative expenses' in the statement of income.

The present value of the estimated future cash flows is discounted at the financial asset's original EIR. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as type of borrower, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period in which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Parent Company to reduce any differences between loss estimates and actual loss experience.

A provision for credit and other losses is made when there is objective evidence based on specific and collective assessment (such as the probability of insolvency or significant financial difficulties of the debtor) that the Parent Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through the use of an allowance account.



AFS investments

For AFS investments, the Parent Company assesses at each statement of financial position date whether there is objective evidence that a financial asset or group of financial assets is impaired. In case of equity investments classified as AFS financial assets, this would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the statement of income is removed from OCI and recognized in the statement of income. Impairment losses on equity investments are not reversed through the statement of income. Increases in fair value after impairment are recognized directly in equity as OCI.

In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of 'Interest income' in the statement of income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of income, the impairment loss is reversed through the statement of income.

Prepaid expenses and other current assets – net

Prepaid expenses

Prepaid expenses are initially recorded as an asset and measured at the amount of cash paid. Subsequently, these are charged in the statement of income as these are consumed in operations or expire with the passage of time depending on the terms of the related agreements, if covered by a contract. These include prepayments for utilities, rent, and other services paid in advance.

Other current assets

Other current assets are composed of advances made to the counterparties for the vaccines, property taxes and recurring services including repairs and maintenance.

Creditable withholding taxes

Creditable withholding taxes represent amounts withheld by the Parent Company's counterparties in relation to the fees paid. Subsequently, these amounts are applied against the Parent Company's income tax due.

Property and equipment – net

The Parent Company has elected to use the revaluation model for land, building and condominium units under property and equipment while other classes of property and equipment are measured using the cost model.

Cost model

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs of 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 normally charged to income in the period in which 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 an additional cost of property and equipment.



Depreciation and amortization are computed on a straight-line basis over the expected useful life (EUL) of the assets. The EUL of the assets follows:

Transportation equipment	5 years
Medical equipment	5 years
Office equipment	3 years
Furniture and fixtures	3 years
Computer and peripherals	3-5 years
Leasehold improvements	5 years or the term of the lease, whichever is shorter

The EUL, residual value and depreciation method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property and equipment.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

Revaluation model

Management determined that land, building and condominium units constitute a separate class of property and equipment based on the nature, characteristics and risks of the property. The Parent Company re-assessed its accounting for land, building and condominium units with respect to measurement of a certain class of property and equipment after initial recognition. The Parent Company had previously measured all property and equipment using the cost model whereby, after initial recognition of the assets classified as property and equipment, the assets were carried at cost less accumulated depreciation and accumulated impairment losses.

On December 31, 2023, the Parent Company elected to change the method of accounting for land, building and condominium units classified as property and equipment, as the Parent Company believes that the revaluation model provides more relevant information to the users of its financial statements. The Parent Company applied the revaluation model prospectively.

After initial recognition, land, building and condominium units are measured at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses (see Note 13). Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in OCI and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit and loss. A revaluation deficit is recognized in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation surplus.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.



Depreciation and amortization are computed based on the remaining useful life of the asset. The EUL of the assets follows:

Building	10-25 years
Condominium units	10-20 years

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

Right-of-use assets

The Parent Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use) and as part of property and equipment. Right-of-use assets are initially measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term or the estimated useful lives of the assets, as follows:

Office space	1-15 years
Motor vehicles	1-3 years

If ownership of the leased asset transfers to the Parent Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the EUL of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section Impairment of non-financial assets.

Software Cost – net

Costs that are directly associated with identifiable and unique software controlled by the Parent Company and will generate economic benefits exceeding costs beyond one year are recognized as intangible assets. Software cost includes computer software to be used in operations which are accounted for under the cost model.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and install the specific software. Costs associated with maintaining computer software are expensed as incurred. Subsequently, software is measured at cost less accumulated amortization and accumulated impairment losses, if any.

Research costs associated with acquiring the computer programs are recognized as expenses when incurred.

Software costs are amortized on a straight-line basis over the EUL of five (5) years as these intangible assets are considered finite.



Investment Properties

Properties held for long term rental yields or for capital appreciation or for both, are classified as investment properties. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model as explained in Note 3.

On December 31, 2023, the Parent Company elected to change its accounting policy for investment properties from cost model to fair value model. As disclosed in Note 2, the Parent Company applied the change in accounting policy retrospectively.

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

Rental income from investment properties is recognized in the statement of income on a straight-line basis over the lease term. Expenses related to investment properties are treated as ordinary operating expenses and are recognized when incurred.

Investments in Associates

Associate pertains to an entity over which the Parent Company has significant influence but not control, generally accompanying a shareholding of between 20.0% and 50.0% of the voting rights. If the Parent Company holds, directly or indirectly, 20.0% or more of the voting power of the investee, it is presumed that the Parent Company has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the Parent Company holds, directly or indirectly, less than 20.0% of the voting power of the investee, it is presumed that the Parent Company does not have significant influence, unless such influence can be clearly demonstrated.

PAS 28.6 states that the existence of significant influence by an entity is usually evidenced in one or more of the following ways:

- a) representation on the board of directors or equivalent governing body of the investee;
- b) participation in policy-making processes, including participation in decisions about dividends or other distributions;
- c) material transactions between the entity and its investee;
- d) interchange of managerial personnel; or
- e) provision of essential technical information

In the financial statements, investments in associates are accounted for under the equity method of accounting. Under the equity method, investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the Parent Company's share of the net assets of the associates. Goodwill relating to an associate is included in the carrying value of the investment and is not amortized. The Parent Company's share in an associate's post-acquisition profits or losses is recognized in the statement of income, and its share of post-acquisition movements in the associate's OCI is recognized directly in equity as OCI. When the Parent Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Parent Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains and losses resulting from transactions between the Parent Company and an associate are eliminated to the extent of the interest in the associate.



When an investment ceases to be an associate and is accounted for in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, the fair value of the investment at the date when it ceases to be an associate shall be regarded as its fair value on initial recognition as a financial asset in accordance with PAS 39.

Investment in Subsidiary

Investment in shares of stock of a subsidiary is accounted for using the cost method. Under this method, the investment is recognized at cost and income from investment is recognized in the statement of income only to the extent that the investor receives distribution from accumulated profits of the investee arising after the acquisition date. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction of the cost of the investment.

Control is achieved when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Parent Company controls an investee if, and only if, the Parent Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee),
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

The Parent Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary. When necessary, adjustments are made to the financial statements of a subsidiary to bring its accounting policies into line with the Parent Company's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Parent Company are eliminated in full on consolidation.

If the Parent Company loses control over a subsidiary, it: (a) derecognizes the assets (including goodwill) and liabilities of the subsidiary; (b) derecognizes the carrying amount of any noncontrolling interest; (c) derecognizes any accumulated other comprehensive income related to the subsidiary; (d) recognizes the fair value of the consideration received; (e) recognizes the fair value of any investment retained; (f) recognizes any surplus or deficit in profit or loss; and (g) reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

Impairment of Non-Financial Assets

Prepaid expenses and other current assets – net, property and equipment – net, investment properties, investment in associates, investment in subsidiary and other current and non-current assets

At each statement of financial position date, the Parent Company assesses whether there is any indication that its assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Parent Company makes a formal estimate of the recoverable amount. Recoverable amount is the higher of an asset's (or cash-generating unit) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable



amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset.

An assessment is made at each statement of financial position date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Software cost – net

Intangible assets with finite lives are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Leases

Parent Company as lessee

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

i) Lease liabilities

At the commencement date of the lease, the Parent 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 Parent Company and payments of penalties for terminating the lease, if the lease term reflects the Parent Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Parent Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.



ii) Short-term leases and leases of low-value assets

The Parent Company applies the short-term lease recognition exemption to its short-term leases of equipment and the room accommodation of some employees (i.e., those leases that have a lease term of less than 12 months from the commencement date and do not contain a purchase option). It also applies to the lease of low-value assets recognition exemption to leases of office equipment that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expenses on a straight-line basis over the lease term.

Parent Company as lessor

Leases in which the Parent Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Healthcare Plan Liabilities – net

Membership Fee Reserves (MFR)

Membership Fee Reserves is the higher of the Unearned Membership Fee Reserves (UMFR) and Unexpired Risk Reserves (URR).

UMFR and URR

UMFR pertains to the unexpired portion of the membership fees of In-force Agreements as at the statement of financial position date and calculated using the 1/365th method. UMFR is presented net of taxes and prepaid and deferred commissions. The change in this account is credited to or charged against membership fee from medical plans over the remaining period of the agreement.

Prepaid commissions pertain to commissions not yet incurred but paid in advance to agents and brokers as a percentage of membership fees collected relative to In-force Agreements while deferred commissions are commissions that are neither paid nor incurred as at the statement of financial position date and relate to the remaining period of the In-force Agreements. These are deferred to the extent that they are recoverable out of future revenue margins. Subsequent to initial recognition, these are amortized to the extent of revenue recognized using the 1/365th method. Amortization is charged against the statement of income.

URR represents the best estimate of future claims and expenses to be incurred during the remaining period of the agreement and after the statement of financial position date, with adjustments for Margin for Adverse Deviation (MfAD). Future claims and expenses shall include estimated claims, agreement maintenance expenses and claims management expenses.

Provision for URR

If URR is greater than UMFR, the difference should be recorded as Provision for URR (an expense) and as additional Membership Fee Reserves.

Claims Reserves and Margin for Adverse Deviation (MfAD)

Claims reserves includes due and unpaid, claims in the course of settlement (ICOS) and those which are incurred but not reported (IBNR) as well as expenses related to settling all outstanding claims, whether reported and unreported, as of statement of financial position date.



Due and unpaid claims pertain to the liabilities for claims that have been received, adjudicated and processed but are not yet paid as at the statement of financial position date. This is included as part of "Claims reserves" under "Healthcare plan liabilities" in the statement of financial position.

ICOS pertains to the liabilities for which claims have already been received from hospitals, doctors and other healthcare providers but are neither adjudicated nor paid as at the statement of financial position date. This is included as part of "Claims reserves" under "Healthcare plan liabilities" in the statement of financial position.

Accrued IBNR claims are based on the estimated ultimate cost of all claims incurred but not reported as at the statement of financial position date. These costs include estimates of the Parent Company's obligation for healthcare services that have been rendered to its members, but for which the related claims have not yet been received from hospitals, doctors and other healthcare providers. The Parent Company develops estimates for healthcare costs incurred but for which the related claims have not yet been received using an actuarial process.

The actuarial models consider factors such as from the date the services were rendered to claims receipt, claim backlogs and other factors affecting the claims amount such as healthcare provider contract rate changes, healthcare consumption and other healthcare cost trends. This is included as part of "Claims reserves" under "Healthcare plan liabilities" in the statement of financial position.

The Parent Company estimates the MfAD using Bootstrapping method to bring the actuarial best estimate of the HMO Agreement liabilities at the 75th percentile level of sufficiency. The purpose of MfAD is to allow for inherent uncertainty of the best estimate of the HMO Agreement Reserves and to consider the variability of claims experience in the best estimate.

Claims handling expense reserve is also calculated to cover estimated expenses in settling all claims incurred, both reported and unreported, outstanding as the statement of financial position date. This is included as part of "Claims Reserve" under "Healthcare plan liabilities" in the statement of financial position.

At each statement of financial position date, the Parent Company re-examines previously established provisions for claims based on actual claim submissions and other changes in facts and circumstances. As the recorded estimated liability in prior period is actualized, the Parent Company adjusts this estimated liability by increasing or decreasing it accordingly.

ASO funds

ASO funds pertain to the contributions of clients which are held and managed by the Parent Company for the purpose of defraying the medical and hospitalization expenses of its enrolled member of the client under ASO Agreement. ASO Funds are presented, net of ASO receivables from clients.

Equity

Capital stock is measured at par value and is classified as equity for all shares issued and subscribed. When the Parent Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of stocks issued. When the shares are sold at a premium, the difference between the proceeds and par value is credited to 'Capital paid in excess of par value', net of direct costs incurred related to the equity issuance. If 'Capital paid in excess of par value' is not sufficient, the excess is charged against surplus.

Retained earnings represent accumulated earnings of the Parent Company less any dividends declared.



Appropriation of retained earnings is recognized based on the provisions of the Corporation Code of the Philippines and by approval of the Parent Company's Board of Directors (BOD). The Parent Company's BOD releases retained earnings from the appropriation when the purpose of such appropriation has been completed or changed.

Deposit for future stock subscriptions represents the additional capital invested by the stockholders that will be credited to capital stock upon approval by the SEC of the Parent Company's application for increase in its authorized capital stock. On March 16, 2023, SEC approved the application for increase.

The Parent Company shall classify a contract to deliver its own equity instruments under equity as a separate account (e.g., Deposit for Stock Subscription) from "Outstanding Capital Stock" if and only if, all of the following elements are present as at statement of the financial position:

1. The unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract;
2. There is Board of Directors' approval on the proposed increase in authorized capital stock (for which a deposit was received by the corporation)
3. There is stockholders' approval of said proposed increase; and
4. The application for the approval of the proposed increase has been filed with the Commission.

As of December 31, 2023 and 2022, all of the above elements are present, to support the classification to equity.

Dividend Distribution

A dividend distribution to the Parent Company's shareholders is accounted for as a deduction from retained earnings. A cash dividend is recognized as a liability in the period in which it is approved by the BOD. A stock dividend is recognized as an addition to capital stock.

Treasury Stock

Treasury stock is recorded at cost and is presented as a deduction from equity. Any consideration paid or received in connection with treasury shares are recognized directly in equity.

When the shares are retired, the capital stock account is reduced by its par value. The excess of cost over par value upon retirement is debited to the following accounts in the order given:

- (a) capital paid in excess of par value to the extent of the specific or average additional paid-in capital when the shares were issued; and
- (b) retained earnings.

When shares are sold, the treasury stock account is credited and reduced by the weighted average cost of the shares sold. The excess of any consideration over the cost is credited to capital paid in excess of par value.

Transaction costs incurred, such as registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties (net of any related income tax benefit) in relation to issuing or acquiring the treasury shares are accounted for as reduction from equity, which is disclosed separately.

No gain or loss is recognized in the statement of income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments.



Revenue Recognition

Revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Parent Company expects to be entitled in exchange for those services.

Administrative fees

The Parent Company holds and manages corporate funds for medical and hospitalization expenses referred to as ASO funds. Administrative fees are mainly a percentage of the ASO fund utilization, which is recognized upon billing and upon the transfer of services to customers. Other rider fees are recognized upon billing and upon the transfer of services such as dental, accidental death and dismemberment (AD&D), and retainer services.

Network access fees

Network access fees are non-refundable one-time access fees which are recognized immediately.

Revenues outside the scope of PFRS 15

Membership fees

Membership fees represent the expired portion of the total contract value of the HMO Agreement recognized as earned membership fees net of Client Experience Refund (CER) and are determined using 1/365th method. The change in UMFR is credited to membership fees while the recognized CER is charged to membership fees. CER is the share of the client in the favorable result of the HMO Agreement where the total actual claims and expenses processed as at a given date after the expiry of the HMO Agreement is lower than the agreed minimum total claims and expenses under the HMO Agreement. As provided under the HMO Agreement, the agreed minimum total claims and expenses is determined by multiplying the agreed Loss Ratio, which represents the pre-agreed rate of the total claims and expense over the total membership fee earned, to the total membership fees earned. The Parent Company is liable for CER if the HMO Agreement is renewed, and all membership fees are paid by the client. CER is deducted from the clients' outstanding membership fee receivables once recognized. However, CER agreement varies depending on agreement between parties.

Interest income

Interest income is recognized using the EIR method.

Rental income

Rental income from investment properties is recognized in the statement of income on a straight-line basis over the lease term. Lease incentives are recognized as an integral part of the total rent income. Rental income is presented under 'Others – net' in the statements of income.

Dividend income

Dividend income is recognized when the shareholder's right to receive the payment is established. Dividend income is presented under 'Others – net' in the statements of income.

Penalty charges

Penalty is imposed upon default of payment subject to commercial and business consideration of management. Penalty is recognized when collection is probable and amount can be measured reliably. Penalty is presented under 'Others – net' in the statements of income.



Expense Recognition

Expenses are recognized when it is probable that decrease in future economic benefits related to decrease in asset or an increase in liability has occurred and that the decrease in economic benefits can be measured reliably. Expenses that may arise in the course of ordinary activities of the Parent Company include costs for operating, general and administrative expenses, and selling and marketing expenses.

Healthcare benefits and claims

Healthcare benefits and claims include all claims incurred, including estimates of healthcare services that have been rendered to members, but for which the related claims have not yet been received, claims handling expenses, MfAD and liabilities to physicians, hospitals and other medical cost disputes.

Commissions

Commissions are expensed using the 1/365th method based on the total contract value. Unamortized balance is recognized as 'Prepaid commissions' for those contracts which membership fees have been collected while 'Deferred commissions' for uncollected membership fees presented as a reduction from UMFR in the statement of financial position.

Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Parent 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.

Provision for CER is recognized on unexpired HMO Agreements when it is probable that CER payable will be incurred after the expiry of the HMO agreement. The provision is equivalent to the CER payable on the unexpired HMO Agreements as at the date of the statement of financial position and is computed as the share of the client in the favorable result of the HMO Agreement where the total estimated claims and expenses as at the date of the statement of financial position is lower than the estimated agreed minimum total claims and expenses under the HMO Agreement.

As provided under the HMO Agreement, the estimated agreed minimum total claims and expenses is determined by multiplying the agreed Loss Ratio, which represents the pre-agreed rate of the total claims and expense over the total membership fee earned, to the total membership fees earned. The Parent Company assessed that the HMO Agreements with recorded provision for CER will be renewed.

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

The Parent Company need not to disclose the information, but shall disclose the general nature of the dispute, together with the fact that and the reason why, the information has not been disclosed in cases where the disclosure of some or all information required can be expected to prejudice the position of the Parent Company in disputes with other parties in the subject matter of the provisions, contingent liabilities or contingent assets.



Retirement Cost

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

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

Defined benefit cost consists of the following:

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

Service cost, which includes current service cost, past service cost and gains or losses on non-routine settlements are recognized as expense in the statement of income. Past service cost is recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to the statement of income 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 Parent Company nor can they be paid directly to the Parent 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 Parent 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.

The fund assets are valued by the fund manager at fair value using the market-to-market valuation. While no significant changes in asset allocation are expected in the next financial year, the plan's trustees may make changes at any time. To efficiently manage the retirement plan, the Parent Company ensures that the investment positions are managed in accordance with its asset-liability matching strategy to ensure that long-term investments are in line with the obligation under the retirement scheme. This strategy aims to match the plan assets to the defined benefit obligation by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency.



The Parent Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the defined benefit obligation. In view of this, investments are made in reasonably diversified portfolios, such that the failure of any single investment would not have a material impact on the overall level of plan assets.

Income Taxes

Income tax for the year comprises current, deferred tax and final tax. Income tax is determined in accordance with Philippine tax law. Income tax is recognized in the statement of income, except to the extent that it relates to OCI items which is recognized directly in the statement of comprehensive income.

Current tax

Current tax assets and liabilities for the current and the 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 these amounts are those that have been enacted or substantively enacted as at the statement of financial position date.

Deferred tax

Deferred tax is provided on temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable profit will be available against which the deductible temporary differences and carryforward of unused tax credits from MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise 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 income nor taxable income.

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

Deferred tax assets and 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 as at the statement of financial position date.

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

Current tax and deferred tax relating to items recognized directly in equity as OCI is also recognized in equity as OCI and not in the statement of income.



3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in compliance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. In the opinion of management, these financial statements reflect all adjustments necessary to present fairly the results for the periods presented. Actual results could differ from these estimates, and such estimates will be adjusted accordingly.

Judgments

a) Distinction between investment properties and owner-occupied properties

The Parent Company determines whether a property will be classified as an investment property or owner-occupied property. In making this judgment, the Parent Company considers whether the property (land or building - or part of a building - or both) will be held to earn rentals or for capital appreciation or both (Investment properties) or whether it will be held for use in the production or supply of goods or services or for administrative purposes (owner-occupied properties). The Parent Company considers each property separately in making its judgment.

As of December 31, 2023 and 2022, the fair value of investment properties amounted to ₱142.9 million and ₱129.7 million, respectively (see Note 15).

b) Provisions and contingencies

The estimate of the probable costs of the resolution of possible claims has been developed in consultation with outside counsel handling the Parent Company's defense in these matters and is based upon an analysis of potential results. The Parent Company is a party to certain lawsuits or claims arising from the ordinary course of business. The Parent Company's management and legal counsel believe that the amount of provisions recognized from these lawsuits or claims is reasonable given the circumstances (see Note 31).

The Parent Company also accrues provision for CER on unexpired HMO Agreements since it believes that said agreements will be renewed.

c) Existence of lease on agreements

The Parent Company has entered into various agreements. Critical judgment was exercised by Management to distinguish whether an agreement contains an element of lease. An agreement or contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Failure to make the correct judgment may result in an understatement of assets and liabilities. Based on management evaluation, other than the lease arrangements entered into by Parent Company as lessee, all other agreements do not contain an element of a lease contract.

d) Determining the lease term of contracts with renewal and termination options – Parent Company as lessee

The Parent Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Parent Company has several lease contracts that include renewal and termination options. The Parent Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.



After the commencement date, the Parent Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

Based on management's judgment, the renewal and termination options are not considered in determining the lease term, since the control of renewal and termination options cannot be solely implemented by the Parent Company as these are subject to the mutual consent of both parties.

e) Determination of significant influence over Maxilife

In 2022, the Parent Company invested ₱100.0 million in Maxilife representing 5% equity ownership. Under PAS 28, a holding of 20% or more of the voting power of the investee (held directly or indirectly, through subsidiaries) is presumed to give rise to significant influence, unless it can be clearly demonstrated that this is not the case. Although there is a presumption that an investor that holds less than 20% of the voting power in an investee does not have significant influence, careful judgment is needed to assess whether significant influence may still exist if one of the following indicators are present:

- a) representation on the board of directors or equivalent governing body of the investee;
- b) participation in policy-making processes, including participation in decisions about dividends or other distributions;
- c) material transactions between the entity and its investee;
- d) interchange of managerial personnel; or
- e) provision of essential technical information.

Based on the Parent Company's assessment, all indicators of significant influence are present, thus, Investment in Maxilife is classified as an Investment in Associate with less than 20% ownership. As of December 31, 2023 and 2022, the carrying value of investment in Maxilife is ₱94.5 million and ₱97.8 million, respectively (see Note 11).

Estimates

a) Determination of estimated IBNR claims, claims handling expense reserve and MfAD

These costs are actuarially determined for future payments on claims that have been incurred but have not been reported to estimate the Parent Company's obligation for healthcare services that have been rendered to its members and re-opened claims disputes that may occur in the future. The Parent Company's Actuarial Division developed its estimate using Chain Ladder Method, a standard actuarial methodology in calculating the IBNR reserves, which has been consistently applied and centrally controlled. The actuarial model considers the lag time factor or the difference between the date of service and claim receipt. The process is based on the principle that factors affecting payment progression for a given claim are modeled by an assumed pattern. Each period, the Parent Company's Actuarial Division re-examines previously established IBNR claims based on actual claim submissions and other changes in facts and circumstances such as membership count changes, provider contract rate changes, medical care consumption and other medical cost trends. As the estimated liability recorded in prior period is actualized, the Parent Company adjusts this estimated liability by increasing or decreasing it accordingly.

Estimated IBNR claims are sensitive to the key assumptions pertaining to certain utilization patterns such as preference for hospitals, hospital rates inflation, and morbidity trends of some viral infections. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding estimated claims are not known with certainty at the reporting date. Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognized in subsequent financial statements.



Claims handling expense pertains to the estimated amount of expenses for settling all claims incurred, both reported and unreported, outstanding as at the statement of financial position date. The estimate is based on claims handling factors determined using the standard unit costs of adjudicating and settling the various types of claims.

MfAD is estimated using Bootstrapping method to bring the actuarial best estimate of the HMO Agreement liabilities at the 75th percentile level of sufficiency.

Accrued IBNR claims as of December 31, 2023 and 2022 amounted to ₱964.5 million and ₱667.1 million, respectively (see Note 19).

b) Estimation of projected fund withdrawals

The Parent Company estimates its projected fund withdrawal is calculated using the same principles in the calculation of the “Claims reserves” under “Healthcare plan liabilities” in the statement of financial position.

The projected fund withdrawals as of December 31, 2023 and 2022 are ₱271.3 million and ₱179.7 million, respectively (see Note 19).

c) Client Experience Refund

The Parent Company accrues the client experience refund based on the best available data and estimates based on what is stipulated on the HMO agreements. This is reviewed at the end of each statement of financial position date and adjusted to reflect the current estimates. As of December 31, 2023 and 2022, accrued client experience refund netted against medical plan receivables amounted to ₱106.4 million and ₱205.2 million, respectively (see Note 8).

d) Credit losses on trade and other receivables

Provisions are made for accounts specifically identified to be doubtful of collection. The level of this allowance is evaluated by management based on past collection experience and other factors that affect the collectability of the accounts.

Carrying value of trade receivables amounted to ₱7.3 billion and ₱7.0 billion, net of allowance for credit losses of ₱1.3 billion, as of December 31, 2023 and 2022, respectively (see Note 8).

Carrying value of non-trade receivables amounted to ₱235.7 million and ₱334.5 million, net of allowance for credit losses of ₱13.4 million, as of December 31, 2023 and 2022, respectively (see Note 8).

e) Estimation of retirement benefits

The cost of defined retirement pension plan and other post-employment benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and the long-term nature of these plans, such estimates are subject to significant uncertainty.

The assumed discount rates were determined using the market yields on Philippine government bonds with terms consistent with the expected employee benefit payout as of the statement of financial position date.



Net retirement liability amounted to ₱0.3 million as of December 31, 2023 and net retirement asset amounted to ₱52.6 million as of December 31, 2022. The present value of defined benefit obligation amounted to ₱233.6 million and ₱187.3 million as of December 31, 2023 and 2022, respectively (see Note 16).

f) Recognition of deferred tax assets

The carrying value of deferred tax asset is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. The recognized and unrecognized deferred tax assets are disclosed in Note 17.

g) Estimation of incremental borrowing rate

The Parent Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Parent Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Parent Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Parent Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific adjustments (such as to reflect the terms and conditions of the lease).

The Parent Company's lease liabilities (current and non-current) amounted to ₱30.9 million and ₱43.2 million with a weighted incremental borrowing rate of 7.53% and 5.78% in 2023 and 2022, respectively (see Note 21).

h) Revaluation of property and equipment

The Parent Company carries some of its property and equipment at fair value. Changes in fair value are recognized in the statements of comprehensive income. The valuation methods used are "Market (Data) Approach" and "Cost Approach" (see Note 5).

The Parent Company engaged an independent valuation specialist to assess fair values as of December 31, 2023 for some of its property and equipment.

As of December 31, 2023, the fair values of land, building and condominium units under 'property and equipment – net' amounted to ₱1.1 billion (see Note 13).

4. Financial Risk Management Objectives and Policies

Governance Framework

The primary objective of the Parent Company's risk and financial management framework is to identify and address the risk facing the business thereby increasing the likelihood of successfully achieving the Parent Company's business objectives.

Healthcare Risk

The risk underlying healthcare agreements is the risk that the medical claim will occur, including the uncertainty of the amount and timing of any resulting claim. The principal risk the Parent Company faces under such agreements is that the actual claims and benefit payments exceed the carrying amount of healthcare liabilities. This is influenced by the frequency of claims, severity of claims and



actual benefits paid which may be greater than the original estimate. Subsequent development of long-term claims also influences such risks.

The variability of risks is improved by diversification of risk of loss through a large portfolio of healthcare agreements; a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio, as well as unexpected outcomes.

Financial Risk

The Parent Company's principal financial instruments consist of cash in banks, cash equivalents, short-term deposits and excess cash, which are invested mainly in government securities and low-risk commercial papers. These financial assets are substantially classified as AFS financial assets.

The Parent Company also has other financial assets and financial liabilities such as trade receivables and other receivables and trade and loans payables, which arise directly from operations and whose carrying amounts approximate their fair values because of their short-term nature. The most significant financial risks to which the Parent Company is exposed to are described below.

Credit risk

Credit risk is the risk that the Parent Company will incur losses because its obligors failed to discharge their contractual obligations. This risk may further be classified as pre-settlement and settlement risk (PSR and SR, respectively). PSR is the risk that the obligor will fail to meet the terms of the contract and default before the contract's settlement date, prematurely ending the contract. SR, on the other hand, is the risk that the obligor will fail to deliver the terms of a contract with the Parent Company at the time of settlement. SR can be the risk associated with default at settlement and any timing differences in settlement between the Parent Company and the counterparty. The management therefore carefully assesses and manages its exposures to both types of credit risk.

Maximum exposure to credit risk before collateral held or other credit enhancements

The maximum exposure to credit risk of the Parent Company is limited to the carrying value of its financial assets as shown in the statement of financial position.

Management of credit risk

Credit risk is managed through periodic review of the status of existing accounts receivable using the aging analysis and fund balance reports.

Credit quality

The Parent Company grades its financial assets that are neither past due nor impaired as *Standard grade* wherein the risk elements of the Parent Company are sufficiently pronounced and counterparties could withstand normal business cycles but any prolonged unfavorable economic scenario would create an immediate deterioration beyond acceptable levels.



The table below shows the credit quality of financial assets gross of allowance, based on the Parent Company's internal credit rating system:

	2023			Total
	Standard grade	Past due but not individually impaired	Past due and impaired	
Loans and receivables				
Cash and cash equivalents (excluding cash on hand)	₱3,439,292,248	₱-	₱-	₱3,439,292,248
Short-term investment	1,760,298,861	-	-	1,760,298,861
Trade receivables				
Medical plans*	5,728,697,410	1,178,469,259	1,198,520,129	8,105,686,798
ASO receivables	119,171,857	113,205,448	89,642,667	322,019,972
Excess utilization	12,858,122	40,709,734	12,235,503	65,803,359
Others	4,703,314	233,350,095	-	238,053,409
Non-trade receivables				
Deposits to healthcare providers	122,349,906	-	-	122,349,906
Accrued interest receivables	39,901,034	-	-	39,901,034
Bid deposits and bond securities	782,737	4,192,893	7,450,386	12,426,016
Due from officers and employees	9,348,806	-	-	9,348,806
Onsite medical services	6,130,863	-	-	6,130,863
Due from clinics and affiliate	573,056	-	-	573,056
Others	3,624,960	48,787,415	5,981,109	58,393,484
Other noncurrent assets				
Rental and lease deposits	29,153,059	-	2,761,460	31,914,519
	₱11,276,886,233	₱1,618,714,844	₱1,316,591,254	₱14,212,192,331

*Gross of accrued client experience refund reserve amounting to ₱106.4 million

	2022			Total
	Standard grade	Past due but not individually impaired	Past due and impaired	
Loans and receivables				
Cash and cash equivalents (excluding cash on hand)	₱3,761,652,546	₱-	₱-	₱3,761,652,546
Short-term investment	2,028,872,303	-	-	2,028,872,303
Trade receivables				
Medical plans	5,698,262,449	1,075,232,112	1,160,373,040	7,933,867,601
ASO receivables	110,556,517	29,975,453	107,686,704	248,218,674
Excess utilization	22,943,884	58,264,614	18,004,579	99,213,077
Others	103,566,646	74,831,937	-	178,398,583
Non-trade receivables				
Deposits to healthcare providers	120,040,172	-	-	120,040,172
Accrued interest receivables	25,763,656	-	-	25,763,656
Bid deposits and bond securities	1,169,300	3,376,582	7,450,386	11,996,268
Due from officers and employees	11,001,871	-	-	11,001,871
Onsite medical services	6,020,213	-	-	6,020,213
Due from clinics and affiliate	3,052,853	-	-	3,052,853
Others	71,216,782	89,877,069	5,981,109	167,074,960
Other noncurrent assets				
Rental and lease deposits	27,390,065	-	2,761,460	30,151,525
	₱11,991,509,257	₱1,331,557,767	₱1,302,257,278	₱14,625,324,302

*Gross of accrued client experience refund reserve amounting to ₱205.2 million

The table below shows the analysis of age of financial assets that are past due but not individually impaired:

	2023			Total
	Less than 30 days	31 to 90 days	More than 90 days	
Trade receivables				
Medical plans	₱360,690,865	₱316,902,171	₱500,876,223	₱1,178,469,259
ASO receivables	21,563,854	9,511,265	82,130,329	113,205,448
Excess utilization	3,210,357	1,059,456	36,439,921	40,709,734
Others	38,992,530	17,596,380	176,761,185	233,350,095
Non-trade receivables				
Bid deposit	-	-	4,192,893	4,192,893
Others	-	27,614	48,759,801	48,787,415
	₱424,457,606	₱345,096,886	₱849,160,352	₱1,618,714,844



	2022			Total
	Less than 30 days	31 to 90 days	More than 90 days	
Trade receivables				
Medical plans	₱286,348,819	₱333,947,816	₱454,935,477	₱1,075,232,112
ASO receivables	6,046,379	18,270,564	5,658,510	29,975,453
Excess utilization	11,251,267	17,175,441	29,837,906	58,264,614
Others	3,935,295	13,140,508	57,756,134	74,831,937
Non-trade receivables				
Bid deposit			3,376,582	3,376,582
Others	64,322	27,116	89,785,631	89,877,069
	₱307,646,082	₱382,561,445	₱641,350,240	₱1,331,557,767

The Parent Company considers the existing credit term extended to customers to be sound, which are mostly corporate accounts. Payment modes are either on an annual basis or installment basis, such as semi-annual, quarterly or monthly basis, depending on the agreement and the size of the account. As services are generally on a one-year contract basis, the credit term extended to customers is being reviewed upon renewal or acquisition of a new account. In case of payment default, corresponding penalty or suspension clause in the service agreement shall apply, subject to commercial and business consideration by management.

With respect to credit risk arising from the other financial assets of the Parent Company, which comprise cash and cash equivalents, AFS investments and trade and other receivables, the Parent Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The maximum credit risk exposure of the Parent Company's financial assets is the carrying amounts of the financial assets as shown in the statement of financial position. Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount. The Parent Company's cash and cash equivalents are classified as high grade in terms of credit quality.

Management believes that the provision for credit and other losses is stated with sufficiency along with the reported receivables.

Liquidity risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from: (a) inability to sell financial assets quickly at their fair values; (b) counterparties failing on repayment of contractual obligations; (c) healthcare agreement liabilities falling due for payment earlier than expected; or (d) inability to generate cash inflows as anticipated.

The Parent Company's objective is to maintain sufficient liquidity level in order to match currently maturing obligations, which is mainly to its healthcare providers and suppliers based on the standard credit term of thirty (30) days. Operating cash is deposited with banks while excess funds are invested in highly liquid, low-risk, and market-yielding outlets, which are short-term deposits. Since the services offered by the Parent Company are rendered on a prepaid basis, the actual benefit payments for services covered under the healthcare plan may be more than the benefit payments due. A medical claim may also occur for which there is uncertainty over its amount and timing, which may exceed the carrying amount of medical plan liabilities and are influenced by, among others, the frequency and nature of claims and actual benefits paid. However, we believe that these assumed risks from some HMO Agreements are redistributed across a larger and diversified portfolio of HMO agreements which serves to mitigate said risks.



The table shows the maturity profile of the Parent Company's financial instruments based on contractual undiscounted cash flows:

	2023						Total
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	
Financial Assets							
Cash and cash equivalents	₱824,023,541	₱303,925	₱2,617,614,570	₱-	₱-	₱-	₱3,441,942,036
Short-term investment	-	-	-	674,656,140	1,085,642,721	-	1,760,298,861
AFS investments							
Quoted equity assets	-	-	-	-	-	103,750	103,750
Unquoted equity securities	-	-	-	-	-	6,172,925	6,172,925
Trade and other receivables							
Trade receivables							
Medical plans	7,102,980,643	514,681,674	381,575,245	-	-	-	7,999,237,562
ASO receivables	303,310,045	13,105,582	5,604,345	-	-	-	322,019,972
Excess utilization	63,731,612	1,370,111	701,636	-	-	-	65,803,359
Others	238,053,409	-	-	-	-	-	238,053,409
Non-trade receivables							
Deposits to healthcare providers	122,349,906	-	-	-	-	-	122,349,906
Due from clinics and affiliates	573,056	-	-	-	-	-	573,056
Bid deposits and bond securities	11,643,279	159,800	545,438	77,499	-	-	12,426,816
Accrued interest receivables	39,901,034	-	-	-	-	-	39,901,034
Due from officers and employees	9,348,806	-	-	-	-	-	9,348,806
Onsite medical services	6,130,863	-	-	-	-	-	6,130,863
Others	58,393,484	-	-	-	-	-	58,393,484
Other noncurrent assets							
Rental and lease deposits	-	-	-	-	-	31,914,519	31,914,519
	₱8,780,439,678	₱529,621,092	₱3,006,041,234	₱674,733,639	₱1,085,642,721	₱38,191,194	₱14,114,669,558
Financial Liabilities							
Healthcare plan liabilities							
Due and unpaid claims	-	269,563,799	-	-	-	-	269,563,799
ASO funds	474,840,743	-	-	-	-	-	474,840,743
Trade payable	-	1,033,282,716	-	-	-	-	1,033,282,716
Commission payable	-	101,166,846	-	-	-	-	101,166,846
Lease liabilities	-	1,563,245	2,822,083	1,661,258	2,749,593	22,075,188	30,871,367
Accrued expenses	-	1,147,207,887	-	-	-	-	1,147,207,887
	₱474,840,743	₱2,552,784,493	₱2,822,083	₱1,661,258	₱2,749,593	₱22,075,188	₱3,056,933,358
Excess of Financial Assets over Liabilities							₱11,057,736,200

	2022						Total
	On Demand	Up to 1 Month	1 to 3 Months	3 to 6 Months	6 to 12 Months	Beyond 1 Year	
Financial Assets							
Cash and cash equivalents	₱1,354,869,991	₱2,409,573,534	₱-	₱-	₱-	₱-	₱3,764,443,525
Short-term investment	-	-	-	2,028,872,303	-	-	2,028,872,303
AFS investments							
Quoted equity assets	-	-	-	-	-	103,750	103,750
Unquoted equity securities	-	-	-	-	-	10,172,925	10,172,925
Trade and other receivables							
Trade receivables							
Medical plans	5,884,293,560	1,572,716,446	271,624,264	57,913	-	-	7,728,692,183
ASO receivables	198,269,877	40,066,916	9,881,881	-	-	-	248,218,674
Excess utilization	91,265,160	6,116,985	1,830,932	-	-	-	99,213,077
Others	168,650,866	6,347,729	345,428	71,380	-	-	175,415,403
Non-trade receivables							
Deposits to healthcare providers	120,040,172	-	-	-	-	-	120,040,172
Due from clinics and affiliates	-	3,052,853	-	-	-	-	3,052,853
Bid deposits and bond securities	10,826,968	-	383,350	191,624	594,326	-	11,996,268
Accrued interest receivables	-	25,763,656	-	-	-	-	25,763,656
Due from officers and employees	-	11,001,871	-	-	-	-	11,001,871
Onsite medical services	322,068	64,322	27,116	1,853,289	90,865	3,662,553	6,020,213
Others	95,858,178	74,199,962	-	-	-	-	170,058,140
Other noncurrent assets							
Rental and lease deposits	-	-	-	-	-	30,151,525	30,151,525
	₱7,924,396,840	₱4,148,904,274	₱284,092,971	₱2,031,046,509	₱685,191	₱44,090,753	₱14,433,216,538
Financial Liabilities							
Healthcare plan liabilities							
Due and unpaid claims	-	355,081,190	-	-	-	-	355,081,190
ASO funds	430,869,759	-	-	-	-	-	430,869,759
Trade payable	-	1,039,632,126	-	-	-	-	1,039,632,126
Commission payable	-	118,801,649	-	-	-	-	118,801,649
Lease liabilities	-	1,711,176	3,213,272	4,456,801	9,193,394	24,618,446	43,193,089
Loans payable*	-	3,135,459	12,875,030	14,138,636	28,493,938	1,067,035,066	1,125,678,129
Accrued expenses	-	973,767,403	-	-	-	-	973,767,403
	₱430,869,759	₱2,492,129,003	₱16,088,302	₱18,595,437	₱37,687,332	₱1,091,653,512	₱4,087,023,345
Excess of Financial Assets over Liabilities							₱10,346,193,193

*include future interest on loans



Market risk

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

a) Foreign currency risk

Foreign exchange is the risk to earnings or capital arising from changes in foreign exchange rates. The Parent Company takes on exposure to effects of fluctuations at the prevailing foreign currency exchange rates on its financial and cash flows.

The Parent Company's principal transactions are carried out in Philippine Peso and its foreign exchange risk arises primarily with respect to US dollar-denominated deposits with minimal balances equivalent to ₱31.3 million and ₱54.9 million for 2023 and 2022 respectively. The Parent Company's financial assets are primarily denominated in the same currency as its healthcare agreements, which mitigate the foreign exchange rate risk.

As of December 31, 2023 and 2022, the Parent Company has assessed that its exposure to foreign currency risk is not significant.

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Parent Company's exposure to the risk of changes in market interest rates relates primarily to the Parent Company's long-term debt obligations with floating interest rates. The Parent Company has determined that an increase in of 100 basis points in interest rates at December 31, 2022 would have an increased equity and profit or loss by ₱2.7 million.

This analysis assumes that all other variables, remain constant. For a decrease of 100 basis points, there would be an equal and opposite impact on the profit and equity.

As of December 31, 2023, the Parent Company has no loans payable.

c) Price risk

The Parent Company's price risk exposure at year-end relates to financial assets and liabilities whose values will fluctuate as a result of changes in market prices. In 2023 and 2022, the Parent Company has no significant exposure to price risk.

Financial Capacity Requirements

On November 12, 2015, under Executive Order 192, series of 2015, the President of the Republic of the Philippines, signed the transfer of regulation and supervision of all Health Maintenance Organizations (HMOs) from the Department of Health to the Insurance Commission (IC).

On August 13, 2016, IC Circular Letter 2016-41 Minimum Capitalization and Financial Capacity Requirements for HMOs issued by the IC took effect requiring compliance with the following:

a) Paid-up capital

All existing HMOs must have a minimum paid-up capital of ₱10.0 million and new HMOs shall have paid-up capital of at least ₱100.0 million. As of December 31, 2023 and 2022, the Parent Company has complied with the said requirement.



b) Deposit requirements

HMOs shall deposit with the Commission or at discretion of the Commissioner, trustee bank acceptable to the Commissioner through which a custodial account is utilized, cash, treasury bills, treasury bonds, or any combination of these that are acceptable to the Commissioner which at all times shall have a value of not less than twenty percent (20%) of the HMO's actual paid-up capital as prescribed by the Circular. On December 27, 2019, the IC issued Circular Letter 2019-74 Guidelines on Security Deposit Requirements which requires that effective January 1, 2020 the security deposits shall at all times be not less than twenty five percent (25%) of the HMO's actual paid-up capital. It further requires that the security deposit shall be invested only in bonds or other instruments of debt of the Government of the Philippines or its political subdivisions or instrumentalities, or of government-owned-or-controlled corporations and entities, including the Bangko Sentral ng Pilipinas (BSP).

The investment shall at all times be maintained free from any lien or encumbrance.

The deposit shall be considered an asset of the HMOs in the determination of its unimpaired paid-up capital and or net worth.

The Parent Company has complied with this requirement by acquiring government securities with carrying value of ₱269.4 million and ₱257.9 million as of December 31, 2023 and 2022, respectively, lodged under a non-tradeable account of the National registry of Scripless Security System and recorded as part of short-term investments (see Note 7).

On March 6, 2024, the Parent Company acquired additional investment securities amounting to ₱280.0 million to comply with this requirement.

c) Risk-based capitalization

The HMO's maximum risk on membership fees shall be determined by the paid-up capital. The Parent Company's paid-up capital as of December 31, 2023 and 2022 is above the requirement relative to the Parent Company's actual gross membership fees earned.

d) Net worth requirement

All HMOs shall have a net worth which is not less than its paid-up capital. As of December 31, 2023 and 2022, the Parent Company complied with the above requirements.

e) Liquidity requirement

Acid test ratio shall be defined as current assets over current liabilities. As of December 31, 2023 and 2022, the Parent Company's acid test ratios are 0.93, and 1.03, respectively.

On October 25, 2023, the IC issued Circular 2023-24 which requires HMO to maintain an acid test ratio of at least 0.75 subject to submission of claims payable schedule and claims settlement plan.

f) Revaluation of assets

The IC accepts only appraisals from an acceptable independent appraiser recognized by the Department of Trade and Industry and/or any competent government office.



For the purpose of determining the net worth requirement, appraisal increment on property, plant and equipment is not allowed, unless with prior written approval by the Commission. As of December 31, 2023, the Commission has yet to determine the net worth requirement of the Parent Company.

g) Declaration of dividends

No domestic HMO corporation shall declare or distribute any dividend on its outstanding stocks unless it has met the minimum paid-up capital and net worth requirements under Circular 2016-41 and except from its profits attested in sworn statements to the Commissioner by the President and Treasurer of the corporation to be remaining on hand after retaining unimpaired: (1) the entire paid-up capital stock; and (2) net worth and liquidity requirements defined by the same circular.

As of December 31, 2023 and 2022, the Parent Company has complied with the above requirements.

5. Fair Value Measurement

As of December 31, 2023 and 2022, the carrying values of the Parent Company's assets and liabilities as reflected in the statements of financial position and related notes approximate their respective fair values as of the statements of financial position date.

The methods and assumptions used by the Parent Company in estimating the fair value of assets and liabilities follow:

Cash in banks and cash equivalents, short-term investments, trade and other receivables, healthcare plan liabilities (accrued IBNR claims, accrued ICOS claims and ASO funds), trade payables and accrued expenses and other payables

The carrying amounts of these accounts approximate their fair value due to their short-term maturities. This assumption is applied to liquid assets and short-term elements of all other financial assets and financial liabilities.

Quoted debt and equity securities

Fair values of quoted equity securities under 'Available-for-sale investments' are based on quoted prices published in markets.

Unquoted equity security

The carrying amount of unquoted equity securities approximates fair value due to the unpredictable nature of cash flows and the lack of suitable methods of arriving at a fair value.

Rental and lease deposits

The fair values of rental and lease deposits were estimated using the discounted cash flow methodology using interest rate for similar types of financial instruments.

Property and equipment – net and investment properties

Land, building and condominium units under 'property and equipment – net' and buildings under 'investment properties' were valued using a valuation technique with significant inputs that are not based on observable inputs (Level 3).



The fair values of certain property and equipment and all investment properties were arrived at using the following methods:

Asset	Method	Description
Land and condominium units under <i>'property and equipment – net'</i>	Market Data Approach	The value is based on sales, listings and other market data of comparable property registered within the vicinity of the subject property.
Building under <i>'investment properties'</i>		
Building under <i>'property and equipment – net'</i> and <i>'investment properties'</i>	Cost Approach	The value is determined by deducting the estimated total accrued depreciation from the estimated total reproduction cost of similar new improvements. Adjustments are then made to reflect depreciation resulting from physical deterioration plus any functional and economic obsolescence that may exist to arrive at a reasonable valuation.

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

Significant Unobservable Inputs

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

The fair values of these assets are based on the latest appraisal report prepared by an accredited appraiser as at end of year. The fair values of certain property and equipment and all investment properties are based on their highest and best use, which are their current use.

Lease liabilities, rental deposit and lease deposit

The fair values of lease liabilities were estimated by applying the discounted cash flow method using the Parent Company's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liability being valued.



Loans payable

The fair values of loans payable approximate the carrying values since these loans reprice on a quarterly basis or have short-term maturities.

Fair value hierarchy

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	2023				
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Asset Measured at Fair Value					
AFS investments					
Equity securities	₱103,750	₱103,750	₱-	₱-	₱103,750
Non-Financial Asset Measured at Fair Value					
Property and equipment	1,140,243,760	-	-	1,140,243,760	1,140,243,760
Investment properties	142,871,440	-	-	142,871,440	142,871,440
	1,283,115,200	-	-	1,283,115,200	1,283,115,200
Financial Asset for which Fair Values are Disclosed					
Rental and lease deposits	30,914,519	-	-	30,914,519	30,914,519
2022					
	Carrying Value	Level 1	Level 2	Level 3	Total
Financial Asset Measured at Fair Value					
AFS investments					
Equity securities	₱103,750	₱103,750	₱-	₱-	₱103,750
Non-Financial Asset Measured at Fair Value					
Investment properties (as restated)	129,659,038	-	-	129,659,038	129,659,038
Financial Asset for which Fair Values are Disclosed					
Rental and lease deposits	30,151,525	-	-	30,151,525	30,151,525
Financial liabilities for which Fair Values are Disclosed					
Loans payable	₱1,000,000,000	₱-	₱-	₱1,000,000,000	₱1,000,000,000

There were no transfers among Level 1, 2 and 3 in 2023 and 2022.

AFS investments include unquoted equity securities amounting to ₱6.3 million and ₱10.3 million as of December 31, 2023 and 2022, which are carried at cost less any impairment in value (see Note 10). Unquoted equity instruments include private equity shares.



6. Cash and Cash Equivalents

This account consists of:

	2023	2022
Cash equivalents (Note 4)	₱2,617,918,495	₱2,809,573,534
Cash in banks	821,373,753	952,079,012
Cash on hand	2,649,788	2,790,979
	₱3,441,942,036	₱3,764,443,525

Cash in banks earns interest at annual rates ranging from 0.062% to 0.15% in 2023 and from 0.062% to 0.15 % in 2022. Cash equivalents are made for varying periods of up to three months depending on the immediate cash requirements of the Parent Company and earn interest at annual rates ranging from 0.125% to 6.5% in 2023 and from 0.125% to 6.00 % in 2022.

In 2023 and 2022, the Parent Company earned interest income from cash in banks and cash equivalents totaling ₱189.5 million and ₱40.6 million, respectively.

7. Short-term Investments

As at December 31, 2023 and 2022, short-term investments consist of the following:

	2023	2022
Time deposits	₱1,490,855,195	₱1,770,994,827
Government securities	269,443,666	257,877,476
	₱1,760,298,861	₱2,028,872,303

	2023	2022
Beginning balance	₱2,028,872,303	₱3,134,655,545
Acquisitions during the year	4,568,302,003	2,777,688,733
Proceeds from maturity of short-term investments	(4,836,875,445)	(3,883,471,975)
Ending balance	₱1,760,298,861	₱2,028,872,303

The time deposits are placements on various private banks with tenor of more than 90 days but less than one year.

The government securities pertain to treasury bills purchased in 2023 and 2022 in compliance with the IC's deposit requirements to be placed in government securities. These securities have a maturity of one (1) year.

Interest income earned from these investments amounted to ₱104.0 million and ₱54.3 million in 2023 and 2022, respectively.



8. Trade and Other Receivables

This account consists of:

	2023	2022
Trade		
Medical plans, net of CER	₱7,999,237,562	₱7,728,692,183
ASO receivables	322,019,972	248,218,674
Excess utilization	65,803,359	99,213,077
Riders receivable	4,861,466	2,983,180
Others	233,191,943	175,415,403
	8,625,114,302	8,254,522,517
Less: Allowance for credit losses	1,300,398,300	1,286,064,323
	7,324,716,002	6,968,458,194
Non-trade		
Deposit to healthcare providers	122,349,906	120,040,172
Accrued interest receivable	39,901,034	25,763,656
Receivables from healthcare providers	26,029,249	41,828,366
Bid deposits and bond securities	12,426,016	11,996,268
Due from officers and employees	9,348,806	11,001,871
Onsite medical services	6,130,863	6,020,213
Receivables from rent	3,624,960	74,199,962
Due from clinics and affiliates	573,056	3,052,853
Due from subsidiary	-	19,410,723
Dividend receivable	-	1,131,972
Others	28,739,275	30,503,937
	249,123,165	344,949,993
Less: Allowance for credit losses	13,431,494	13,431,494
	235,691,671	331,518,499
	₱7,560,407,673	₱7,299,976,693

Medical plan receivables are recognized when the Parent Company becomes a party to the contract and represents the total membership fees stated in the HMO Agreement which are uncollected as at the statement of financial position date, net of accrued CER amounting to ₱106.4 million and ₱205.2 million as of December 31, 2023 and 2022, respectively. In 2023 and 2022, client experience refund charged against earned membership fees amounted to ₱81.4 million and ₱442.9 million, respectively (see Note 24).

Movement of accrued CER follow:

	2023	2022
Balance at beginning of the year	₱205,175,418	₱381,090,607
Provisions during the year	81,361,377	633,028,045
Payments during the year	(180,087,559)	(808,943,234)
	₱106,449,236	₱205,175,418

ASO receivables are net of the corresponding ASO funds (see Note 19), following the offsetting principle.

Excess utilization refers to receivables from members for availments in excess of covered plans that are advanced by the Parent Company.



Other trade receivables pertain to receivables from the riders and penalty charges.

In consideration for certain discounts being offered, the Parent Company deposited funds to certain healthcare providers to defray for the medical and hospitalization expenses of its members. This is lodged under the account 'Deposits to healthcare providers'. After deducting billed and received hospital charges from the fund, the balance shall be restored to its original level upon reaching its threshold limit.

Receivables from rent pertains to the use of the clinic-related assets.

Accrued interest receivable relates to accrued interest on cash and cash equivalents and due from clinics and affiliates.

Receivables from healthcare providers pertain to discounts granted by providers for payments made within the discount term.

Due from subsidiary includes reimbursement from various charges and licensing fees (see Note 30).

Bid deposits and bond securities pertain to receivables arising from bid security posted to government agencies.

Due from officers and employees includes advances in relation to cash advance, SSS maternity leave benefits and sick leaves, excess charges, telecom charges, employee loans, and others.

Onsite medical services includes receivables particular to the administration of medical services to employees of partner organizations.

Due from clinics and affiliates include receivables from affiliates amounting to ₱0.6 million and ₱3.1 million as of December 31, 2023 and 2022, respectively (see Note 30).

In 2023 and 2022, the Parent Company earned interest income due from clinics and affiliates amounting to nil and ₱1.2 million, respectively.

Other nontrade receivables include receivables from other counterparties. Credit terms are based on the agreements of the parties.

A reconciliation of the allowance for credit losses per class of trade and non-trade receivables that are collectively or individually assessed for impairment follows:

	2023				
	Trade receivables			Non-trade receivables	
	Medical plans	ASO receivables	Excess utilization	Others	Total
Balance at beginning of year	₱1,160,373,041	₱107,686,703	₱18,004,579	₱13,431,494	₱1,299,495,817
Provisions (reversals) (Note 26)	38,147,089	(18,044,036)	(5,769,076)	-	14,333,977
Balance at end of year	₱1,198,520,130	₱89,642,667	₱12,235,503	₱13,431,494	₱1,313,829,794



	2022				
	Trade receivables			Non-trade receivables	
	Medical plans	ASO receivables	Excess utilization	Others	Total
Balance at beginning of year	₱1,089,898,252	₱117,097,880	₱20,714,399	₱13,431,494	₱1,241,142,025
Provisions (reversals) (Note 26)	122,780,360	(6,366,909)	(1,817,145)	-	114,596,306
Write-offs	(52,305,571)	(3,044,268)	(892,675)	-	(56,242,514)
Balance at end of year	₱1,160,373,041	₱107,686,703	₱18,004,579	₱13,431,494	₱1,299,495,817

9. Prepaid Expenses and Other Current Assets

This account consists of:

	2023	2022
Creditable withholding tax	₱953,404,653	₱464,470,887
Advances to counterparties	191,371,902	91,827,354
Prepaid expenses	4,385,805	26,104,004
Current portion of deferred input VAT	-	17,307,061
	1,149,162,360	599,709,306
Less: Allowance for credit losses	23,087,172	23,087,172
	₱1,126,075,188	₱576,622,134

Creditable withholding tax refers to amounts withheld from income payments by clients relative to the membership due under the HMO Agreements as evidenced by creditable tax certificates which are applied against the Parent Company's income tax due.

Advances to counterparties pertain to advance payments on maintenance renewals and other services related to the Parent Company's operations.

Prepaid expenses include insurance and various software licenses and system applications. Software licenses and systems applications are amortized over a one (1) year period. In 2023 and 2022, the total amortization of software licenses and system applications presented as 'Information and technology expenses' under 'General and administrative expenses' in the statements of income amounted to ₱0.6 million and ₱17.9 million, respectively (see Note 26).

10. Available-for-Sale Investments

This account consists of:

	2023	2022
Quoted equity securities	₱103,750	₱103,750
Unquoted equity securities	6,172,925	10,172,925
	₱6,276,675	₱10,276,675

Unquoted equity securities include investments in preferred shares of affiliates totaling ₱4.0 million as of December 31, 2022 (see Note 30).

In 2022, the Parent Company received the proceeds from the redemption of investment in preferred shares amounting to ₱129.0 million.



In 2023, the Parent Company sold AFS investments to an officer of the Parent Company amounting to ₱4.0 million. No gain or loss was recognized in the transaction.

No dividend income was declared on the Company's AFS investments in 2023 and 2022.

11. Investments in Associates

Details of this account follow:

	2023	2022
Acquisition cost		
Balance at beginning of year	₱105,047,900	₱2,647,900
Acquisition (disposal) during the year	(7,035,987)	102,400,000
Balance at end of year	98,011,913	105,047,900
Accumulated share in net income		
Balance at beginning of year	2,258,513	5,984,530
Share in net loss during the year	(3,251,884)	(2,894,045)
Dividends declared during the year	-	(831,972)
Balance at end of year	(993,371)	2,258,513
Accumulated share in remeasurement gain on retirement liability		
Balance at beginning of year	319,939	319,939
Share in remeasurement loss during the year	(7,736)	-
Balance at end of year	312,203	319,939
	₱97,330,745	₱107,626,352
	2023	2022
Maxicare Life Insurance Corporation	94,468,129	₱97,797,305
Associated Medical Services	2,862,616	2,862,616
Equicom Shared Services, Inc.	-	6,966,431
	₱97,330,745	₱107,626,352

Equicom Shared Services, Inc. (S2)

As of December 31, 2023 and 2022, total cost of investment of the Parent Company in common shares of Equicom Shared Services, Inc. (S2), a non-listed entity, amounted to nil and ₱4.0 million, respectively, representing 22.74% ownership interest.

In 2019, S2 declared cash dividends to shareholders amounting to ₱1.1 million which was paid only in 2023/ There were no dividends declared in 2023 and 2022.

In 2022, the Parent Company paid ₱2.4 million as full payment of subscribed common shares.

In 2023, the Parent Company sold the investment to an officer of the Parent Company for the amount of ₱7.0 million. No gain or loss was recognized in the transaction.

S2's primary purposes are to develop, operate and provide a full range of information technology (IT)-enabled business processing services to engage in the design, development and implementation of business processing outsourcing markets, value added solutions, and support services in the operational, technological, and administrative requirements of other businesses. S2 was incorporated and started commercial operations on August 1, 2012.



The following table presents the financial information of S2 as of and for the year ended December 31, 2022.

Statements of Financial Position

Total assets	₱39,295,793
Total liabilities	25,741,486
Equity	13,554,307
Share in equity – 22.74%	3,082,249

Statements of Comprehensive Income

Gross profit	44,574
Operating income	44,574
Net loss	(7,121,137)
Share in net loss	(1,619,347)

Significant assets of S2 include the following:

Cash and cash equivalents	₱26,628,164
Trade and other receivables	196,809
Other assets	12,470,820

Associated Medical Services (AMS)

As of December 31, 2023 and 2022, total cost of investment of the Parent Company in common shares of Associated Medical Services (AMS) amounted to ₱1.0 million representing 27.62% ownership interest.

AMS is primarily engaged in maintaining industrial and medical services for clinics, industries and other establishments requiring such medical services.

The following table presents the financial information of AMS as of and for the years ended December 31, 2023 and 2022, respectively.

	2023	2022
Statements of Financial Position		
Total assets	₱45,133,822	₱39,264,571
Total liabilities	19,665,105	15,801,985
Equity	25,468,717	23,462,586
Share in equity – 27.62%	7,034,460	6,480,366
Statements of Comprehensive Income		
Gross profit	34,601,509	29,626,358
Operating income (loss)	3,248,851	(2,631,081)
Net income	2,945,704	3,568,304
Share in net income	813,603	985,566

Significant assets of AMS include the following:

	2023	2022
Cash and cash equivalents	₱3,816,266	₱6,767,658
Trade and other receivables	32,574,546	24,782,406
Other assets	8,743,010	7,714,507



Maxicare Life Insurance Corporation (Maxilife)

As of December 31, 2023, total cost of investment of the Parent Company in common shares of Maxicare Life Insurance Corporation (Maxilife) amounted to ₱100 million representing 5% ownership interest.

Maxilife is primarily engaged in business of life insurance, including accident, health, and medical insurance.

The following table presents the financial information of Maxilife as of and for the years ended December 31, 2023 and 2022, respectively.

	2023	2022
Statements of Financial Position		
Total assets	₱1,991,698,374	₱1,959,015,459
Total liabilities	135,381,059	25,731,167
Equity	1,856,317,315	1,933,284,292
Share in equity – 5%	92,815,866	96,664,215
Statements of Comprehensive Income		
Operating loss	(61,800,076)	(42,327,783)
Net loss	(82,700,854)	(46,732,374)
Share in net loss	(4,135,043)	(2,336,619)

Significant assets of Maxilife include the following:

	2023	2022
Cash and cash equivalents	₱840,906,780	₱1,059,158,303
Short-term investments	413,976,821	557,843,052
Financial assets at fair value through other comprehensive income (FVOCI)	556,950,226	306,776,345
Other assets	179,864,547	35,237,759

12. Investment in Subsidiary

On November 12, 2020, the Parent Company, upon approval of its Board of Directors (BOD), approved the incorporation of Maxicare Health Services, Inc. (Maxihealth), a wholly owned subsidiary that will undertake and carry out private, medical, dental and other health activities, consistent with and in furtherance of the Parent Company's primary purpose. Maxihealth enables the Parent Company to provide an effective and efficient primary care model, which aligns with the interests of the Parent Company's members, healthcare services providers and the Parent Company itself, so as to effect delivery of best healthcare services at an affordable cost.

Maxihealth has an authorized capital stock of ₱1.0 billion. In March 2021, the Parent Company paid in cash the total subscribed paid-up capital amounting to ₱200.0 million.

On November 2, 2021, the Parent Company agreed to assign, transfer, and contribute to Maxihealth the clinic-related assets in exchange for and as consideration for shares of common stock in Maxihealth, from the unissued portion of its authorized capital stock.



On December 29, 2022, the SEC approved the valuation of the property and equipment of the Parent Company amounting to ₱84.9 million be applied as payment for the additional issuance of 848,517 common shares at par value of P100 each from the unissued portion of the authorized capital stock of Maxihealth (Note 30). The net book value of the property and equipment applied as payment for the additional issuance of shares amounted to ₱86.9 million at the transaction date and the loss from the transaction amounted to ₱2.0 million in 2022.

The following table presents the financial information of Maxihealth as of and for the years ended December 31, 2023 and 2022, respectively.

	2023	2022
Statements of Financial Position		
Total assets	₱1,082,912,634	₱936,496,408
Total liabilities	716,132,505	595,120,438
Equity	366,780,129	341,375,970
Statements of Comprehensive Income		
Gross profit	171,230,534	125,357,288
Operating income	25,882,366	36,594,497
Net loss	25,404,159	38,879,004

Significant assets of Maxihealth include the following:

	2023	2022
Trade and other receivables	₱186,806,596	₱213,843,987
Property and equipment	662,935,443	566,394,004
Other assets	233,170,595	156,258,417



13. Property and Equipment

This account consists of property and equipment carried at cost and revalued amounts as follows:

	2023	2022
At cost	₱139,560,202	680,004,660
At revalued amounts	1,140,243,760	-
	₱1,279,803,962	₱680,004,660

The rollforward of property and equipment carried at cost follows:

Cost	2023										Total
	Transportation Equipment	Furniture and Fixtures	Computer and Peripherals	Equipment and Others	Leasehold Improvements	Medical Equipment	Construction in progress	Right-of-use assets - Building	Right-of-use assets - Vehicles		
Balance at the beginning of the year	₱69,565,724	₱42,868,533	₱315,037,682	₱34,910,353	₱136,329,048	₱8,128,849	₱1,641,624	₱123,663,009	₱27,822,101		₱759,966,923
Additions	12,306,107	930,056	19,714,548	197,645	6,491,973	2,428,572	2,662,009	7,599,694	-	-	52,330,604
Transfer from CIP (Note 14)	-	-	-	-	2,662,008	-	(4,303,633)	-	-	-	(1,641,625)
Disposals / retirement	(12,000,707)	(725,586)	(279,961)	(117,642)	(2,084)	-	-	-	-	-	(13,125,980)
Balance at end of year	69,871,124	43,073,003	334,472,269	34,990,356	145,480,945	10,557,421	-	131,262,703	27,822,101		797,529,922
Accumulated depreciation and amortization											
Balance at the beginning of the year	31,729,971	41,113,823	236,662,950	33,910,920	120,361,921	1,379,190	-	87,130,131	24,594,836		576,883,742
Depreciation and amortization (Note 29)	13,380,208	1,530,645	37,808,991	1,300,616	8,532,368	2,149,219	-	18,539,987	3,227,265		86,469,299
Disposals / retirement	(6,893,884)	(725,586)	(279,961)	(117,642)	(2,084)	-	-	-	-		(8,019,157)
Adjustments	-	(292,536)	2,247,207	(1,011,591)	-	1,092,857	-	599,899	-		2,635,836
Balance at end of year	38,216,295	41,626,346	276,439,187	34,082,303	128,892,205	4,621,266	-	106,270,017	27,822,101		657,969,720
Net carrying value at end of year	₱31,654,829	₱1,446,657	₱58,033,082	₱908,053	₱16,588,740	₱5,936,155	₱-	₱24,992,686	₱-		₱139,560,202



2022

Cost	Land	Building	Condominium Units	Transportation Equipment	Furniture and Fixtures	Computer and Peripherals	Office				Right-of-use Building assets	Right-of-use Vehicles	Total
							Equipment and Others	Leasehold Improvements	Medical Equipment	Construction in progress assets			
Balance at the beginning of the year	₱217,488,419	₱356,923,680	₱78,012,857	₱66,982,926	₱47,383,629	₱275,703,940	₱56,744,504	₱311,048,471	₱56,838,090	₱12,305,750	₱285,142,088	₱21,008,987	₱1,785,583,341
Additions	-	-	-	10,949,107	756,663	58,566,480	1,509,313	5,749,826	250,000	9,333,629	34,261,036	6,813,114	128,189,168
Transfer from CIP (Note 14)	-	-	-	1,160,030	-	75,759	-	6,717,857	8,627,723	(19,997,755)	-	-	(3,416,386)
Disposals / retirement	-	-	-	(9,526,339)	(5,271,759)	(19,308,497)	(23,343,464)	(187,183,106)	(57,586,964)	-	(195,740,115)	-	(497,964,244)
Balance at end of year	217,488,419	356,923,680	78,012,857	69,565,724	42,868,533	315,037,682	34,910,353	136,329,048	8,128,849	1,641,624	123,663,009	27,822,101	1,412,391,879
Accumulated depreciation and amortization	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at the beginning of the year	-	85,397,162	54,144,464	23,884,127	41,743,556	213,786,616	52,000,877	197,411,961	14,488,558	-	180,613,848	18,946,244	882,417,413
Depreciation and amortization (Note 29)	-	15,961,851	-	13,510,717	3,136,863	40,941,594	4,002,843	59,443,030	12,269,444	-	25,426,958	5,648,592	180,341,892
Disposals / retirement	-	-	-	(5,664,873)	(3,766,596)	(18,065,260)	(22,092,800)	(136,493,070)	(25,378,812)	-	(118,910,675)	-	(330,372,086)
Balance at end of year	-	101,359,013	54,144,464	31,729,971	41,113,823	236,662,950	33,910,920	120,361,921	1,379,190	-	87,130,131	24,594,836	732,387,219
Net carrying value at end of year	₱217,488,419	₱255,564,667	₱23,868,393	₱37,835,753	₱1,754,710	₱78,374,732	₱999,433	₱15,967,127	₱6,749,659	₱1,641,624	₱36,532,878	₱3,227,265	₱680,004,660

The Parent Company sold property and equipment with net book value of ₱5.1 million and ₱7.5 million in 2023 and 2022, respectively. In 2023 and 2022, the Parent Company reported gain on sale amounting to ₱0.7 million and loss on sale amounting to ₱1.0 million, respectively, presented under 'Others - net' in the statements of income.

In 2022, the Parent Company retired right-of-use assets with net book value of ₱76.8 million and reversed the related lease liabilities ₱84.0 million (see Note 21), resulting to a gain of ₱7.2 million.

As of December 31, 2023 and 2022, aggregate costs of fully depreciated property and equipment still in use amounted to ₱540.8 million and ₱451.3 million, respectively.

Construction in progress pertains to leasehold improvements and property not yet completed and turned over. These items were transferred to the specific asset account in 2023 and 2022.



The rollforward of property and equipment stated at revalued amounts follows:

	2023			
	Land	Building	Condominium Units	Total
Cost				
Balance at the beginning of the year	₱217,488,419	₱356,923,680	₱78,012,857	₱652,424,956
Revaluation adjustment	436,127,581	75,102,944	148,053,607	659,284,132
Balance at end of year	653,616,000	432,026,624	226,066,464	1,311,709,088
Accumulated depreciation and amortization				
Balance at the beginning of the year	-	101,359,013	54,144,464	155,503,477
Depreciation and amortization (Note 29)	-	15,961,851	-	15,961,851
Balance at end of year	-	117,320,864	54,144,464	171,465,328
Net carrying value at end of year	₱653,616,000	₱314,705,760	₱171,922,000	₱1,140,243,760

The Parent Company changed the accounting policy with respect to the measurement of land, building and condominium units on December 31, 2023 on a prospective basis. Therefore, the fair values of these properties as at January 1, 2023 was not determined.

If the land, building and condominium units were measured using the cost model, the carrying amounts as of December 31, 2023 would be as follows:

	Land	Building	Condominium Units	Total
Cost	₱217,488,419	₱356,923,680	₱78,012,857	₱652,424,956
Accumulated depreciation	-	(117,320,864)	(54,144,464)	(171,465,328)
Net carrying value	₱217,488,419	₱239,602,816	₱23,868,393	₱480,959,628

The revaluation adjustment was recognized, net of tax, in the Parent Company's statements of comprehensive income.

Movement in revaluation surplus as of December 31, 2023 follows:

	2023
Balance at beginning of year, gross of tax	₱-
Revaluation adjustment during the year	659,284,132
Balance at end of year, gross of tax	659,284,132
Income tax effect	(164,821,033)
Balance at end of year, net of tax	₱494,463,099

14. Software Costs

The movements of this account follow:

	2023	2022
Cost		
Balance at beginning of the year	₱274,036,258	₱242,448,303
Additions	73,199,398	33,498,670
Transfer from CIP (Note 13)	1,641,625	3,416,386
Retirement	-	(5,327,101)
Balance at end of year	348,877,281	274,036,258
Accumulated Depreciation		
Balance at beginning of year	141,585,592	100,042,937
Amortization (Note 29)	46,847,784	46,869,755
Retirement	-	(5,327,100)
Balance at end of year	188,433,376	141,585,592
Net Book Value	₱160,443,905	₱132,450,666



15. Investment Properties

This account represents parts of the Parent Company's building and another building which are being leased out to tenants. The movements of this account follow:

	2023	December 31, 2022 (As Restated)
Balance at the beginning of year	₱129,659,038	₱136,334,355
Fair value gain (loss) (Note 2)	13,212,402	(6,675,317)
Balance at end of year	₱142,871,440	₱129,659,038

In 2023 and 2022, gain (loss) on change in fair value is presented under 'Others – net' in other income (expense) in the statements of income.

As of December 31, 2023, 2022 and 2021, the dates of valuation, the real estate properties' fair values are based on the valuations performed by Value Metrics, Inc. an accredited independent appraiser.

Description of valuation techniques used and key inputs to valuation on investment properties are as follows:

Location	Valuation Techniques	Significant unobservable inputs	Range (weighted average)	
			2023	2022
1. No. 203 Street thru Adelantado Street, Brgy. San Lorenzo, Legaspi Village, Makati City	Cost approach	Reproduction cost	₱5,705,723	₱6,108,151
2. Ground floor to 4 th floor of Algo Center, Brgy, Bel-Air, Salcedo Village, Makati City	Market (Data) approach	Price per square meter	₱195,873 to ₱400,000 (₱264,454)	₱153,846 to ₱390,000 (₱228,423)

In 2023 and 2022, rental income presented under 'Others – net' as presented in other income in the statements of income amounted to ₱7.7 million and ₱73.5 million, respectively (see Note 21).

16. Retirement Benefits

The Parent Company has a funded non-contributory defined benefit retirement plan covering its permanent employees. Retirement benefits costs and contributions are determined in accordance with an actuarial study and are based on years of service and employees' final covered compensation.

The latest actuarial valuation of the plan is as of December 31, 2023. The principal actuarial assumptions used to determine retirement benefit costs follow:

The amount of net retirement liability (asset) recognized in the statements of financial position follows:

	2023	2022
Present value of defined benefit obligation	₱233,643,170	₱187,281,682
Fair value of plan assets	(233,390,074)	(239,905,113)
Net retirement liability (asset)	₱253,096	(₱52,623,431)



As of December 31, 2023 and 2022, the major categories of plan assets at their fair values follow:

	2023	2022
Assets		
Deposit in banks	₱1,506	₱4,113,687
Quoted debt securities		
Government	200,374,940	211,930,008
Private	29,201,823	20,597,855
Equities	1,544,570	1,503,852
Accrued interest receivable	2,563,024	2,061,238
	233,685,863	240,206,640
Liabilities	295,789	301,527
Net plan assets	₱233,390,074	₱239,905,113

Changes in net retirement liability (asset) follow:

	2023		
	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability (Asset)
Balance at beginning of year	₱187,281,682	(₱239,905,113)	(₱52,623,431)
Net benefit cost			
Current service cost	23,837,367	-	23,837,367
Net interest cost	13,671,563	(17,513,073)	(3,841,510)
	37,508,930	(17,513,073)	19,995,857
Benefits paid	(21,302,005)	21,302,005	-
	16,206,925	3,788,932	19,995,857
Remeasurement loss in OCI:			
Return on plan assets (excluding amount included in net interest)	-	2,726,107	2,726,107
Actuarial changes arising from experience adjustments	511,766	-	511,766
Actuarial changes arising from changes in financial/demographic assumptions	29,642,797	-	29,642,797
	30,154,563	2,726,107	32,880,670
Balance at end of year	₱233,643,170	(₱233,390,074)	₱253,096
	2022		
	Present Value of DBO	Fair Value of Plan Assets	Net Retirement Liability
Balance at beginning of year	₱363,282,936	(₱282,222,073)	₱81,060,863
Net benefit cost			
Current service cost	49,822,396	-	49,822,396
Net interest cost	18,345,788	(14,252,215)	4,093,573
	68,168,184	(14,252,215)	53,915,969
Benefits paid	(16,445,435)	16,445,435	-
Transferred to Maxicare Health Services, Inc.	(9,224,844)	9,224,844	-
Transferred to Maxicare Life Insurance Corporation	(7,481,733)	7,481,733	-
	35,016,172	18,899,797	53,915,969
Remeasurement loss (gain) in OCI:			
Return on plan assets (excluding amount included in net interest)	-	23,417,163	23,417,163
Actuarial changes arising from experience adjustments	(66,238,737)	-	(66,238,737)
Actuarial changes arising from changes in financial/demographic assumptions	(144,778,689)	-	(144,778,689)
	(211,017,426)	23,417,163	(187,600,263)
Balance at end of year	₱187,281,682	(₱239,905,113)	(₱52,623,431)



The movements in remeasurement gain on retirement plan recognized in OCI are as follows:

	2023	2022
Balance at beginning of year, gross of tax	₱102,589,807	(₱85,010,458)
Remeasurement loss on plan assets	(2,726,107)	(23,417,162)
Remeasurement loss (gain) on obligation	(30,154,564)	211,017,427
Balance at end of year, gross of tax	69,709,136	102,589,807
Income tax effect	(17,427,284)	(25,647,452)
Balance at end of year, net of tax	₱52,281,852	₱76,942,355

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the statement of financial position, assuming if all other assumptions were held constant:

	Change in basis points (bps)	Impact	
		2023	2022
Discount rate	+100 bps	(₱26,931,493)	(₱73,846,857)
	-100 bps	32,970,797	(27,220,481)
Salary increase rate	+100 bps	31,594,553	(28,073,382)
	-100 bps	(26,277,709)	(73,481,987)

The Parent Company expects to contribute at least ₱50.6 million to the defined benefit retirement plan in 2024.

In 2022, the Parent Company transferred DBO and plan assets to Maxilife and Maxihealth attributable to former employees amounting to ₱7.5 million and ₱9.2 million respectively.

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

	2023	2022
Less than 5 years	₱82,099,224	₱63,013,912
More than 6 years to 10 years	128,731,869	121,734,234
More than 11 years to 15 years	244,151,443	262,081,378
More than 16 years	2,018,095,227	1,940,303,857

Average duration of the expected benefit payments as of December 31, 2023 and 2022 are 13 and 12 years, respectively.

The principal actuarial assumptions used to determine retirement benefit costs follow:

	2023	2022
Discount rate	6.20%	7.40%
Salary increase rate	4.00%	4.00%



17. Income Taxes

- a. The components of net deferred tax assets follow:

	2023	December 31, 2022 (As restated)	January 1, 2022 (As restated)
Recognized in the statements of income:			
<i>Deferred tax assets</i>			
NOLCO	₱568,663,698	₱294,688,341	₱-
Accrued IBNR claims, accrued ICOS claims, sales incentives, employee benefits and others	393,134,243	352,880,753	317,995,831
Allowance for credit and impairment losses	142,189,948	138,606,454	124,016,930
Retirement benefit asset	43,562,259	42,797,868	
MCIT	18,914,565	6,928,448	
Leases	5,235,968	4,698,948	19,913,969
	1,171,700,681	840,600,812	461,926,730
<i>Deferred tax liabilities</i>			
Change in fair value of investment properties	(10,128,483)	(5,280,941)	(5,405,349)
	1,161,572,198	835,319,871	456,521,381
Recognized in other comprehensive income:			
<i>Deferred tax assets (liabilities)</i>			
Revaluation surplus on property and equipment	(164,821,033)	-	-
Remeasurement loss on retirement plan	(17,427,284)	(25,647,451)	21,252,614
	(182,248,317)	(25,647,451)	21,252,614
	₱979,323,881	₱809,672,420	₱477,773,995

As of December 31, 2023 and 2022, the Parent Company has unrecognized deferred tax assets amounting to ₱192.0 million pertaining to allowance for credit and impairment losses of ₱768.2 million.

- b. Details of the provision for income tax follows:

	2023	2022 (As restated)
Current		
MCIT	₱11,986,117	₱6,928,448
Final	58,580,553	18,898,588
	70,566,670	25,827,036
Deferred		
	(326,252,327)	(378,798,490)
	(₱255,685,657)	(₱352,971,454)

- c. The reconciliation of the provision for income tax computed at the statutory tax rate to provision for income tax shown in the statements of income follows:

	2023	2022 (As restated)
Income tax at statutory tax rate	(₱252,532,751)	(₱357,240,253)
Additions to income tax		
Non-deductible expenses	11,639,893	7,270,189
Change in unrecognized deferred tax assets	-	1,145,059
Taxes paid	58,580,553	18,898,589
Income subject to final tax	(73,373,352)	(23,045,038)
Income tax benefit	(₱255,685,657)	(₱352,971,454)

Non-deductible expenses pertain to provision for contingency and other expenses that did not meet the requirement of the tax code to be claimed as deductible expenses.



- d. Current tax regulations provide that the RCIT rate shall be 25.0%. Interest allowed as a deductible expense is reduced by an amount equivalent to 20.0%.

On June 20, 2023, the Bureau of Internal Revenue issued Revenue Memorandum Circular (RMC) No. 69-2023 reverting the Minimum Corporate Income Tax (MCIT) rate to 2% of gross income effective July 1, 2023 pursuant to Republic Act (RA) No. 11534, otherwise known as the “Corporate Recovery and Tax Incentives for Enterprises (CREATE)” Act. MCIT rate was previously reduced from 2% to 1% effective July 1, 2020 to June 30, 2023 upon the effectivity of CREATE Act in 2021.

Consequently, the Company recognized MCIT using the effective rate of 1.5% in 2023 in accordance with RMC 69-2023.

Current tax regulations also provide for rules on the imposition of an average 1.50% MCIT rate on the gross income as of the end of the taxable year beginning on the fourth (4th) taxable year immediately following the taxable year in which the Parent Company commenced its business operations. The average 1.50% MCIT rate is the result of 1.0% rate from January to June 2023 and 2.0% rate from July to December 2023. Any excess MCIT over the RCIT can be carried forward on an annual basis and credited against the RCIT for the three (3) immediately succeeding taxable years.

- e. The optional standard deduction (OSD) equivalent to 40.0% of gross income may be claimed as an alternative deduction in computing for the RCIT. For 2023 and 2022 RCIT computation, the Parent Company elected to claim itemized expense deductions instead of the OSD.
- f. Current tax regulations provide for the ceiling on the amount of entertainment, amusement and recreation (EAR) expenses that can be claimed as a deduction against taxable income. Under the regulation, EAR expenses allowed as deductible expenses for sellers of goods, services or properties similar to the Parent Company are limited to the actual EAR paid or incurred but not to exceed 1.0% of net sales. EAR expenses in 2023 and 2022 are within the limit.
- g. The Parent Company is subjected to other taxes, presented as ‘Taxes and licenses’ under ‘General and administrative expenses’ in the statements of income. Other taxes paid consist principally of license and permit fees, fringe benefit taxes, real estate taxes and documentary stamp taxes.
- h. The breakdown of the Company’s excess MCIT and NOLCO as of December 31, 2023, are as follows:

Year Incurred	Year of Expiration	MCIT	NOLCO
2022	2025	₱6,928,448	₱1,178,753,362
2023	2026	11,986,117	1,095,901,429
		₱18,914,565	₱2,274,654,791



18. Other Noncurrent Assets

This account consists of:

	2023	2022
Rental and lease deposits (Note 21)	P31,914,519	P30,151,525
Non-current portion of deferred input VAT	20,989,434	20,989,435
Prepaid expenses – others	166,000	1,311,909
	53,069,953	52,452,869
Less: Allowance for credit losses	2,761,460	2,761,460
	P50,308,493	P49,691,409

The allowance for credit losses on rental and lease deposits as of December 31, 2023 and 2022 is at P2.8 million.

19. Healthcare Plan Liabilities

This account consists of:

	2023	2022
UMFR – net (Note 24)	P9,442,284,232	P8,272,428,854
Claims reserves:		
IBNR claims	964,493,235	667,098,346
Due and unpaid claims	269,563,799	355,081,190
ICOS claims	231,657,601	220,876,724
Claims handling expense reserve	17,810,815	14,688,601
ASO funds	474,840,743	430,869,759
	P11,400,650,425	P9,961,043,474

UMFR – net consist of:

	2023	2022
Unearned membership fee reserves	P10,123,571,543	P8,928,805,599
Prepaid commission	(580,120,465)	(537,575,096)
Deferred commission	(101,166,846)	(118,801,649)
Unearned membership fee reserves – net	P9,442,284,232	P8,272,428,854

Movements in the unearned membership fee reserves – net follow:

	December 31, 2023		
	Unearned Membership Fee Reserves	Prepaid Commission/ Deferred Commission	Net
Balance at beginning of year	P8,928,805,599	(P656,376,745)	P8,272,428,854
Agreements during the year (Note 24)	26,101,900,905	(1,759,285,021)	24,342,615,884
Incurred (earned) during the year (Notes 24 and 25)	(24,907,134,961)	1,734,374,455	(23,172,760,506)
Balance at end of year	P10,123,571,543	(P681,287,311)	P9,442,284,232



	December 31, 2022		Net
	Unearned Membership Fees	Prepaid Commission/Deferred Commission	
Balance at beginning of year	₱7,598,697,979	(₱534,304,224)	₱7,064,393,755
Agreements during the year (Note 24)	22,592,490,899	(1,617,055,651)	20,975,435,248
Incurring (earned) during the year (Notes 24 and 25)	(21,262,383,279)	1,494,983,130	(19,767,400,149)
Balance at end of year	₱8,928,805,599	(₱656,376,745)	₱8,272,428,854

Movements in claims reserves as of December 31 follow:

	2023	2022
Balance at beginning of year	₱1,257,744,861	₱981,526,189
Provision for IBNR claims (Note 25)	1,159,450,897	811,673,384
Claims reported and processed during the year	17,640,181,832	15,216,375,798
Claims paid during the year	(18,573,852,140)	(15,751,830,510)
Balance at end of year	₱1,483,525,450	₱1,257,744,861

Movements in ASO Funds follow:

	2023	2022
Balance at beginning of year	₱430,869,759	₱362,392,565
Contributions during the year	1,799,502,640	1,598,492,764
Withdrawals during the year	(1,755,531,656)	(1,530,015,570)
Balance at end of year	₱474,840,743	₱430,869,759

The projected fund withdrawals as of December 31, 2023 and 2022 are ₱271.3 million and ₱179.7 million, respectively.

ASO funds pertain to funds maintained under a third-party administration program used to pay out for the medical and hospitalization services availed by the members.

Projected Fund Withdrawals refers to the estimated amount to be withdrawn from the ASO Funds to pay the cost of benefits for claims:

- a. that have been reported, adjudicated and processed, but has not been withdrawn from the fund as of the statement of financial position date;
- b. already received but not yet adjudicated, settled and paid by the Parent Company as of valuation date;
- c. incurred but have not been reported to the Parent Company as of the statement of financial position date; and
- d. related expenses under an ASO Agreement.



20. Accrued Liabilities and Other Payables

This account consists of:

	2023	2022
Trade payables	₱1,033,282,716	₱1,039,632,126
Accrued expenses	1,147,207,887	973,767,403
VAT payable	542,392,579	262,292,935
Deferred output VAT	381,122,194	489,962,586
Dividends payable (Notes 23 and 32)	136,884,589	137,200,472
Deposits from customers	115,320,505	117,141,651
Commissions payable	101,166,846	118,801,649
Withholding tax payable	82,812,440	83,217,239
Others	10,288,616	9,310,874
	₱3,550,478,372	₱3,231,326,935

Trade payables consist of payables to suppliers, unreleased checks, staled checks, clearing accounts, and customer refunds. The normal credit term is 30 days.

Accrued expenses represent the accruals on sales incentives, directors' bonus, employee benefits and audit fees.

Deferred Output VAT refers to uncollected customer billings.

Dividends payable represents outstanding obligations to specific stockholders, which are withheld pending fulfillment of legal prerequisites before disbursement.

Deposits from customers pertain to payments from members which have not been allocated to specific invoices.

Commissions payable consist of commission accruals for unbilled accounts. The normal credit term is 30 days upon Parent Company's issuance of official receipts.

Others include premiums payable and employees' loans payable.

21. Leases

Parent Company as lessee

The Parent Company has entered into lease contracts for various properties for clinic space, office space and vehicles used in its operations. Leases of clinic space generally have lease terms between 1 to 5 years, office space between 1 to 15 years, while motor vehicles generally have lease terms of 3 years. The Parent Company's obligations under these leases are secured by the lessor's title to the leased assets. Generally, the Parent Company is restricted from assigning and subleasing the leased assets.

Security deposits, net of allowances, amounting to ₱29.2 million and ₱27.4 million as at December 31, 2023 and 2022, respectively, are presented under 'Other noncurrent assets' in the statements of financial position.

The Parent Company also has certain leases of office space with lease terms of less than 12 months and leases of office equipment with low value. The Parent Company applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.



The roll forward of the lease liabilities follows:

	2023	2022
Balance at beginning of the year	P43,193,089	P114,799,286
Additions	7,599,694	41,074,150
Retirement of lease liabilities	-	(80,274,104)
Interest expense	2,946,609	3,784,369
Payments	(22,868,025)	(36,190,612)
Balance at end of year	P30,871,367	P43,193,089

The Parent Company terminated the lease of its PCC clinics resulting to the retirement of right-of-use assets with a net book value of P76.8 million and the reversal of the related lease liabilities of P84.0 million, resulting to a gain of P7.2 million. Maxihealth assumed the lease on these clinics in 2022 (see Note 13).

The following are the amounts recognized in the statements of income:

	2023	2022
Depreciation expense of right-of-use assets included in property and equipment (Note 13)	P21,767,252	P31,075,550
Interest expense on lease liabilities	2,946,609	3,784,369
Expenses relating to short-term leases (Note 26)	1,239,634	1,323,933
Expenses relating to leases of low-value assets (Note 26)	21,423,610	19,997,212
	P47,377,105	P56,181,064

At the end of each statement of financial position date, the Parent Company had outstanding commitments for future minimum lease payments as follows:

	2023	2022
Within one year	P10,827,378	P20,547,799
More than one year to two years	7,928,151	9,160,253
More than two years to three years	7,899,108	6,348,466
More than three years to four years	6,427,812	6,252,236
More than four years to five years	2,918,000	4,869,247
More than five years	-	2,680,482
	P36,000,449	P49,858,483

Parent Company as lessor

The Parent Company has entered into operating leases, consisting of a portion of its building. These leases have terms of between one (1) to five (5) years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.



Rental income recognized by the Parent Company for the years ended December 31, 2023 and 2022 amounted to ₱7.7 million and ₱73.5 million, respectively. Rental income is included in 'Others – net' as presented in Other Income (Expense) in the statements of income (see Note 15).

Future minimum rentals receivable under non-cancellable operating leases as at December 31 are as follows:

	2023	2022
Within one year	₱5,727,631	₱4,616,245
After one year but not more than five years	12,580,679	12,083,479
	₱18,308,310	₱16,699,724

22. Loans Payable

The movements of this account follow:

	2023	2022
Balance at beginning of the year	₱1,000,000,000	₱100,000,000
Availments during the year	-	1,000,000,000
Payments during the year	(1,000,000,000)	(100,000,000)
Balance at end of year	₱-	₱1,000,000,000

Loans are made for varying periods of up to five years depending on the immediate cash requirements of the Parent Company. In 2022, the loans bear interest at annual rates ranging from 3.39% to 4.34%.

In 2022, the Parent Company and Pin-An Holdings Corporation entered into a credit facility agreement of up to ₱1.0 billion which shall be made available through multiple or staggered drawdowns until December 31, 2022 and shall be used for the Parent Company's business operations. Interest shall be paid on a monthly basis commencing one (1) month following the drawdown date. The rate shall be set every six (6) months based on the six-month BVAL plus 50 basis points with floor rate of 2.5% per annum. The loan shall be for a term of three (3) years inclusive of two (2) years grace period. The Parent Company shall repay the loan in four (4) equal quarterly installments commencing at the end of the first quarter of the third year. The Parent Company may pre-pay the loan in full or a portion upon five (5) days prior written notice without any penalty.

The Parent Company had the following loan drawdowns in 2022:

Drawdown Date	Amount
July 29, 2022	₱500,000,000
August 31, 2022	300,000,000
September 30, 2022	200,000,000
Total	₱1,000,000,000

In 2022, the Parent Company paid ₱100 million loan to a local bank. In 2023, the Parent Company paid the loans payable to Pin-An Holdings Corporation in full.

Interest expense on these loans amounted to ₱38.8 million and ₱16.4 million in 2023 and 2022, respectively, presented as 'Interest expense' in the statements of income.



23. Equity

Capital Stock

Details of the Parent Company's common and preferred shares as of December 31, 2023 and 2022 follow:

	2023		2022	
	Shares	Amount	Shares	Amount
Authorized 100 par value per share				
Common shares	10,000,000	₱1,000,000,000	10,000,000	₱1,000,000,000
Preferred shares	20,000,000	2,000,000,000	-	-
Issued common shares				
Balance at beginning of year	10,000,000	1,000,000,000	5,980,295	598,029,500
Issuance	-	-	4,019,705	401,970,500
Balance at end of year	10,000,000	1,000,000,000	10,000,000	1,000,000,000
Issued preferred shares				
Issuance during the year	8,500,000	850,000,000	-	-
Capital paid in excess of par value				
Balance at beginning of year	-	26,766,604	-	26,766,604
Additions	-	150,000,000	-	-
Balance at end of year	-	176,766,604	-	26,766,604
Treasury shares				
Balance at beginning and end of year	156,094	36,702,230	156,094	36,702,230
Outstanding shares				
Common shares	9,843,906	963,297,770	9,843,906	963,297,770
Preferred shares	8,500,000	850,000,000	-	-
Subscribed shares				
Subscribed shares at beginning of the year	-	₱-	4,019,705	₱100,493,975
Collection of subscription receivable	-	-	-	301,476,525
Issuance of subscribed shares	-	-	(4,019,705)	(401,970,500)
	-	-	-	-
Deposit for future stock subscriptions				
Balance at beginning of year	5,000,000	500,000,000	-	-
Additions	-	-	5,000,000	500,000,000
Issuance of preferred stock	(5,000,000)	(500,000,000)	-	-
Balance at end of year	-	₱-	5,000,000	₱500,000,000

Treasury Stock

The Parent Company acquired 40 of its own shares on October 13, 2021 as a final resolution to the settlement of the fractional shares arising from the capital call transactions. The shares are held as 'treasury shares' and presented as a deduction from equity. The Parent Company has the right to reissue these shares at a later date. All shares issued by the Parent Company were fully paid.



Subscribed Capital

On October 31, 2021, the Parent Company issued and offered for subscription its remaining unsubscribed shares from its authorized capital stock, amounting to 4,223,019 shares with a par value of ₱100 per share, to all its stockholders in proportion to their current shareholdings, fifteen working days from receipt of the Notice of Capital Call, or on or before November 12, 2021, whichever comes earlier. Thereafter, the aforementioned subscriptions shall be payable within a period of one year, or on or before November 12, 2022.

On March 22, 2022, the Parent Company received the full payment on the subscribed capital amounting to ₱289.0 million. The total proceeds from capital subscription amounted to ₱301.5 million as of December 31, 2022.

Deposit For Future Stock Subscriptions

On October 12, 2022, the increase in capital stock was approved by the Board of directors and stockholders, increasing the authorized capital stock from 1,000,000,000.00 or 10,000,000 shares at par value of P100.00 each to 3,000,000,000 divided into 10,000,000 common shares of the par value of ₱100.00 each and 20,000,000 preferred shares of the par value of ₱100.00 each.

On October 25, 2022, the Parent Company and Pin-An Holdings Corporation entered into subscription agreement where Pin-An Holdings Corporation shall subscribe to ten (10) million preferred shares with par value of ₱100 each for total subscription amounting to ₱1 billion.

The Parent Company received the following payments in 2022:

<u>Payment Date</u>	<u>Amount</u>
October 27, 2022	₱250,000,000
November 29, 2022	250,000,000
<u>Total</u>	<u>₱500,000,000</u>

On October 28, 2022, the Parent Company submitted the request for endorsement with the Insurance Commission which is a requirement to proceed with the amendment of the Articles of Incorporation and Bylaws to increase its authorized capital stock. Thereafter, the Parent Company received the Endorsement by the IC dated November 14, 2022.

On November 17, 2022, the Parent Company submitted the documentary requirements to the SEC for the increase in authorized capital stock.

On March 16, 2023, SEC approved the increase in capital stock of the Parent Company to ₱3 billion divided into ten (10) million common shares and twenty (20) million preferred shares with par value of ₱100 each. The preferred shares are non-voting, redeemable at the option of the Parent Company, bearing cumulative preferential dividends computed using BVAL 1-year rate plus 150-basis points on the date of investment, with a floor rate of 2.50% per annum. There shall be no obligation to pay dividends if there are no unappropriated retained earnings, if there are insufficient net profits for the year, or if the regulatory ratios are not met.

On August 1, 2023, the Parent Company amended the subscription agreement with Pin-An Holdings Corporation subscribing to eight million five hundred thousand (8,500,000) preferred shares, with a total issue price of ₱1.0 billion.

On August 8, 2023, the Parent Company received from Pin-An Holdings Corporation the full payment of subscription amounting to ₱500.0 million and issued eight million five hundred thousand (8,500,000) preferred shares with par value of ₱100 each. The remaining amount of ₱150.0 million was recorded in the "Capital paid in excess of par value" account in the statements of financial position.



The dividend in arrears related to the preferred shares amounted to ₱44.4 million as of December 31, 2023.

Retained Earnings

Dividends

In 2022, the BOD approved the following dividend declaration to its stockholders:

Type	Year	Date Declared	Record Date	Amount	Payment Date
Cash	2022	April 6, 2022	April 26, 2022	₱750,000,000	April 27, 2022

Appropriated Retained Earnings

On December 12, 2018, the BOD approved the appropriation of its retained earnings amounting to ₱150.0 million to fund the Parent Company's existing and new projects for capital expenditures.

On December 9, 2020, the BOD approved an additional of ₱410.7 million appropriations to be used for business expansion purposes, specifically, for the establishment of additional of PCCs and for various digital transformation projects.

On December 15, 2021, the BOD approved the release and revert of ₱303.3 million appropriated retained earnings to the unappropriated and unrestricted retained earnings, in view of the completion and/or cessation of different projects for which such amount had been previously appropriated. As of December 31, 2023, the capital expenditure for these projects is ongoing and expected to be completed within two years.

As of December 31, 2023 and 2022, unappropriated retained earnings as presented in the statements of financial position is not equal to retained earnings available for distribution due to certain reconciling items in accordance with the guidelines provided by the SEC.

Capital Management

The Parent Company's primary capital management objective is to maximize shareholder value. No substantial changes were made in the objectives, policies or processes in 2023 and 2022. The Parent Company considers its equity as its capital, following the guidelines set by the IC (see Note 4).

24. Revenue

Membership Fees Earned from Medical plans - net

The movements in this account are as follows:

	2023	2022
Gross membership fees (Note 19)	₱26,101,900,905	₱22,592,490,899
Decrease (increase) in unearned membership fee reserves (Note 19)	(1,194,765,944)	(1,330,107,620)
Membership fees earned from medical plans (Note 19)	24,907,134,961	21,262,383,279
Client experience refund (Note 8)	(81,361,377)	(442,857,799)
Membership fees earned from medical plans – net	₱24,825,773,584	₱20,819,525,480



Administrative Services Only (ASO) and application fees

Claims handling fees are fees based on fixed rates, ranging from 5.0% to 16.8% of the processed claim, that are charged to ASO accounts upon replenishment of their fund. Other rider fees include dental fees and accidental death and dismemberment fees, ranging from ₱49 to ₱1,680 per member.

Set out below is the disaggregation of administrative services and application fees:

	2023	2022
Claims handling fees		
Out-patient	₱65,862,034	₱56,039,161
In-patient	56,704,574	42,100,065
Reimbursement	12,036,962	7,899,774
Others - bill back	215,310	303,351
Network access fee	78,120,393	60,159,769
Retainer fees	9,660,731	18,014,568
Dental fees	12,452,037	14,145,877
PCC availments	43,542,756	11,572,647
Others	8,411,263	6,897,741
	₱287,006,060	₱217,132,953

Others pertain to separate rider fees such as booklet charges for the ID cards, list of doctors, and life insurance on accidental death and dismemberment of ASO clients.

25. Healthcare Benefits and Claims and Commissions

This account consists of:

	2023	2022
Healthcare benefits		
Cost of availments	₱20,553,989,501	₱17,346,304,092
Provision for IBNR claims (Note 19)	1,159,450,897	811,673,384
Commissions (Note 19)	1,734,374,455	1,494,983,130
Other direct costs		
Claims processing, contractual services and PCC related expenses (Note 30)	498,805,560	519,972,915
Personnel expenses (Notes 16, 28 and 30)	309,393,666	301,340,588
Depreciation and amortization (Note 29)	6,965,240	65,112,825
Others	193,263,499	73,688,190
	₱24,456,242,818	₱20,613,075,124

Others include telecommunication, repairs, and maintenance janitorial, security and courier services.



26. General and Administrative Expenses

This account consists of:

	2023	2022 (As restated)
Personnel expenses (Notes 16, 28 and 30)	₱443,330,890	₱447,216,923
Repairs and maintenance (Note 30)	286,322,488	259,695,335
Professional and supervision fees	166,052,222	82,286,619
Depreciation and amortization (Note 29)	131,636,471	160,500,536
Utilities and transportation	99,275,796	106,347,349
Taxes and licenses	70,781,056	69,552,299
Contractual services	56,393,449	53,998,847
Janitorial, security and other services	21,567,724	19,404,538
Rent (Notes 21 and 30)	14,585,988	12,424,299
Provision for credit and other losses (Note 8)	14,333,977	114,596,306
Entertainment, amusement and recreation	10,341,141	30,761,594
Stationery and supplies	2,507,455	4,473,923
Association and membership dues	2,446,440	3,831,833
Information technology expenses (Note 9)	591,281	17,855,612
Others	59,021,171	86,496,079
	₱1,379,187,549	₱1,469,442,092

Others include meetings, seminars and conferences, advertising, insurance, bank charges, notarial fees and other miscellaneous expenses.

27. Selling and Marketing Expenses

This account consists of:

	2023	2022
Personnel expenses (Notes 16, 28 and 30)	₱499,577,088	₱396,125,101
Advertising	28,283,030	131,359,879
Repairs and maintenance	16,747,996	14,147,213
Depreciation and amortization (Note 29)	10,677,223	1,598,286
Utilities and transportation	10,496,604	8,287,307
Stationery supplies	1,984,042	1,956,828
Entertainment, amusement, and recreation	154,575	42,006
Others	24,942,614	15,559,698
	₱592,863,172	₱569,076,318

Others include consultancy fees, contractual services, subscriptions, and notarial fees.



28. Personnel Expenses

Details of personnel expenses included in the 'Healthcare benefits, claims and commissions', 'Selling and marketing expenses', and 'General and administrative expenses' follow:

	2023	2022
Salaries and wages	₱819,099,159	₱732,625,422
Other employee benefits (Notes 16 and 30)	433,202,485	412,057,190
	₱1,252,301,644	₱1,144,682,612

These personnel expenses were allocated as follows:

	2023	2022
Selling and marketing expenses (Note 27)	₱499,577,088	₱396,125,101
General and administrative expenses (Note 26)	443,330,890	447,216,923
Healthcare benefits, claims and commissions (Note 25)	309,393,666	301,340,588
	₱1,252,301,644	₱1,144,682,612

29. Depreciation and Amortization

Depreciation and amortization consist of:

	2023	2022 (As restated)
Property and equipment – net (Note 13)	₱102,431,150	₱180,341,892
Software cost – net (Note 14)	46,847,784	46,869,755
	₱149,278,934	₱227,211,647

Depreciation and amortization are presented as follows:

	2023	2022 (As restated)
General and administrative expenses (Note 26)	₱131,636,471	₱160,500,536
Selling and marketing expenses (Note 27)	10,677,223	1,598,286
Healthcare benefits, claims and commissions (Note 25)	6,965,240	65,112,825
	₱149,278,934	₱227,211,647

30. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the party in making financial and operating decisions and parties are subject to common control or common significant influence, such as affiliates. Related parties may be individual or corporate entities to an entity through a member of key management personnel. Other related parties include companies indirectly connected to the Parent Company by reason of interlocking officers and those that is under common control such as affiliates.



The Parent Company, in the normal course of business, enters into transactions with its related parties. The amounts and related volumes and changes are presented in the summary below.

Generally, related party transactions are settled in cash. As of December 31, 2023 and 2022, outstanding balances of related party accounts are not impaired. Significant transactions with related parties are as follows:

Category	2023		Terms and Conditions
	Amount/ Volume	Outstanding Balance	
Major shareholders			
<i>Statement of financial position</i>			
Long term loan payable	₱1,000,000,000	₱-	3-year long term loan with interest rate ranging from 3.39% to 4.35%
Interest payable	38,853,855	-	Interest paid for long term loan
Cash dividend payable	-	7,914,718	Dividend payable to shareholders
Deposit for future stock subscriptions	500,000,000	-	Preferred shares subscriptions at P100 per value
Preferred stock	850,000,000	850,000,000	Receipt of payment of preferred shares subscription and transfer from DFFS
Capital paid in excess of par value	150,000,000	150,000,000	Receipt of payment of preferred shares subscription in excess of par
<i>Statement of income</i>			
Interest expense on long term loan	38,853,855	-	Recognized interest for long term loan
Subsidiary			
<i>Statement of financial position</i>			
Medical plan receivables	25,509,917	371,808	Payable within one (1) month to six (6) months; non-interest bearing
Due from subsidiaries	2,479,797	-	Payable within one (1) month to six (6) months; non-interest bearing
Rent receivables	1,357,827	1,357,827	Payable within one (1) month to six (6) months; non-interest bearing
Investment in subsidiary	-	284,851,700	100% share subscription (Note 12)
Unearned membership fees	19,054,308	-	Unamortized portion of total contract value
Other payables	186,583,560	186,583,560	Payable within one (1) month to six (6) months; non-interest bearing
<i>Statement of income</i>			
Earned Membership fee	19,143,853	-	Amortized portion of the total contract value
Rental income	1,123,840	-	Rental income for 2022
Other income	88,505	-	Payable in 30 days; unsecured; non-interest bearing
Utilization expense	1,964,043,562	-	Payable after 15 days receipt of SOA
Associates			
<i>Statement of financial position</i>			
Medical plan receivables	2,968,772	3,293,745	Payable within one (1) month to six (6) months; non-interest bearing
ASO receivables	75,744	-	Payable within one (1) month to six (6) months; non-interest bearing
Other receivables	13,633,142	2,738,008	Payable within one (1) month to six (6) months; non-interest bearing
Prepayments	59,357,293	36,236,363	Payable in 30 days; unsecured; non-interest bearing
AFS investments	4,000,000	-	Investment in preferred shares
Investment in associates	3,259,620	97,330,745	Investment in common shares
Revolving fund	795,164	3,494,960	Provider's deposit
Unearned membership fees	17,342	-	Unamortized portion of total contract value
Other experience refund	122,252	-	Amortized portion of experience refund
ASO fund payables	267,857	110,227	Payable within one (1) month to six (6) months; non-interest bearing
Other payables	30,061,059	2,824,686	Payable within one (1) month to six (6) months; non-interest bearing

(Forward)



2023			
Category	Amount/ Volume	Outstanding Balance	Terms and Conditions
<i>Statement of income</i>			
Earned membership fees	₱124,536	₱-	Amortized portion of the total contract value
ASO Income	133,113	-	ASO Income
Other income	308,608	-	Payable in 30 days; unsecured; non-interest bearing
Utilization expense	30,799,256	-	Payable in 30 days; unsecured; non-interest bearing
Contractual services	683,992	-	Payable in 30 days; unsecured; non-interest bearing
Utilization discount	595,079	-	Payable in 30 days; unsecured; non-interest bearing
Repairs and maintenance	36,350	-	Repairs and maintenance of computers and peripherals
Share in net loss of an associates	3,251,884	-	Share in net loss of associates
Other Related Parties			
<i>Statement of financial position</i>			
Cash in bank	₱98,682,575	₱166,737,243	Savings deposit with interest ranging from 0.50% to 1.00%
Short term investments	4,601,732,061	1,734,210,760	Interest rate ranging from 3.625% to 3.875%
Medical plan receivables	22,300,031	4,009,327	Payable within one (1) month to six (6) months; non-interest bearing
Other reserve experience refund	584,774	1,676,383	Amortized portion of experience refund
ASO receivables	84,180	7,950	Payable within one (1) month to six (6) months; non-interest bearing
Due from affiliates	-	573,056	Payable within one (1) month to six (6) months; non-interest bearing
Rental receivables	3,909,959	2,267,133	Payable within first five days of the month without need of demand
Other receivables	310,477	2,485,287	Payable in 30 days; unsecured; non-interest bearing
Prepayments	51,778,258	7,130,011	Payable in 30 days; unsecured; non-interest bearing
Property and equipment	9,001,034	-	Purchase of new laptops and computers
Software cost	2,238,629	-	Software and licenses
Rental deposit	22,050	1,378,863	Refundable upon end of the lease term
Unearned membership fees	467,792,731	133,038,635	Unamortized portion of total contract value
ASO fund payables	263,066	1,328,044	
Commission payable	37,110,910	13,126,449	Payable within one (1) month to six (6) months; non-interest bearing
Other payables	376,404,224	148,719,212	Payable in 30 days; unsecured; non-interest bearing
Lease liability	-	1,261,720	Rental of building
Deposit from lessee	-	676,092	Refundable upon end of the lease term
<i>Statement of income</i>			
Earned membership fees	427,658,885	-	Amortized portion of the total contract value
ASO Income	1,364,725	-	ASO income
Rental income	3,193,605	-	Office rental
Miscellaneous income	2,037,787	-	Common Usage Service Area & Utilities (CUSA)
Interest Income	85,011,537	-	Interest income from savings and time deposit
Utilization expense	626,847,601	-	Payable in 30 days; unsecured; non-interest bearing
Contractual fee	623,010,808	-	Payable in 30 days; unsecured; non-interest bearing
Teleconsult	128,316,098	-	Payable in 30 days; unsecured; non-interest bearing
Repairs and maintenance	99,526,432	-	Payable in 30 days; unsecured; non-interest bearing
Commission expense	75,043,258	-	Amortized portion based on contract
Consultancy fee	25,209,867	-	Payable in 30 days; unsecured; non-interest bearing
Rental expense	13,243,605	-	Payable in 30 days; unsecured; non-interest bearing
Employee's salary loan	11,819,589	-	Payable in 30 days; unsecured; non-interest bearing
Advertising Expense	10,744,065	-	Payable in 30 days; unsecured; non-interest bearing
Credit card	7,896,784	-	Payable in 20 days; unsecured; non-interest bearing; payment for credit card availments
Transportation	2,993,561	-	Payable in 30 days; unsecured; non-interest bearing
Utilities expense	1,255,683	-	Payable in 30 days; unsecured; non-interest bearing
Medical supplies expense	743,976	-	Payable in 30 days; unsecured; non-interest bearing
Other Expenses	8,401,966	-	Payable in 30 days; unsecured; non-interest bearing



2022			
Category	Amount/ Volume	Outstanding Balance	Terms and Conditions
Major shareholders			
<i>Statement of financial position</i>			
Long term loan payable	₱1,000,000,000	₱1,000,000,000	3-year long term loan with interest rate ranging from 3.39% to 4.35%
Interest payable	13,039,681	-	Interest paid for long term loan
Other payable	-	1,895,407	Payable within one (1) month to six (6) months; non-interest bearing
Deposit for future stock subscriptions	500,000,000	500,000,000	Preferred shares subscriptions at P100 per value
Cash dividend	664,108,188	7,914,718	Dividend payments to shareholders
Capital stock	1,298,749,498	-	Receipt of payment of capital subscription
<i>Statement of income</i>			
Interest expense on long term loan	13,039,681	-	Recognized interest for long term loan
Subsidiary			
<i>Statement of financial position</i>			
Investment in subsidiary	84,851,700	284,851,700	100% share subscription (Note 12)
Rent receivables	73,596,545	73,596,545	Payable within one (1) month to six (6) months; non-interest bearing
Medical plan receivables	15,540,028	2,400	Payable within one (1) month to six (6) months; non-interest bearing
Due from subsidiaries	19,410,723	19,410,723	Payable within one (1) month to six (6) months; non-interest bearing
Unearned membership fees	4,244,457	45,923	Unamortized portion of total contract value
Other payables	211,647,055	211,647,055	Payable within one (1) month to six (6) months; non-interest bearing
<i>Statement of income</i>			
Earned Membership fee	13,353,606	-	Amortized portion of the total contract value
Rental income	65,711,201	-	Rental income for 2022
Management fee income	15,116,898	-	Management fee earned
Other income	42,966	-	Payable in 30 days; unsecured; non-interest bearing
Utilization expense	1,440,648,701	-	Payable after 15 days receipt of SOA
Associates			
<i>Statement of financial position</i>			
Medical plan receivables	1,752,121	1,298,730	Payable within one (1) month to six (6) months; non-interest bearing
AFS investments	-	4,000,000	Investment in preferred shares
Investment in associates	98,673,983	107,626,352	Investment in common shares
Dividend declared	831,972	1,131,972	Share in dividend declaration
Revolving fund	19,448,478	1,185,226	Provider's deposit
Other receivables	20,565,166	690,864	Payable within one (1) month to six (6) months; non-interest bearing
Unearned membership fees	1,123,667	224,683	Unamortized portion of total contract value
Other experience refund	38,171	38,171	Amortized portion of experience refund
Other payables	712,781	542,458	Payable within one (1) month to six (6) months; non-interest bearing
<i>Statement of income</i>			
Earned membership fees	1,113,432	-	Amortized portion of the total contract value
Other income	30,000	-	Payable in 30 days; unsecured; non-interest bearing
Utilization expense	22,770,742	-	Payable in 30 days; unsecured; non-interest bearing
Contractual services	3,410,204	-	Payable in 30 days; unsecured; non-interest bearing
Advertising expense	185,394	-	Payable in 30 days; unsecured; non-interest bearing
Transportation	335,878	-	Transportation of retainer nurse and doctors during COVID19 pandemic
Repairs and maintenance	317,744	-	Repairs and maintenance of computers and peripherals
Utilization discount	866,915	-	Payable in 30 days; unsecured; non-interest bearing
Share in net loss of an associates	2,894,045	-	Share in net loss of associates

(Forward)



2022			
Category	Amount/ Volume	Outstanding Balance	Terms and Conditions
Other Related Parties			
<i>Statement of financial position</i>			
Cash in bank	₱85,093,722	₱265,419,818	Savings deposit with interest ranging from 0.50% to 1.00%
Short term investments	2,206,089,126	1,254,049,882	Interest rate ranging from 3.625% to 3.875%
Medical plan receivables	27,870,157	14,740,285	Payable within one (1) month to six (6) months; non-interest bearing
Other reserve experience refund	455,828	1,091,609	Amortized portion of experience refund
Prepayments	86,574,726	35,766,342	Payable in 30 days; unsecured; non-interest bearing
Property and equipment	60,901,445	9,895,893	Purchase of new laptops and computers
Software cost	5,465,075	1,773,575	Software and licenses
Rental receivables	3,665,365	603,417	Payable within first five days of the month without need of demand
Rental deposit	-	1,400,913	Refundable upon end of the lease term
Lease liability	21,318,943	8,552,730	Rental of building
Unearned membership fees	13,344,877	131,581,368	Unamortized portion of total contract value
Other receivables	604,434	6,857,976	Payable in 30 days; unsecured; non-interest bearing
Other payables	14,833,974	12,752,937	Payable in 30 days; unsecured; non-interest bearing
Commission payable	1,127,083	1,110,694	Payable within one (1) month to six (6) months; non-interest bearing
Deposit from lessee	-	676,092	Refundable upon end of the lease term
<i>Statement of income</i>			
Earned membership fees	250,529,526	-	Amortized portion of the total contract value
ASO Income	852,515	-	ASO income
Rental income	3,474,098	-	Office rental
Miscellaneous income	4,259,949	-	Common Usage Service Area & Utilities (CUSA)
Interest Income	4,976,722	-	Interest income from savings and time deposit
Utilization expense	453,056,873	-	Payable in 30 days; unsecured; non-interest bearing
Claims processing fee	65,777,564	48,324	Payable in 30 days; unsecured; non-interest bearing
Commission expense	37,923,498	-	Amortized portion based on contract
Contractual fee	28,628,958	611,385	Payable in 30 days; unsecured; non-interest bearing
Credit card	7,058,721	729,334	Payable in 20 days; unsecured; non-interest bearing; payment for credit card availments
Rental expense	18,538,972	-	Payable in 30 days; unsecured; non-interest bearing
Employee's salary loan	12,055,690	-	Payable in 30 days; unsecured; non-interest bearing
Consultancy fee	2,858,688	-	Payable in 30 days; unsecured; non-interest bearing
Availment and member Services	95,913,632	-	Payable in 30 days; unsecured; non-interest bearing
Transportation	2,161,600	-	Payable in 30 days; unsecured; non-interest bearing
Repairs and maintenance	87,948,271	883,195	Payable in 30 days; unsecured; non-interest bearing
Utilities expense	213,200	-	Payable in 30 days; unsecured; non-interest bearing
Medical supplies expense	661,617	-	Payable in 30 days; unsecured; non-interest bearing

Contractual fees pertain to services rendered by various affiliate companies regarding processing of medical claims, call center services, and management of computers, systems and databases.

Consultancy fee pertains to services such as payroll processing and outsource accounting.

Professional and supervision fee pertains to recruitment services for manpower requirements and general and administration services.

Remuneration of Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

In 2023 and 2022, compensation and fringe benefits of key management personnel included under 'Healthcare benefits, claims and commission', 'General and administrative expenses' and 'Selling and marketing expenses' in the statements of income follows:

	2023	2022
Short-term employee benefits	₱230,019,293	₱205,251,524
Post-employment pension benefits	4,956,262	8,797,452
	₱234,975,555	₱214,048,976



31. Commitments and Contingencies

a. VAT

In 2011, the Bureau of Internal Revenue (BIR) issued a Formal Assessment Notice (FAN) against the Parent Company for ₱337.9 million deficiency VAT for the taxable year 2008. In issuing the VAT assessment, the BIR posits that the vatable HMO gross receipts should be the total amount of money or its equivalent actually received from members, undiminished by any amount paid or payable to owners/operators of hospitals, clinics and medical and dental practitioners. The Parent Company timely protested the FAN but the same was denied by the BIR in 2011. The Parent Company was forced to seek recourse with the Court of Tax Appeals (CTA) by filing a Petition for Review in 2011. After a series of proceedings in the CTA Division and En banc, and in the Supreme Court, the case was remanded to the CTA Division for reception of additional evidence.

In 2015, the Parent Company received a FAN assessing the Parent Company a deficiency VAT in the amount of ₱433.9 million for taxable year 2010. Same with the 2008 VAT assessment, the BIR claims that the full amount of the HMO gross receipts should be considered as vatable. Despite the timely filing of the administrative protest, the BIR failed to issue a decision within the required reglementary period, hence, in 2016, the Parent Company filed before the CTA a Petition for Review to assail the VAT assessment. After a series of proceedings, the case was submitted for decision of the CTA Division in 2020.

In December 2020, the Parent Company signified its interest to enter into a Judicial Compromise Agreement with the BIR for the 2008 and 2010 VAT cases. The Parent Company filed its Application for Judicial Compromise Agreement for the 2008 and 2010 VAT cases in March 2021. In May 2021, the Parent Company paid an amount of ₱168.0 million for the 2008 and 2010 VAT cases. In February 2022 and September 2022, the CTA Division issued the 'Notice of Judgment by Compromise Agreement' for the 2010 and 2008 VAT cases, respectively, accepting the Judicial Compromise Agreement between the BIR and the Parent Company and declaring the 2010 and 2008 VAT cases as closed and terminated.

In 2015, the Parent Company received a FAN assessing the Parent Company for deficiency VAT in the amount of ₱419.77 million for taxable year 2012 based on the same premise as that of the 2008 and 2010 VAT assessments. The Parent Company timely filed its administrative protest against the VAT assessment but the same was prematurely denied by the BIR in 2015. Thus, in 2016, the Parent Company filed before the CTA a Petition for Review to assail the VAT assessment. In January 2020, the CTA Division rendered a Decision granting the Parent Company's petition and setting aside the VAT assessment. In November 2021, the CTA *En Banc* sustained the ruling of the CTA Division. The BIR filed its motion for reconsideration but the same was denied by the CTA *En Banc*. In June 2022, the BIR filed its Petition for Review on Certiorari with the Supreme Court. Conclusively, in July 2023, the Supreme Court dismissed said petition and ultimately held the VAT assessment as null and void because of the manifest and evident denial of due process.

b. Other Pending Lawsuits and Claims

There are also other pending cases, lawsuits and claims involving the Parent Company in its normal course of business.

In the opinion of management, no provision from these claims and tax assessments were recorded by the Parent Company given the circumstances.



32. Notes to Statements of Cash Flows

The table below provides for changes in liabilities arising from financing activities:

	January 1, 2023	Dividend declaration	Cash flows	December 31, 2023
Loans payable	₱1,000,000,000	₱-	(₱1,000,000,000)	₱-
Dividends payable	137,200,472	-	(315,883)	136,884,589
Total liabilities from financing activities	₱1,137,200,472	₱-	(₱1,000,317,730)	₱136,882,742

	January 1, 2022	Dividend declaration	Cash flows	December 31, 2022
Loans payable	₱100,000,000	₱-	₱900,000,000	₱1,000,000,000
Dividends payable	840,871,563	750,000,000	(1,453,671,091)	137,200,472
Total liabilities from financing activities	₱940,871,563	₱750,000,000	(₱553,671,091)	₱1,137,200,472

The following are the noncash activities of the Parent Company:

1. Application of property and equipment as payment for the additional issuance of common shares of Maxihealth to the Parent Company amounting to ₱84.8 million in 2022
2. Retirement right-of-use of assets amounting to nil and ₱76.8 million in 2023 and 2022, respectively.
3. Additions to right-of-use assets amounting to ₱7.6 million and ₱41.1 million in 2023 and 2022, respectively.
4. Transfer from CIP to software cost amounting to ₱1.6 million and ₱3.4 million in 2023 and 2022, respectively.
5. Deposit for future stock subscriptions amounting to ₱500.0 million is applied to newly issued preferred shares in 2023.

33. Supplementary Information Required Under Revenue Regulations (RR) 15-2010

On November 25, 2010, the BIR issued RR 15-2010 to amend certain provisions of RR 21-2002. The Regulations provide that the notes to financial statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.

The Parent Company reported and/or paid the following types of taxes in 2023:

VAT

- a. Net sales/receipts and output VAT declared in the Parent Company's VAT returns for 2023

Output VAT	₱2,991,180,481
Account title used:	
Basis of the Output VAT:	
Amount subjected to VAT but not considered as sales (Cash Receipts covered by Revenue Memorandum Circular No.16-2013)	1,787,378,920
Vatable Services	23,067,012,379
Zero-rated Sales	3,144,145,175
Exempt Sales	12,968,197
Leasing income	72,112,710
Total	₱28,083,617,381



b. Input VAT for 2023

Balance at January 1	₱38,296,496
Deferred input – Current amortized during the year	17,307,062
Balance at December 31	₱20,989,434

Balance of January 1	
Current year's domestic purchases/payments or importations for:	
Services lodged under cost of goods sold	₱485,142,421
Capital goods/expenditure	49,267,845
Capital goods subjected to amortization from previous period	16,295,109
Total	550,705,375
Claims for tax credit/adjustments	550,705,375
Balance at December 31	₱-

c. Taxes and Licenses for 2023

Taxes and licenses, local and national, include real estate taxes, licenses and permit fees for 2023:

License and permit fees	₱54,171,796
Documentary stamp taxes	10,783,581
Fringe benefits taxes	1,226,819
Real estate taxes	4,109,280
Registration fees	11,038
Others – General and Administrative expenses	478,542
Others – Healthcare benefits, claims and commissions	13,268
Balance at December 31	₱70,794,324

d. Withholding Taxes

Details of total remittances and withholding taxes payable as of December 31, 2023 are as follows:

	Total remittances	Balance
Expanded withholding taxes	₱829,805,111	₱69,107,075
Withholding taxes on compensation and benefits	125,900,881	12,536,593
Final withholding taxes	12,299,300	971,660
	968,005,292	82,615,328
Final tax on fringe benefit	909,423	317,396
Final tax on interest income	58,580,553	-
Total final tax	₱59,489,976	₱317,396

The outstanding withholding tax payable as of December 31, 2023 represents the withholding taxes for the month of December 2023, which were remitted in January 2024.

Disclosure of on-going tax cases are disclosed in Note 31 Commitments and Contingencies.



On March 25, 2022, the Parent Company received a BIR Letter of Authority (LOA) to examine the VAT for taxable year 2021, which was subsequently settled on May 16, 2022. On December 6, 2022, the Parent Company received a LOA for all taxes except VAT for taxable year 2021, which was settled on June 27, 2023 and termination letter from the BIR was issued dated July 28, 2023.

There are no LOAs issued for taxable years 2022 and 2023.

34. Approval of the Release of the Financial Statements

The financial statements were authorized for issue by the Parent Company's Board of Directors during its meeting held on April 24, 2024.

