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Company Information

SEC Registration No.: CS201200281
Company Name: MEDICARE PLUS, INC.
Industry Classification: L75120
Company Type: Stock Corporation

Document Information

Document ID: OST10510202482388446
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

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

CS201200281

Company Name

MEDICARE PLUS INC

Principal Office (No./Street/Barangay/City/Town/Province)

34th Floor The Orient Square Bldg F. Ortigas Jr. Road
Ortigas Center ,San Antonio, Pasig City

Form Type	Department requiring the report	Secondary License Type, If Applicable
AFS	CFRD	

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
arvinmaceda@medicareplus.com.ph	0286583079	09088158780

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
11	JUNE 26,2024	DECEMBER 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
ARVIN A. MACEDA	arvinmaceda@medicareplus.com.ph	0286583079	09088158780

Contact Person's Address

Note: 1.) In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence therof with information and complete contact details of the new contact person designated.

2.) All Boxes must be properly and completely filled up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and / or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

MEDICARE PLUS, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

AND

REPORT OF INDEPENDENT AUDITORS

6/3/2024

JAYERAH B. BAUNTO
Revenue Officer

Philippine Pesos

ONG, NOCEJA & ASSOCIATES

medicare plus

ADDRESS: 34th Floor. The Orient Square Bldg.
F. Ortigas Jr. Road, Ortigas Center, Pasig City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **Medicare Plus Inc.** 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.

ONG, NOCEJA & ASSOCIATES, C. P. A., the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with the Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion the fairness of presentation upon completion of such audit.

MARIA JESUSA VIRAY
Printed name
Chairman of the Board

MARIA JESUSA VIRAY
Printed name
Chief Executive Officer

JANE SOCO
Printed name
Treasurer

Signed this 29th day of Nov, 2024

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
MEDICARE PLUS, INC.
4F2, 8101 Pearl Plaza, Pearl Drive
Ortigas Center, Pasig City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of MEDICARE PLUS, INC. (the Company), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of comprehensive loss, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on the Supplementary Information Required Under Revenue Regulation Nos. 15-2010 and 34-2020

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 said Revenue Regulations in Note 34 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of the management of MEDICARE PLUS, INC.. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

ONG, NOCEJA & ASSOCIATES

BY: **LAGRIMAS N. ONG**
PARTNER
CPA Cert. No. 38847
Tax Identification No. 153-104-203
PTR 3480791, January 2, 2024 @ Parañaque City
FIRM's PRC/BOA
Firm - Accreditation No. 9308, Valid until August 6, 2027
Partner - Accreditation No. 9308/P-001 Valid until August 6, 2027
IC Group C Accreditation
Firm - Accreditation No. 9308-IC Valid for Audit Period 2020 - 2024
Partner - Accreditation No. 38847-IC Valid for Audit 2020 - 2024
CDA CEA Accreditation
Partner - Accreditation No. 39, Valid until October 14, 2029

Parañaque City, Metro Manila, Philippines
November 29, 2024

MEDICARE PLUS, INC.
STATEMENTS OF FINANCIAL POSITION

	Notes	DECEMBER 31, 2023	2022
ASSETS			
CURRENT ASSETS			
Cash	6,32	₱ **4,236,300**	₱ 1,770,939
Trade and other receivables	7,32	**37,472,215**	16,191,419
Short-term investment	8,32	**12,805,000**	2,008,898
Due from related party	9,28,32	**33,696,683**	-
Other current assets	10	**11,795,910**	12,122,714
		100,006,108	32,093,970
NONCURRENT ASSETS			
Property and equipment	11	**10,787,645**	10,280,754
Right-of-use (ROU) asset	12	**39,732,340**	-
Investment in shares of stock	13,32	**5,281,240**	-
Deferred tax assets	30	**4,688,196**	2,489,237
Other noncurrent assets	14	**6,997,248**	6,578,457
		67,486,669	19,348,448
TOTAL ASSETS		₱ **167,492,777**	₱ 51,442,418

	Notes	2023	2022
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Healthcale plan liabilities	15,32	₱ **22,270,787**	₱ 10,593,970
Current portion of lease liability	12,32	**1,599,960**	-
Note payable	16,32	**3,000,000**	-
Accrued liabilities and other payables	17,32	**6,853,994**	4,695,807
		33,724,741	15,289,777
NONCURRENT LIABILITIES			
Fidelity fund	18,32	**1,627,075**	1,627,075
Noncurrent portion of lease liability	12,32	**38,132,380**	-
Retirement benefit obligation	19	**1,517,282**	764,662
		41,276,737	2,391,737
TOTAL LIABILITIES		**75,001,478**	17,681,514
EQUITY			
Share capital	20	**50,000,000**	50,000,000
Additional paid-in capital	20	**19,089,366**	19,089,366
Deposit for future stock subscription	20	**70,000,000**	-
Deficit		**(46,598,067)**	(35,328,462)
TOTAL EQUITY		**92,491,299**	33,760,904
TOTAL LIABILITIES AND EQUITY		₱ **167,492,777**	₱ 51,442,418

See accompanying Notes to Financial Statements.

MEDICARE PLUS, INC.
STATEMENTS OF COMPREHENSIVE LOSS

	Note	YEARS ENDED DECEMBER 31, 2023	2022
REVENUES FROM RENDERING OF SERVICES	21	**₱ 73,747,409**	₱ 37,058,431
DIRECT COST	22	**(25,791,776)**	(26,268,598)
GROSS PROFIT		**47,955,633**	10,789,833
OTHER INCOME	23	**30,296**	282,821
OPERATING EXPENSES	24	**(53,872,823)**	(14,054,385)
FINANCE COST	25	**(80,000)**	-
LOSS BEFORE TAX		**(5,966,894)**	(2,981,731)
INCOME TAX EXPENSE			
Current	30	-	-
Deferred		**1,476,153**	597,660
		1,476,153	597,660
LOSS FOR THE YEAR		**(4,490,741)**	(2,384,071)
COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE LOSS		**₱ (4,490,741)**	₱ (2,384,071)

See accompanying Notes to Financial Statements.

MEDICARE PLUS, INC.
STATEMENTS OF CHANGES IN EQUITY

	Share Capital (Note 20)	Additional Paid-in Capital	Deposit for Future Stock Subscription	Deficit		Total Equity
Balance at December 31, 2022	50,000,000	19,089,366	-	(35,328,462)	₱	33,760,904
Deposit for future stock subscription			**70,000,000**			**70,000,000**
Prior period adjustment (Note 33)				**(6,778,864)**		**(6,778,864)**
Loss for the year				**(4,490,741)**		**(4,490,741)**
Balance at December 31, 2023	**50,000,000**	**19,089,366**	**70,000,000**	**(46,598,067)**	**₱**	**92,491,299**

Balance at December 31, 2021	20,000,000	19,089,366	-	(32,944,391)	₱	6,144,975
Additional share capital	30,000,000					30,000,000
Loss for the year			-	(2,384,071)		(2,384,071)
Balance at December 31, 2022	50,000,000	19,089,366	-	(35,328,462)	₱	33,760,904

See accompanying Notes to Financial Statements.

MEDICARE PLUS, INC.
STATEMENTS OF CASH FLOWS

	Notes	YEARS ENDED DECEMBER 31, 2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**₱ (5,966,894)**	₱ (2,981,731)
Adjustments for:			
Depreciation	11,27	**2,805,941**	1,631,241
Interest expense		**80,000**	-
Interest income	23	**(24,677)**	(6,571)
Operating loss before working capital changes		**(3,105,630)**	(1,357,061)
Provision for ECL		**2,162,035**	395,851
Decrease (increase) in:			
Trade and other receivables		**(23,442,831)**	(6,864,281)
Other current assets		**326,804**	(6,400,522)
Increase (decrease) in:			
Healthcare plan liabilities		**11,676,817**	6,261,466
Accrued liabilities and other payables		**2,158,187**	(7,830,192)
Income tax payable		**-**	(5,998)
Retirement benefit obligation		**752,620**	233,177
Cash used for operation		**(9,471,998)**	(15,567,560)
Income tax paid		**(722,806)**	(111,127)
Net cash used in operating activities		**(10,194,804)**	(15,678,687)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	23	**24,677**	6,571
Investment in shares of stocks		**(5,281,240)**	-
Additions to property and equipment	11	**(3,312,832)**	(7,688,731)
Recognition of right-of-use assets		**(39,732,340)**	-
Increase in other noncurrent assets		**(418,791)**	(5,251,636)
Net cash used in investing activities		**(48,720,526)**	(12,933,796)
CASH FLOWS FROM FINANCING ACTIVITIES			
Additional share capital		**-**	30,000,000
Prior period adfjustment		**(6,778,864)**	-
Deposit for future stock subscription		**70,000,000**	-
Recognition (payment) of lease liability		**39,732,340**	-
Availment of note payable		**3,000,000**	
Payment of interest expense		**(80,000)**	
Increase in short term investment		**(10,796,102)**	(6,378)
Due from related party		**(33,696,683)**	-
Net cash provided by financing activities		**61,380,691**	29,993,622
INCREASE IN CASH		**2,465,361**	1,381,139
CASH AT BEG. OF YEAR		**1,770,939**	389,800
CASH AT END OF YEAR	6	**₱ 4,236,300**	₱ 1,770,939

See accompanying Notes to Financial Statements.

MEDICARE PLUS, INC.
NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION, STATUS OF OPERATION AND AUTHORIZATION FOR THE ISSUANCE OF THE FINANCIAL STATEMENTS

Corporate Information

Medicare Plus, Inc. (the Company) is a stock corporation organized and registered with the Philippine Securities and Exchange Commission (SEC) on January 10, 2012 under SEC Registration No.CS201200281.

Its primary purpose is to provide, establish, set up, coordinate or otherwise make available comprehensive and integrated medical and preventive health care services and facilities systems including, but not limited to, maternity care, baby care, pre-employment medical check-up, industrial clinic services, surgical attendance of the sick, afflicted, injured or infirm and such other related services to individuals, group of individuals, association, firms, and other organizations; to conduct research and studies as to nature, cause, prevention, treatment and care of diseases and to disseminate information respecting the same; to establish, own, operate, manage, maintain, equip, supply, buy into, join with, or otherwise make arrangements with hospitals, medical centers, rehabilitation centers, sanitarium, clinics, pharmacies, drug stores, medical and chemical laboratories, and such other enterprises, which may have similar or analogous undertakings or are dedicated to services in connection therewith; provided, that purely professional, medical or surgical services shall be performed in connection therewith and only by duly qualified physicians or surgeons who may or may not be connected with the connection with the corporation and who shall be freely and individually contracted by the patients.

The Insurance Commission (IC) in its issued Circular Letter 2016-41, Minimum Capitalization and Financial Capacity Requirements for HMOs, requiring that HMOs must have a net worth not less than its paid-up capital. In 2022, the Company infused ₱30,000,000 to its share capital resulting to a total of ₱50M in share capital. The Company's net worth as of December 31, 2023 and 2022 amounted to ₱92,491,299 (including the deposit for future stock subscription of ₱70M as discussed in Note 20) and ₱33,760,904, respectively.

Deposit Requirements

HMOs shall deposit with the Commission or, at the 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 HMO's actual paid-up capital and/or share capital as prescribed in CL No. 2016-41. The deposit shall be considered asset of the HMO in the determination of its unimpaired share capital and/or net worth.

As of December 31, 2023 and 2022, the short-term investment amounted to ₱12,805,000 and ₱2,008,898, which represents 25.6% and 4% of its share capital; hence, in 2023 the Company has complied with the requirement of the IC by having a deposit of not less than 20% of its share capital.

In addition to the foregoing, the Management expressed its commitment to continuously provide financial support to the Company until the Company generates sufficient revenue that will financially support its operations.

The Company is registered with the Insurance Commission (IC) and is duly authorized to act as a health maintenance organization (HMO) with Certificate of Registration No. HMO-2023-21-R, with validity until December 31, 2025, unless sooner suspended or revoked for cause.

On April 19, 2023, the Company (Lessee) entered into a Capital Lease Agreement with Mr. Joaquin Rodriguez (Lessor), to lease 10,002 sq.m. parcel of land located at Taytay, Rizal covered by Transfer Certificate No. 068-20237727, 2020000069, and 2020000075, of which said titles are made an integral part of the said capital lease agreement. The premises shall be occupied and used by the Lessee exclusively for the purpose of its operations. The use of the leased premises or any part thereof cannot be thereafter changed without the written consent of the Lessor.

The term of the capital lease agreement shall be for a period of twenty-five (25) years with option to purchase. If the Lessee at the end of the term elects to purchase the property, any deficient amount shall be paid either in monies due or the issuance of common shares of the Lessee capped at 5% of the total equity of the Lessee; otherwise, the capital lease agreement is renewable for another twenty-five (25) years.

As a consideration for this capital lease agreement, the Lessee agrees to pay the Lessor a monthly payment amounting to ₱13.33 per sq.m. or ₱133,330 monthly exclusive of the twelve percent (12%) Value-Added Tax.

The capital lease agreement commenced on November 1, 2023 and will continue until October 31, 2048.

The Company's new registered office address is 4F2, 8101 Pearl Plaza, Pearl Drive, Ortigas Center, Pasig City as duly approved by SEC on March 15, 2022.

Status of Operation
The accompanying financial statements have been prepared on a going concern basis, which contemplate the realization of assets and settlement of liabilities in the normal course of business. (See Note 5.1)

Authorization for the Issuance of the Financial Statements
The accompanying Company financial statements as at and for the year ended December 31, 2023 was approved and authorized for issue by the Board of Directors (BOD) on November 29, 2024.

2. FINANCIAL REPORTING FRAMEWORK AND BASIS OF PREPARATION AND PRESENTATION

Basis of Preparation
The accompanying financial statements of the Company have been prepared using the historical cost basis. The financial statements of the Company are presented in Philippine Pesos, which is the Company's functional currency. All amounts are rounded to the nearest Philippine peso, except when otherwise indicated.

Statement of Compliance
The financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council and adopted by the Philippine Securities and Exchange Commission (SEC), including the SEC provisions.

The financial reporting framework includes the PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC), including the SEC pronouncements.

3. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements and amendments starting January 1, 2023. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Except as otherwise indicated, the following standards and framework did not have significant impact on the Company's financial statements:

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

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

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

- Annual Improvements to PFRSs 2018-2020 Cycle

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

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

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

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

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

    An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

- 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).

- *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 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

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

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, Classification of Liabilities as Current or Non-current
- The amendments clarify paragraphs 69 to 76 of PAS 1, Presentation of Financial Statements, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement.
  - That a right to defer must exist at the end of the reporting period
  - 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, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

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, supplemented by:

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

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission 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 comparative figures required. Early application is permitted.

4. SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting date: or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting date.

All other assets are classified as noncurrent.

A liability is current when it is:

- Expected to be settled in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be settled within twelve 12) months after the reporting date; or
- There is no unconditional right to defer settlement of the liability for at least twelve (12) months after the reporting period.

The Company classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities.

Fair Value Measurement

The Company measures financial instruments at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

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

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

The fair value of financial instruments that are traded in active markets at each balance sheet date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs at the close of business on the balance sheet date. When current bid prices and asking prices are not available, the prices of the most recent transaction provide evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

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

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

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

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

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

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Financial Instruments

A financial instrument is any contract that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

4.1 Financial Assets

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under PFRS 15.

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

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

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

Subsequent Measurement under PFRS 9

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

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

Financial Assets at Amortized Cost

The Company measures financial assets at amortized cost if both of the following conditions are met:

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

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

Financial Assets Designated at FVOCI

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

Gains and losses on these financial assets are never recycled to the company statement of income. Dividends are recognized in the company statement of income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in

OCI. Equity instruments designated as financial assets at FVOCI are not subject to impairment assessment. The Company elected to classify irrevocably its equity investments recognized under "Financial assets at FVOCI" under this category.

Cash
Cash include cash on hand and cash in banks that are unrestricted and available for current operations. This is stated in the statements of financial position at face amount. Cash denominated in foreign currency, if any, is translated in peso using the closing rate as of the financial statement date.

Cash in banks are deposits held at call with banks. The Company reconciles the books and bank balances regularly as part of its cash monitoring and internal control measures.

Investments in shares of stock
Investments in shares of stock are accounted for under the cost method less any impairment in value. The Board of Directors opted not to prepare a consolidated financial statements with that of the subsidiary. Investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are measured at cost.

Management believes that there is no significant and apparently permanent decline in its investment in shares of stock; accordingly, no impairment loss was recognized as of reporting date.

Trade receivables represent the Company's right to an amount of consideration that is unconditional. Trade receivables represent the due and uncollected membership fees from medical plans. Other receivables include advances to officers and employees, and loans and other receivables. If collection is expected in one year or less (or the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Due from related party pertains to the advances made by the Company to a previous stockholder.

Cash bonds represent deposits to healthcare providers to guarantee full settlement of the Company's accounts within the prescribed terms.

Refundable security deposits pertain to the amount paid as security deposit which the lessor is entitled to retain but shall be returned to the Company, without interest, immediately upon the expiration of the lease term subject to deductions or charges for the damages caused to the leased premises.

Short-term investment pertains to restricted cash to comply with the IC requirements, in the form of treasury bills acquired from a local bank.

Financial Liabilities at Amortized Cost
Financial liabilities that are not contingent consideration of an acquirer in a business combination, held for trading, or designated as at FVPL, are measured subsequently at amortized cost using the effective interest method.

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

As at December 31, 2023 and 2022, included in financial liabilities at amortized cost are the Company's healthcare plan liabilities, lease liability (current and noncurrent), note payable, other payables, and fidelity fund.

Healthcare plan liabilities is composed of accounts payable to hospitals, clinics and doctors, unearned membership fees, and accrued claims.

Accounts payable to hospitals, clinics and doctors are obligations to pay for goods or services that have been acquired in the ordinarily course of business from partner healthcare providers and suppliers.

Note Payable
This is unsecured interest-bearing borrowings from a certain Company which is being used to finance the Company's working capital requirements. This is measured initially at their nominal value and subsequently recognized at cost less settlement payments.

Unearned membership fees pertain to the portion of membership fees attributable to subsequent periods which are deferred. The change in this account is credited to or charged against income over the period of coverage.

Accrued claims pertain to claims incurred but not reported (IBNR). Accrued IBNR claims are based on the estimated ultimate cost of all claims incurred but not reported as at the statements of financial position date. These costs include estimates of the Company's obligation for medical care services that have been rendered on behalf of the members, but for which the Company has not yet received. The Company develops estimates for medical costs incurred but not yet received using an actuarial process. The actuarial models consider factors such as time from the date of service to claims receipt, claim backlogs, and other factors affecting the claims amount such as provider contract rate changes, medical care consumption, and other medical cost trends. At each statement of financial position date, the Company reviews previously established provisions for claims based on actual claim submission and other changes in facts and circumstances. As the recorded estimated liability in prior period is actualized, the Company adjusts this estimated liability by increasing or decreasing it accordingly.

Accrued liabilities and other payables include accrued expenses and due to government agencies.

Accrued liabilities and other payables are classified as current liabilities if payment is due within one year or less or in the normal operating cycle of the business if longer. If not, these are presented as noncurrent liabilities.

Fidelity fund pertains to the agents' fund based on a certain percentage of their commission.

Impairment of Financial Assets
Policy in Accordance with PFRS 9

The Company applied the Expected Credit Loss (ECL) model on the impairment of the following debt instruments financial assets not measured at FVTPL:

- those that are measured at amortized cost and FVOCI;
- loan commitments; and
- financial guarantee contracts.

ECL calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecast of future economic conditions.

Amount of ECL to be recognized is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The following stages are applicable to those financial assets being assessed for ECL depending on its credit quality:

Stage 1: 12-month
For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL
For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Credit-impaired
Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted EIR to the amortized cost of the financial asset.

Definition of Default
The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

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

Credit-impaired Financial Assets
A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

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

Write-off Policy
The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the

case of trade receivables, when the amounts have been assessed by management to be no longer collectible, whichever occurs sooner.

Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in the statements of comprehensive income.

The Company's assessments of its financial assets for not recognizing allowance for ECL are as follow:

Cash and short-term investment - The Company assessed these financial assets as not impaired as these are maintained in banks with good credit rating on standing.

Due from related party - The Company assessed that these are not impaired and fully collectible since the subsidiary committed to subsequently settle this receivable upon demand.

Cash bonds - The Company assessed that these are not impaired since these are maintained with its partner healthcare providers to ensure that the medical services to be availed by customers are fully funded.

This represents surety bond to certain partner healthcare providers to guarantee full settlement of the Company's accounts within the prescribed terms. The Company assessed that these are not impaired and fully collectible since the healthcare providers receives payments from the Company. Refundable security deposits - This pertains to the amount paid as security deposit which the lessor is entitled to retain but shall be returned to the Company, without interest, immediately upon the expiration of the lease term subject to deductions or charges for the damages caused to the leased premises. The Company assessed the rental deposits with moderate credit quality since this will be received in cash provided no defects were noted on the leased premises.

Short term investment - This pertains to treasury bills which arc restricted to comply with regulatory requirements. The management assessed that this is neither past due nor impaired and is maintained in bank with good credit rating on standing.

Foreign Currency Transactions
Transactions denominated in foreign currencies are translated to the Philippine peso using the exchange rate prevailing at the date of transaction. At the end of each reporting period, foreign currency monetary items are restated using the closing rate. Foreign exchange gains and losses are recognized in profit or loss.

Determining the Stage for Impairment
At each reporting date, the Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as credit quality deteriorates. If, in a subsequent period, credit quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL. For trade receivables, the Company applied a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the company statement of financial position) when:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

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

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

After initial recognition, financial liabilities at amortized cost are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the company statement of income when the liabilities are derecognized as well as through the EIR amortization process.

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

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

4.3 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the company 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, to realize the assets and settle the liabilities simultaneously.

4.4 Other Current Assets

Other current assets include cash bonds, input VAT, medical and office supplies, refundable security deposits, advance rental and prepaid taxes. These are initially recorded at transaction cost and subsequently measured at cost less impairment loss, if any.

4.5 Property and Equipment

The initial cost of property and equipment comprises its purchase price 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 operations, such as repairs and maintenance and overhaul costs, are normally charged to operations in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Cost also includes any asset retirement obligation and interest on borrowed funds used, if any. When assets are sold or retired, their costs and accumulated depreciation, amortization and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in the Company statement of income of such period.

Subsequently, property and equipment are stated at cost, less accumulated depreciation and amortization and impairment in value, if any.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the assets as follows:

Computer equipment	5 years
Furniture and fixtures	5 years
Medical and other equipment	5 years
Office equipment	5 years
Transportation equipment	5 years
Leasehold improvement	5 years

Leasehold improvements are depreciated over the shorter between the improvements' useful life and the lease term.

The useful life of each of the property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets.

The assets' residual values, useful lives and depreciation and amortization method are reviewed, and adjusted if appropriate, at each financial year-end.

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

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged against current operations.

When properties and equipment are retired or otherwise disposed of, the cost of the related accumulated depreciation and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Intangible Assets
Intangible assets include computer software licenses used in operations, which are initially recognized at cost and subsequently measured at cost less accumulated amortization and any impairment in value. 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.

Costs are amortized on a straight-line basis over the estimated useful life of three years.

The amortization period and amortization method are reviewed when there are indicators that such has changed from the previous estimate. If current expectations differ from previous estimates, the amortization period and method will be amended. The Company assumes that the residual values of these intangible assets are zero.

Fully amortized intangible assets are retained in the books until they are no longer in use and no further amortization is charged against current operation.

Intangible asset is derecognized on disposal, or when no future economic benefits are expected for use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as difference between the net disposal proceeds and the carrying amount of the asset, are recognized in the statements of comprehensive income.

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Company's interest in the fair value of the of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill on acquisitions of associates is included in 'investments in associates'. Separately recognized goodwill is carried at cost less accumulated impairment losses. Goodwill is an indefinite-lived intangible asset and hence not subject to amortization.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognized immediately as an expense and is not subsequently reversed.

4.6 Impairment of Non-financial Assets
The Company assesses at each reporting date whether there is an indication that these non-financial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. The asset's or cash generating unit's recoverable amount is the higher of an asset's or cash-generating unit's 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 group of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset 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 assessment of the time value of money and the risks specific to the asset. Any impairment loss is recognized in the company statement of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting 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. The increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the company statement of income unless the asset is carried at revalued amount, in which case, the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

4.7 Derecognition of Non-financial Assets
Items of property and equipment, project cost, rental deposit, refundable security deposit and other noncurrent assets are derecognized when these assets are disposed of or when no future economic benefits are expected from these assets.

4.8 Equity
This includes share capital, additional paid-in capital, deposit for future stock subscription and deficit.

Share Capital
Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as deduction from proceeds, net of tax.

The costs of acquiring Company's own shares, if any, are shown as a deduction from equity attributable to the Company's equity holders until the shares are cancelled or reissued. When such shares are subsequently sold or reissued, any consideration received, net of directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

The minimum capitalization requirements for all new and existing HMOs are as follows:

- All existing domestic HMOs must have a minimum paid-up capital of at least ₱10,000,000.
- No new HMO shall, in a stock corporation, engage in the business of HMO in the Philippines unless it has a paid-up capital of at least ₱100,000,000.

Risk-based Capitalization
The Company should comply with the risk-based capitalization wherein the maximum risk on membership fees shall be determined through the following:

Risk-Based Capitalization:

Share capital	**Max. Gross Membership Fees**
Up to 50M	**5 times of share capital**
More than 50M up to 75M	**10 times of share capital**
More than 75M up to 200M	**15 times of share capital**
More than 200M up to 300M	**25 times of share capital**
More than 300M up to 400M	**30 times of share capital**
More than 4000M up to 500M	**50 times of share capital**
More than 500M	**No Limit**

Net Worth Requirement
All HMOs must have a net worth which should not be less than its paid-up capital. However, Company's net worth as of December 31, 2023 and 2022 amounted to ₱92,491,299 (including the deposit for future stock subscription of ₱70M as discussed in Note 20) and ₱33,760,904, respectively, which is below the minimum net worth requirement by the IC.

Additional Paid-in Capital
Additional paid-in capital (APIC) includes any premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from APIC, net of any related income tax benefits. It represents any contribution of stockholders over the par value of the shares.

Deposit for Future Stock Subscription
Deposit for stock subscription represents deposits by the subscribing shareholders in connection with the proposed increase in authorized capital stock of the Company, awaiting approval by the Securities and Exchange Commission.

Retained Earnings (Deficit)
Retained earnings represent the cumulative balance of periodic net income/loss, dividend distributions, prior period adjustments and effects of changes in accounting policy and capital adjustments, if any. When retained earnings account has a debit balance, it is called "deficit". A deficit is not an asset but a reduction from equity.

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

The following are the specific recognition criteria in recognizing the following:

- Service fees - This pertains to membership fees earned from medical plans availed by customers. Medical plans normally cover a period of one year and are renewable annually. The total contract amount is initially recognized as unearned membership fees under "Current liabilities" and is amortized over the customers' period of coverage on a straight-line basis. Revenue is recognized from unearned membership fees upon collection of fees.
- Interest Income – revenue is recognized as the interest accrues, taking into account the effective yield on the asset.
- Other Income – this includes revenue recognized when earned from sources other than the normal business operations of the Company.

<u>Cost and Expense Recognition</u>
Cost and expenses are recognized in the statements of comprehensive income when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Direct cost is recognized as an expense when the related services are rendered. This includes healthcare benefits and claims which pertain to all claims incurred.

Operating Expenses
Operating expenses constitute the costs of administering the business operation of the Company and are expensed as incurred.

4.10 Income Taxes
Income tax expense represents the sum of the current tax and deferred tax expense.

<u>*Current Income Tax*</u>
The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statements of comprehensive loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred Income Tax
Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

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

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in statement of other comprehensive income or directly in equity.

Value-added Tax (VAT)
Revenue, expenses, and assets are recognized net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from (input VAT), or payable to (output VAT), the tax authority is included as part of "Other current assets" or "Other current liabilities" accounts, respectively, in the Company's statements of financial position.

Enactment of New Tax Law
Corporate Recovery and Tax Incentive for Enterprises (CREATE) Act

On March 26, 2021, the Office of the President of the Philippines signed into law the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines.

New Income Tax Rates on the Regular Income of Corporations pursuant to Republic Act (RA) No. 11534 or the CREATE Act, which further amended the National Internal Revenue Code (NIRC) of 1997, adopted the Regular Corporate Income Tax (RCIT) rate effective 01 July 2020 based on the total assets of domestic corporations as follows:

a. Domestic corporations with total assets of Php100 Million and below, and with taxable income of Php5 Million and below – 20% RCIT;
b. Domestic corporations with total assets of Php100 Million and below, and with taxable income of more than Php5 Million – 25% RCIT:
c. Domestic corporations with total assets of more than Php100 Million – 25% RCIT.

Among the other reforms, the following are the significant provisions:

1. Reduction of Minimum Corporate Income Tax (MCIT) rate from 2% to 1% for a period of 3-years (effective 01 July 2020 until 30 June 2023).
2. Improperly accumulated tax on retained earnings under Section 29 of the NIRC, as amended, has been repealed.
3. Existing enterprises under income tax holiday (ITH) shall be allowed to continue availing the ITH until the remaining period ends. Existing enterprises enjoying the 5% tax based on gross income shall be allowed to continue to enjoy the 5% tax for a period of 10 years,

regardless of number of years it has been enjoying the 5% tax rate. After the expiration of the transitory period, they have the option to avail of the tax incentives under CREATE Act.

The Company's current tax liability is calculated using RCIT rate or MCIT, whichever is higher.

4.11 Operating Leases
Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases re recognized in profit or loss on a straight-line basis over the period of the lease.

The determination of whether an arrangement contains a lease on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a righto use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension is granted, unless that term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfillment is dependent on a specified asset;
d. There is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b). When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognized.

Company as a lessee
Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the profit or loss on a straight-line basis over the lease term.

Company as a lessor
Leases in which the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. 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.

4.12 Employee Benefits
Employee compensation and other benefits
Employee benefits represent: (a) short-term employee benefits, which are employee benefits (other than termination benefits) that are wholly due within twelve months after the end of the period in which the employees render the related service, and (b) termination benefits, which are employee benefits payable as a result of either:) an entity's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits.

Short-term benefits
Short-term employee benefits include: (a) short-term wages, salaries and social security contributions;(b) short-term compensated absences (such as paid annual leave and paid sick leave) when the absences are expected to occur within twelve months after the end of the period in which the employees render the related employee service; and (c) non-monetary benefits (such as medical care for current employees). Short-term employee benefits are

measured at the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service.

Retirement benefits
The Company has no formal retirement plan covering all qualified employees, but provision for retirement benefit is being recognized. Under Republic Act 7641 (known as the Retirement Pay Law in the Philippines), in the absence of a retirement plan or agreement providing for retirement benefits of employees in the establishment, an employee upon reaching the age of sixty (60) years or more, but not beyond sixty-five (65) years which is hereby declared the compulsory retirement age, who has served at least five (5) years in the said establishment, may retire and shall be entitled to retirement pay equivalent to at least one-half (1/2) month salary for every year of service, a fraction of at least six (6) months being considered as one whole year.

Payments are made to qualified separated employees as and when they resign equivalent to a percentage of their monthly salary for every year of credited services to all their employees with regular employment status and are reflected as either part of employees' benefits or as a reduction of the retirement benefit obligation.

Termination benefits
Termination benefits include: by legislation, by contractual or other agreements with employees or their representatives or by a constructive obligation based on business practice, custom or a desire to act equitably, to make payments (or provide other benefits) to employees when it terminates their employment. Termination benefits are measured at the best estimate of the expenditure that would be required to settle the obligation at the reporting date. In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer. When termination benefits are due more than twelve months after the end of the reporting period, they shall be measured at their discounted present value.

4.13 Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

4.14 Related Parties
Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

4.15 Provisions and Contingencies
Provisions are recognized when the Company has a present obligation, either 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 the amount of the obligation can be estimated reliably. When the Company expects reimbursement of some or all of the

expenditure required to settle a provision, the entity recognizes a separate asset for the reimbursement only when it is virtually certain that reimbursement will be received when the obligation is settled.

The amount of the provision recognized is the best estimated of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Contingent liabilities and assets are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Contingent liabilities, if any, are disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are disclosed only when an inflow of economic benefits is probable.

4.16 Events After the Reporting Date
The Company identifies post year-end events as events that occurred after the reporting date but before the date when the financial statements were authorized for issue. Any post year-end events that provide additional information about the statements of financial position at the reporting date (adjusting events) are recognized in the financial statements. Events that are not adjusting events are disclosed in the notes to the financial statements when material.

The Company has evaluated subsequent events through November 29, 2024, which is the date the financial statements were available to be issued. (See Note 1)

5. SUMMARY OF SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Company's financial statements in conformity with Philippine Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the amounts reported in the Company's financial statements and accompanying notes. The judgments, estimates and assumptions used in the Company's financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Company's financial statements.

Actual results could differ from such judgments, estimates and assumptions and these are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

5.1 Judgments
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimation, which have the most significant effect on the amounts in the financial statements.

Going-Concern
Management evaluate whether relevant conditions and events, considered in the aggregate, indicate that it is probable that an entity will be unable to meet its obligations as they become due within one year after the date that the financial statements are issued. The evaluation initially shall not take into consideration the potential mitigating effect of Management's plans that have not been fully implemented as of the date that the financial statements are issued (for example, plans to raise capital, borrow money, restructure debt, or dispose of an asset that have been approved but that have not been fully implemented as of the date that the financial statements are issued).

When evaluating an entity's ability to meet its obligations, Management considers quantitative and qualitative information' about the following conditions and events, among other relevant conditions and events known and reasonably knowable at the date that the financial statements are issued:

- The entity's current financial condition. including its liquidity sources at the date that the financial statements are issued (for example, available liquid funds and available access to credit)
- The entity's conditional and unconditional obligations due or anticipated within one year after the date that the financial statements are issued (regardless of whether those obligations are recognized in the entity's financial statements)
- The funds necessary to maintain the entity's operations considering its current financial condition, obligations, and other expected cash flows within one year after the date that the financial statements are issued
- The other conditions and events, when considered in conjunction with (a), (b), and (c) above that may adversely affect the entity's ability to meet its obligations within one year after the date that the financial statements are issued.

Classification of Property
The Company determines whether a property is classified as construction-in-progress or property and equipment based on the following:
Property and equipment is held for use in the supply of goods or services or for administrative purposes.

Contingencies
The Company's estimate of the probable costs for the resolution of claims and proceedings has been developed in consultation with outside counsel handling defense in these matters and is based upon an analysis of potential results. Management and its legal counsels believe that the Company has substantial legal and factual bases for its position and are of the opinion that losses arising from these legal actions, if any, will not have a material adverse impact on the Company's financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings. Management assessed that the likelihood that any liability arising from such legal actions is remote, hence, no provision for liability has been recognized in the company financial statements.

5.2 Estimates and Assumptions
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key Sources of Estimation Uncertainty
The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) ***Estimated Allowance for Impairment of Receivables***
Impairment of Financial Assets at Amortized Cost based on PFRS 9
The Company uses ECL in calculating its impairment. In the case of certain trade receivables, a provision matrix is established.

The calculation is initially based on the Company's historical observed default rates. The Company will calibrate the calculation to adjust historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward- looking estimates are analyzed.

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

• *Stage 3 - Credit Impaired Financial Assets*

The Company determines impairment for each significant financial asset on an individual basis. Among the items that the Company considers in assessing impairment is the inability to collect from the counterparty based on the contractual terms of the financial assets. Financial assets included in the specific assessment are the accounts that have been endorsed to the legal department and non-moving financial assets.

• *Inputs, Assumptions and Estimation Techniques in ECL Calculation*

ECL calculation is performed for those financial assets that are not credit impaired. The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. A significant increase is assessed to have occurred if there are significant payment delays, declining operating performance of the borrower, among others. ECLs are the discounted product of the Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD).

The ECL is determined by projecting the PD, LGD, and EAD for each future month and for each individual exposure or collective segment.

The lifetime PD is developed by applying a maturity profile to the current 12-month PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the financial assets. The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and credit grade band. This is supported by historical analysis. The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by counterparty or by customer segments.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different counterparties or customers. These LGD's are influenced by collection strategies including contracted debt sales and price.

The assumptions underlying the ECL calculation such as how the maturity profile of the PDs change are monitored and reviewed quarterly.

Provision Matrix for Trade Receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the industrial segment, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

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

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

Incorporation of Forward-looking Information
The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The base case represents a most-likely outcome and is aligned with information used by the Company for other purposes such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. Periodically, the Company carries out stress testing of more extreme shocks to calibrate its determination of these other representative scenarios.

The Company has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

The macro-economic variables include the following key indicators for the Philippines: unemployment rates, inflation rates, gross domestic product growth and net personal income growth.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 5 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Company has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

Provision for ECL on trade and other receivables amounting to ₱2,162,035 and ₱395,851 was recognized in 2023 and 2022, respectively. The allowance for ECL on trade and other receivables amounted to ₱5,195,895 and ₱3,033,860 as at December 31, 2023 and December 31, 2022, respectively. The carrying amounts of trade and other receivables as at December 31, 2023 and 2022 amounted to ₱37,472,215 and ₱16,191,419, respectively. (See Note 7)

(b) ***Estimating Useful Lives of Property and Equipment***
The Company estimates the useful lives of property and equipment based on the period over which the property, plant and equipment are expected to be available for use. The estimated useful lives of the property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property, plant and equipment. In addition, the estimation of the useful lives of property, plant and equipment is based on the collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future financial performance could be materially affected by changes in the estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of the property, plant and equipment would increase the recorded expenses and decrease the noncurrent assets.

There were no changes in the estimated useful lives of property and equipment. The carrying amounts of property and equipment amounted to ₱10,787,645 and ₱10,280,754 as of December 31, 2023 and 2022, respectively. (See Note 11)

(c) *Accrued IBNR claims*
The determination of the accrued claims are actuarially computed for future payments on claims that have been incurred but have not been reported to estimate the Company's obligation for medical care services that have been rendered to its members and re-opened claims disputes that may occur in the future. The Company's outsourced actuary developed its estimate using an actuarial process that has been consistently applied. Each period, the actuary reviews the previously established IBNR claims based on actual claims 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 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 certainly 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.

As at December 31, 2023 and 2022, the Company has no accrued IBNR claims.

(d) Impairment of Non-financial Assets
The Company assesses whether there are any indicators of impairment for property and equipment, project cost, rental deposit, refundable security deposit and other noncurrent assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make judgments and estimates that can materially affect the financial statements.
There were no provisions for impairment losses on non-financial assets recognized in 2023 and 2022.

(e) Investment in shares of stock
The investments in a subsidiary and an associate are accounted for using the cost method less any impairment in value, if any.

As at December 31, 2023, Management believes that there is no significant and apparently permanent decline in its investment in shares of stock; accordingly, no impairment loss was recognized as of reporting date.

(f) Retirement Benefit Obligation
The determination of the obligation and cost for pension and other retirement benefits is dependent on the selection of certain assumptions used by management in calculating such amounts. While the Company believes that the assumptions are reasonable and

appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligations.

The provision for retirement benefits amounted to ₱752,620 in 2023 and ₱233,177 in 2022. The retirement benefit obligation amounted to ₱1,517,282 and ₱764,662 as of December 31, 2023 and 2022, respectively.

(g) Deferred Tax Assets

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

Deferred tax assets arising from temporary differences amounted to ₱4,950,845 and ₱2,489,237 as of December 31, 2023 and 2022, respectively. (See Note 30)

(h) Revenue recognition

The Company's revenue recognition policies require the use of estimates and assumptions that may affect the reported amounts of revenues and receivables. Differences between the amounts initially recognized and actual settlements are taken up in the accounts upon reconciliation. However, there is no assurance that such use of estimates may not result to material adjustments in future periods.

The total revenue of the Company amounted to ₱73,747,409 in 2023 and ₱37,058,431 in 2022.

6. CASH

This account consists of:

		2023		2022
Cash on hand	₱	**328,104**	₱	80,000
Cash in banks		**3,908,196**		1,690,939
	₱	**4,236,300**	₱	1,770,939

Cash on hand are the undeposited collections as of the end of the period which will be deposited on the next banking day.

Cash in banks represent savings/current accounts in seven (7) reputable local banks. Savings account deposits earn interest at the respective bank deposit rates and current account deposits do not earn interest. Foreign currency deposits were converted to Philippine peso using the foreign currency exchange rate as at the closing rate as of December 31, 2023 and 2022 (See Note 31 – Foreign Currency Risk). The Company reconciles the books and bank balances regularly as part of its cash monitoring and internal control measures.

Interest income earned from cash in banks amounted to ₱15,065 and ₱193 for the years 2023 and 2022, respectively. (See Note 23)

7. TRADE AND OTHER RECEIVABLES

This account consists of:

	Note	**2023**		2022
Trade:				
Due and uncollected membership fees		**₱ 35,043,304**	₱	13,195,047
Less: Allowance for losses on impaired receivables		**5,195,895**		3,033,860
		₱ 29,847,409	₱	10,161,187

Nontrade:			
Advances to officers, employees, agents and providers	28	**5,507,906**	5,082,092
Advances subject to liquidation	28	**2,116,900**	948,140
		7,624,806	6,030,232
		₱ 37,472,215	₱ 16,191,419

Due and uncollected membership fees refer to service fee billed to members as specified in the contract whether monthly, quarterly, semi-annually or annually. The average credit period on sales of services is 30 days. No interest is charged on due and uncollected membership fees for the first 30 days from the date of the invoice.

Advances to officers, employees, agents and providers refer to duly approved cash advances for personal and/or official business that are subject to liquidation.

Advances subject to liquidation represent duly approved cash advances for official business to the Company's Officers and employees that are subject to liquidation.

The Company applies the simplified approach in measuring ECLs which uses a lifetime expected loss allowance for all trade and other receivables. Provision for ECL is presented under 'Operating expenses' in the statements of comprehensive income. (See Note 24)

The rollforward analysis of allowance for ECL is based on collection experience and forward-looking rates.

Movements in the allowance for ECL are as follows:

		2023		2022
Beginning balances	₱	**3,033,860**	₱	2,638,009
Provision for ECL		**2,162,035**		395,851
Ending balances	₱	**5,195,895**	₱	3,033,860

8. SHORT-TERM INVESTMENT

In compliance with the Circular Letter 2016-41 Minimum Capitalization and Financial Capacity Requirements for HMOs issued by IC, the Company maintains deposit amounting ₱12,805,000 and ₱2,008,898 as of December 31, 2023 and 2022, respectively. These deposits have maturity period of more than ninety days up to one year. The amount is deposited in a local bank in the form of treasury bills and earned interest income amounting to ₱9,612 and ₱6,378 in 2023 and 2022, respectively. (See Note 23)

As of December 31, 2023 and 2022, the short-term investment amounted to ₱12,805,000 and ₱2,008,898, which represents 25.6% and 4%, respectively, of its share capital. The IC requires the Company to have a deposit of not less than 20% of its share capital, of which the Company complied with the IC's requirement in 2023. (See Note 1)

9. DUE FROM RELATED PARTY

This account represents unsecured non-interest bearing inter-company advances to PharmaCare Plus Inc., collectable upon demand by the Company. Settlements may be made through cash payments or offsetting.

The amount of inter-company advances to the related party as of December 31, 2023 amounted to ₱ 33,696,683.

10. OTHER CURRENT ASSETS

This account consists of:

	2023	2022
Cash bonds	**₱ 6,342,746**	₱ 5,642,746
Prepaid expenses	**1,757,655**	1,831,339
Creditable withholding taxes	**7,879**	22,659
Input VAT	**3,687,630**	4,625,970
	₱ 11,795,910	₱ 12,122,714

Cash bonds represent deposits to certain healthcare providers to guarantee full settlement of the Company's accounts within the prescribed terms. In case the Company fails to settle its obligations on time, these deposits will be used to defray for the medical and hospitalization expenses of its members.

Prepaid expenses refer to unamortized prepayments including but not limited to insurance premiums and will be charged to expense in the next financial year.

Creditable withholding taxes (CWT) are recognized for the amount of withholding taxes on certain income tax payments of the payors to the Company, and is creditable against the income tax due of the Company.

Input VAT represents value added tax (VAT) paid to suppliers that can be claimed as credit against the Company's VAT liabilities.

11. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

At Cost

	Dec. 31, 2022	**Additions**	**Disposals / Write-offs**	**Dec. 31, 2023**	**Dec. 31, 2023 Carrying Amounts**
Cost					
Computer equipment	4,621,484	2,787,508	-	7,408,992	**₱ 4,272,256**
Medical and other equipment	2,615,274	-	-	2,615,274	**1,699,928**
Furniture and fixtures	1,566,564	398,965	-	1,965,529	**955,914**
Office equipment	2,476,991	103,328	-	2,580,319	**1,925,652**
Transportation equipment	530,000	-	-	530,000	**3**
Leasehold improvements	2,917,870	23,031	-	2,940,901	**1,933,892**
	14,728,183	3,312,832	-	18,041,015	
Less accumulated depreciation:					
Computer equipment	2,159,673	977,063	-	3,136,736	
Medical and other equipment	392,291	523,055	-	915,346	
Furniture and fixtures	749,701	259,914	-	1,009,615	
Office equipment	155,825	498,842	-	654,667	
Transportation equipment	529,997	-	-	529,997	
Leasehold improvements	459,942	547,067	-	1,007,009	
	4,447,429	2,805,941	-	7,253,370	
	10,280,754			10,787,645	**₱ 10,787,645**

At Cost

	Dec. 31, 2021	Additions	Disposals / Write-offs	Dec. 31, 2022	Dec. 31, 2022 Carrying Amounts
Cost					
Computer equipment	4,267,377	354,107	-	4,621,484	₱ 2,461,811
Medical and other equipment	-	2,615,274	-	2,615,274	2,222,983
Furniture and fixtures	1,566,564	-	-	1,566,564	816,863
Office equipment	481,460	1,995,531	-	2,476,991	2,321,166
Transportation equipment	530,000	-	-	530,000	3
Leasehold improvements	194,051	2,723,819	-	2,917,870	2,457,928
	7,039,452	7,688,731	-	14,728,183	
Less accumulated depreciation:					
Computer equipment	1,532,478	627,195	-	2,159,673	
Medical and other equipment	-	392,291	-	392,291	
Furniture and fixtures	533,391	216,310	-	749,701	
Office equipment	26,274	129,551	-	155,825	
Transportation equipment	529,997	-	-	529,997	
Leasehold improvements	194,048	265,894	-	459,942	
	2,816,188	1,631,241	-	4,447,429	
	4,223,264			10,280,754	₱ 10,280,754

Property and equipment are carried at cost less accumulated depreciation and any impairment in value. The carrying amount of the property and equipment is equivalent to its fair value.

No assets were found impaired. Depreciation charged to operations amounted to ₱2,805,941 for the year 2023 and ₱1,631,241 for the year 2022. See Note 27

No property and equipment have been pledged as security for liabilities.

12. RIGHT-OF-USE (ROU) ASSET

Right-of-use (ROU) assets and Lease Liability

PFRS 16 standard sets out the principles for the recognition, measurement, presentation and disclosure of lease and requires lessee to recognize lease on the statement of financial position. Thus, the Company as lessee is required to recognize right-of-use assets and lease liability.

On April 19, 2023, the Company (Lessee) entered into a Capital Lease Agreement with Mr. Joaquin Rodriguez (Lessor), to lease 10,002 sq.m. parcel of land located at Taytay, Rizal covered by Transfer Certificate No. 068-20237727, 2020000069, and 2020000075, of which said titles are made an integral part of the said capital lease agreement. The premises shall be occupied and used by the Lessee exclusively for the purpose of its operations. The use of the leased premises or any part thereof cannot be thereafter changed without the written consent of the Lessor.

The term of the capital lease agreement shall be for a period of twenty-five (25) years with option to purchase. If the Lessee at the end of the term elects to purchase the property, any deficient amount shall be paid either in monies due or the issuance of common shares of the Lessee capped at 5% of the total equity of the Lessee; otherwise, the capital lease agreement is renewable for another twenty-five (25) years.

As a consideration for this capital lease agreement, the Lessee agrees to pay the Lessor a monthly payment amounting to ₱13.33 per sq.m. or ₱133,330 monthly exclusive of the twelve percent (12%) Value-Added Tax.

The capital lease agreement commenced on November 1, 2023 and will continue until October 31, 2048.

The roll forward analysis of ROU assets and lease liability as of December 31, 2023 is as follows:

ROU Asset	Note	**2023**
Balance as at December 31,		**₱ 39,999,000**
Depreciation	27	**(266,660)**
		₱ 39,732,340

Lease Liability	**2023**
Balance as at December 31,	**₱ 39,999,000**
Payments	**(266,660)**
	₱ 39,732,340

Current portion	**₱ 1,599,960**
Noncurrent portion	**38,132,380**
	₱ 39,732,340

18. FIDELITY FUND

This account pertains to the agents' fund based on a certain percentage of their commission. As of December 31, 2023 and 2022, fidelity fund amounted to ₱1,627,075.

19. RETIREMENT PLAN

The Company maintains a tax-qualified, funded, noncontributory defined benefit retirement plan covering substantially all of its permanent employees. The benefits are based on years of service and compensation during the latest year of employment. Retirement benefits are paid to the employees as and when they retire.

Movements in the retirement benefit obligation are summarized below:

	Note		**2023**		2022
Balance at beginning of year'		₱	**764,662**	₱	531,485
Retirement benefits expense during the year			**752,620**		233,177
Balance at end of year	28	₱	**1,517,282**	₱	764,662

20. SHARE CAPITAL

The details of the authorized, issued and fully paid share capital as of December 31, 2023 and 2022 are as follows:

	2023			2022	
	Amount	**Number of Shares**		Amount	Number of Shares
Authorized capital stock					
Common shares - ₱1 par value	₱ **50,000,000**	**50,000,000**	₱	50,000,000	50,000,000
Subscribed and fully paid					
Common shares - ₱1 par value	₱ **50,000,000**	**50,000,000**	₱	50,000,000	50,000,000

As at December 31, 2023 and 2022, APIC amounted to ₱19,089,366.

At the joint special meeting of the Stockholders and the Board of Directors (BOD) and during the special meeting of the Stockholders of Company, held on February 18, 2022, at which meeting, Stockholders representing at least two-thirds (2/3) of the outstanding share capital were present in person or by proxy, the Stockholders present by unanimous vote, approved to call for the subscription and payment of the unsubscribed shares of the Company totaling Thirty Million (30,000,000) shares.

The BOD authorized the Corporate Secretary, Mr. Arvin Maceda, to offer for subscription and payment of the unsubscribed common shares of the Company amounting to Thirty Million (30,000,000) shares with a par value of One Peso (₱1) per share.

In November 2022, the unsubscribed thirty million (30,000,000) shares of stock amounting to ₱30M was fully subscribed and paid up by the subscribing shareholders.

Likewise, at the Shareholders meeting of the Company held at Medicare Plus, Inc., on November 2, 2022, at which meeting there was a quorum, the Shareholders representing at least two-thirds (2/3) of the outstanding capital stock approved the increase of the Company's authorized capital stock from FIFTY MILLION PESOS (₱50,000,000) divided into Fifty Million Common (50,000,000) Common Shares, with par value of One Peso (₱1) per share, to TWO HUNDRED MILLION PESOS (₱200,000,000) divided into Two Hundred Million (200,000,000) Shares, with par value of One Peso (₱1) per share.

Of the increase in authorized share capital of One Hundred Fifty Million Pesos (₱150M), the amount of Seventy Million Pesos (₱70M) or Seventy Million (70,000,000) shares of stock have been subscribed. The deposit for future stock subscription amounted to ₱70,000,000 as of December 31, 2023.

The application of the said increase of authorized capital stock was submitted to the Securities and Exchange Commission (SEC) for approval.

21. REVENUE FROM RENDERING OF SERVICES

This account consists of:

	2023	2022
Service fees	**₱ 73,747,409**	₱ 37,058,431

The Company earns revenue from membership fees billed to members as specified in the contract paid monthly, quarterly, semi-annually or annually. The contract is created for individual and corporate accounts with coverage for hospitalization, out-patient, preventive healthcare, emergency, financial assistance, and dental care.

22. COST OF RENDERING SERVICES

This account consists of:

	Note	2023	2022
Medical services		**₱ 13,817,361**	₱ 15,197,913
Personnel costs	26	**10,090,079**	1,932,351
Marketing		**1,169,749**	896,268
Other underwriting expenses		**714,587**	-
Commissions		**-**	343,671
Claims handling expenses		**-**	7,898,395
		₱ 25,791,776	₱ 26,268,598

Cost of rendering services are recognized in the statements of comprehensive income upon utilization of the service or on the date they are incurred.

23. OTHER INCOME

This account consists of:

	Note	2023	2022
Interest income on bank deposits	6	**₱ 15,065**	₱ 193
Interest income on short-term investment	8	**9,612**	6,378
Others		**5,619**	276,250
		₱ 30,296	₱ 282,821

Interest income is income earned from the Company's savings account in the banks.

Other income pertains to miscellaneous collections and refunds received by the Company.

24. OPERATING EXPENSES

This account consists of:

	Note	2023	2022
Personnel costs		**₱ 23,543,518**	₱ 7,729,409
Rental		**8,686,538**	1,404,240
Depreciation		**4,122,928**	1,631,241
Advertising and promotions		**3,784,258**	216,139
Management and other professional fees		**2,910,714**	-
Transportation and travel		**2,772,678**	254,228
Provision for ECL	7	**2,162,035**	395,851
Professional fees		**1,673,717**	731,110
Communication, light and water		**1,549,512**	729,376
Representation and entertainment		**736,563**	53,571
Repairs and maintenance		**567,801**	55,917

Taxes and licenses	34		**499,568**		107,763
Office supplies			**396,215**		146,294
Corporate secretary's fees			**52,617**		-
Membership dues			**-**		182,280
Others			**414,161**		416,966
		₱	**53,872,823**	₱	14,054,385

Operating expenses are recognized in the statements of income upon utilization of the service or on the date they are incurred.

25. FINANCE COST

This account consists of:

	Note		**2023**		2022
Interest expense	16	P	**80,000**	P	-

Interest expense is incurred from the Company's note payable.

26. PERSONNEL COSTS

This account consists of:

	Cost of Services				**Operating Expenses**			
		2023		2022		**2023**		2022
Salaries, wages and bonuses	**₱**	**9,202,315**	₱	1,656,759	**₱**	**21,472,070**	₱	6,627,038
Employees' benefits		**15,360**		37,067		**35,840**		148,270
Retirement benefits		**225,786**		46,635		**526,834**		186,542
SSS, PHIC, ecc and HDMF cont.		**646,618**		191,890		**1,508,774**		767,559
	₱	**10,090,079**	₱	1,932,351	**₱**	**23,543,518**	₱	7,729,409

Salaries, wages and bonuses pertain to the employees' compensation such as basic salaries, overtime pay, De Minimis benefits, bonuses and other benefits received from the Company.

27. DEPRECIATION

This account consists of:

	Operating Expenses			
		2023		2022
Computer equipment	**₱**	**977,063**	₱	627,195
Medical and other equipment		**523,055**		392,291
Furniture and fixtures		**259,914**		216,310
Office equipment		**498,842**		129,551
Leasehold improvements		**547,067**		265,894
Amortization of project cost		**1,050,327**		-
Right-of-use (ROU) asset		**266,660**		-
	₱	**4,122,928**	₱	1,631,241

28. 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 other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

The Company, in the normal course of business, has transactions with related parties. Significant transactions with related parties are as follows:

a. Non-interest bearing due from related party. Note 9

b. Unsecured interest bearing note payable to shareholders.

c. Non-interest bearing unsecured advances to officers, employees, agents and providers.

d. Non-interest bearing unsecured advances subject to liquidation.

e. Retirement benefit obligation represents retirement benefits accruing to qualified employees of the Company. This regulatory benefit is paid in a lump sum upon retirement. (Note 19)

f. Retirement benefits are regularly accrued as post-employment benefits plan to qualified employees.

Outstanding balances of receivables/payables resulting to related party transactions are summarized below:

	Note	2023	2022
Due from related party:	9		
PharmaCare Plus Inc.		₱ 33,696,683	₱ -
Notes payable:	16		
Unsecured **interest** bearing (no impairment)			
Shareholders (interest payable monthly)		₱ 3,000,000	₱ -
Advances to officers, employees, agents and providers	7	₱ 5,507,906	₱ 5,082,092
Advances subject to liquidation	7	₱ 2,116,900	₱ 948,140
Retirement benefit obligation	19	₱ 1,517,282	₱ 764,662
Retirement benefits	19	₱ 752,620	₱ 233,177
Interest expense on unsecured interest bearing note payable (interest payable monthly)	16	₱ 80,000	₱ -

Key Management Compensation

Compensation and other benefits of key management personnel of the Company are as follows:

	2023	2022
Short-term employee benefits	₱ 4,528,756	₱ 4,321,094
Post-employment benefits	160,771	153,399
	₱ 4,689,527	₱ 4,474,493

29. LEASE COMMITMENT

On April 23, 2023, the Company entered into a new lease agreement for its office space and seven (7) parking slots. The terms of the contract require the Company to pay monthly rental on the leased premises amounting to ₱734,559 exclusive of VAT and on the parking slots at ₱4,500 per slot or ₱31,500 exclusive of VAT. The lease is subject to an escalation clause of 5% annually upon renewal of the contract. The rental deposits of the Company in relation to the lease agreements amounted to ₱2,789,939 and ₱1,320,821 as of December 31, 2023 and 2022, respectively.

30. INCOME TAXES

The Company's deferred income tax assets relate to the following temporary differences:

	2023	2022
Deferred income tax assets:		
NOLCO	₱ 2,276,182	₱ 1,508,881
MCIT	923,646	220,652
Allowance for ECL	1,147,281	606,772
Retirement benefit obligation	341,087	152,932
	₱ 4,688,196	₱ 2,489,237

Bayanihan to Recover as One Act (Bayanihan 2)

On September 30, 2020, the Bureau of Internal Revenue issued Revenue Regulation (RR) No. 25-2020, signed by the Secretary of Finance, in accordance with the implementation of

Section 4 of Republic Act No. 11494, otherwise known as the "Bayanihan to Recover as One Act" relative to NOLCO, under Section 34(D)(3) of NIRC, as amended, making the deductibility of NOLCO incurred for the years ending December 31, 2020 and 2021 can be claimed as deduction from regular income for a period of five (5) years instead of three (3) years.

The NOLCO incurred for the year 2022 shall be carried over as a deduction from the gross income as defined in the NIRC of 1997 for the three (3) consecutive taxable years immediately following the year of such loss.

The MCIT incurred shall be carried over as a deduction from the gross income as defined in the NIRC of 1997 for the three (3) consecutive taxable years immediately following the year of such loss.

The carryforward benefit of NOLCO and MCIT, which can be claimed as tax credit against the regular income tax and deduction against the taxable income, respectively, will expire in the years indicated below:

NOLCO

Period of Recognition	Availment Period	Amount	Applied	Expired	Balance
2023	2024-2026	₱ 3,069,204	-	-	₱ 3,069,204
2022	2023-2025	2,359,274	-	-	2,359,274
2020	2021-2025	5,185,129	-	-	5,185,129
		₱ 10,613,607	-	-	₱ 10,613,607

MCIT

Period of Recognition	Availment Period	Amount	Applied	Expired	Balance
2023	2024-2026	₱ 722,806	-	-	₱ 722,806
2022	2023-2025	111,127	-	-	111,127
2021	2022-2024	89,713	-	-	89,713
2020	2021-2023	19,812		(19,812)	-
		₱ 943,458	-	(19,812)	₱ 923,646

The reconciliation of income tax on income before income tax computed at the statutory tax rate to benefit from income tax as shown in the statements of income is summarized as follows:

	2023	2022
Income tax computed at statutory tax rate of 25% in 2023 and 20% in 2022	**₱ (1,491,724)**	₱ (596,346)
NOLCO	**767,301**	471,855
Income tax effects of :		
Provision fo ECL	**540,509**	79,170
Unfunded retirement benefits	**188,155**	46,635
Unallowed portion of interest expense	**1,928**	-
Interest income already subjected to final tax	**(6,169)**	(1,314)
	-NIL-	-NIL-
MCIT tax rate @ 1.5% in 2023 and 1% in 2022	**₱ 722,806**	₱ 111,127

In compliance with Revenue Regulation No. 9-98, the Company has computed its income tax liability using the higher figure between the resulting RCIT and the MCIT.

31. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Company's activities expose it to a variety of financial risks: credit risk and liquidity risk. The Company's overall risk management program seeks to minimize potential adverse effects on the financial performance of the Company. The policies for managing specific risks are summarized below.

Management of Financial Risk

Governance Framework

The Company has established a risk management function with clear terms of reference and with the responsibility for developing policies on market, credit, liquidity and operational risk. It also supports the effective implementation of policies.

The policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets to the corporate goals and specify reporting requirements.

Capital Management Framework

The Company's risk management function has developed and implemented certain minimum stress and scenario tests for identifying the risks to which the Company are exposed, quantifying their impact on the volatility of economic capital. The results of these tests, particularly, the anticipated impact on the realistic balance sheet and revenue account, are reported to the Company's risk management function. The risk management function then considers the aggregate impact of the overall capital requirement revealed by the stress testing to assess how much capital is needed to mitigate the risk of insolvency to a selected remote level.

Regulatory Framework

The operation of the Company is also subject to the regulatory requirements of SEC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions.

Fair Value Information

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

Current financial assets and financial liabilities

Due to the short-term nature of the transactions, the fair value of cash, trade and other receivables, trade and other payables approximate the carrying amounts as of the reporting date.

Refundable deposits

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

Financial Risk

The Company is also exposed to financial risk through its financial assets and financial liabilities. The most important components of this financial risk are credit risk, liquidity risk and market risk.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge and obligation and cause the other party to incur a financial loss.

The Company's credit risk is primarily attributable to its cash and receivables. The Company has adopted stringent procedure in extending credit terms to customers and in monitoring its credit risk.

The Company manages the level of credit risk it accepts through comprehensive credit risk policy setting out assessment and determination of what constitutes credit risk for the Company; setting up exposure limits by each counterparty or group of counterparties, geographical and industry segments; guidelines on obtaining collateral and guarantees; reporting of credit risk exposures and breaches to the monitoring authority; monitoring compliance with credit risk policy and review of credit risk policy for pertinence and changing environment.

Credit Quality of Financial Assets

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

High Grade. This pertains to counterparty who is not expected by the Company to default in settling obligations, thus, credit risk exposure is minimal. This normally includes large prime financial institutions, companies, government agencies and individual buyers. Credit quality was determined based on the credit standing of the counterparty.

Standard Grade. Other financial assets not assessed as high grade financial assets are included in this category.

The table below shows the maximum exposure to credit risk for the components of the statements of financial position. The maximum exposure is shown gross, without taking into account collateral and other credit enhancement.

	Gross Maximum Exposure	
	2023	2022
Cash *	**₱ 3,908,196**	₱ 1,690,939
Receivables	**37,472,215**	16,191,419
Refundable deposits **	**228,935**	228,935
	₱ 41,609,346	₱ 18,111,293

** Excludes cash on hand amounting to ₱328,104 and ₱18,111,293 in 2023 and 2022, respectively.*

*** Included as part of "Other noncurrent assets"*

The aging analyses of financial assets as of December 31, 2023 and 2022 according to the Company's credit ratings of debtors:

2023

	Neither Past Due nor Impaired	Past Due but not Impaired			Provision for ECL	Total
		30 Days	90 Days	More than 150 Days		
Cash *	3,908,196	-	-	-	-	3,908,196
Trade receivables :						
Due and uncollected membership fees	8,760,826	6,307,795	2,803,464	11,975,324	5,195,895	35,043,304
Other receivables :						
Advances to officers, employees, agents and providers	-	-	-	5,507,906	-	5,507,906
Advances subject to liquidation	-	1,121,957	994,943	-	-	2,116,900
	12,669,022	7,429,752	3,798,407	17,483,230	5,195,895	46,576,306

2022

	Neither Past Due nor Impaired	Past Due but not Impaired			Provision for ECL	Total
		30 Days	90 Days	More than 150 Days		
Cash *	1,690,939	-	-	-	-	1,690,939
Trade receivables :						
Due and uncollected membership fees	3,298,762	2,375,108	1,055,604	3,431,713	3,033,860	13,195,047
Other receivables :						
Advances to officers, employees, agents and providers	-	-	-	5,082,092	-	5,082,092
Advances subject to liquidation	-	502,514	445,626	-	-	948,140
	4,989,701	2,877,622	1,501,230	8,513,805	3,033,860	20,916,218

** Excludes cash on hand amounting to ₱328,104 and ₱18,111,293 in 2023 and 2022, respectively.*

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

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

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

	December 31, 2023			
	Stage 1	**Stage 2**	**Stage 3**	Total
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	
Cash *	3,908,196	-	-	₱ 3,908,196
Receivables	-	37,472,215	-	37,472,215
Refundable deposits **	228,935	-	-	228,935
	4,137,131	37,472,215	-	₱ 41,609,346

	December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
Cash *	1,690,939	-	-	₱ 1,690,939
Receivables	-	16,191,419	-	16,191,419
Refundable deposits **	228,935	-	-	228,935
	1,919,874	16,191,419	-	₱ 18,111,293

** Excludes cash on hand amounting to ₱328,104 and ₱18,111,293 in 2023 and 2022, respectively.*

*** Included as part of "Other noncurrent assets"*

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 either the inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of contractual obligation; or inability to generate cash inflows as anticipated.

The Company maintains cash to meet its liquidity requirements for up to 30-day periods and the Company maintains adequate highly liquid assets in the form of cash and receivables to assure necessary liquidity, if any. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

The Company monitors its cash flow position and overall liquidity position in assessing its exposure to liquidity risk. The Company maintains a level of cash deemed sufficient to finance operations and to mitigate the effects of fluctuation in cash flows and a balance between continuity of funding and flexibility through the use of bank loans and advances from related parties, if there's any.

The table below summarizes the maturity profile of the Company's financial liabilities at December 31, 2023 and 2022 based on contractual undiscounted payment.

2023	Within 30 days	1 Year	Above 1 Year	Total
Health care plan liabilities:				
Accounts payable - hospitals, clinics, and doctors	-	10,593,970	11,676,817	22,270,787
Accrued liabilities and other payables:				
Due to government agencies	328,829	1,477,925	-	1,806,754
Other payables	918,598	4,128,642	-	5,047,240
Fidelity fund	-	-	1,627,075	1,627,075
	1,247,427	16,200,537	13,303,892	30,751,856

2022	Within 30 days	1 Year	Above 1 Year	Total
Health care plan liabilities:				
Accounts payable - hospitals, clinics, and doctors	-	10,593,970	-	10,593,970
Accrued liabilities and other payables:				
Due to government agencies	482,039	2,166,526	-	2,648,565
Other payables	372,598	1,674,644	-	2,047,242
Fidelity fund	-	-	1,627,075	1,627,075
	854,637	14,435,140	1,627,075	16,916,852

The fair values of payables have not been individually disclosed as, due to their short duration, management considers the carrying amounts recognized in the statements of financial position to be reasonable approximation of their fair values.

Interest Rate Risk

Interest rate risks arises from the possibility that the changes in interest rates will affect the fair value of financial instruments. Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

As of December 31, 2023 and 2022, the Company does not have financial instruments that are subject to interest rate repricing or whose fair values are dependent on interest rates.

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 Company faces under such contracts 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.

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.

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 risk: interest rate risk, foreign currency risk and other price risk, such as equity price risk. Financial instruments affected by market risk include borrowings, debt and equity investments.

The Management is going to manage and control market risk exposures within acceptable parameters while optimizing the return.

Capital Management

The primary objectives of the Company's capital management are to safeguard its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions.

The Company's capital as at December 31, 2023 and 2022 are shown below:

	2023	2022
Share capital	₱ 50,000,000	₱50,000,000
Share premium	19,089,366	19,089,366
Deposit for future stock subscription	70,000,000	-
Deficit	(46,598,067)	(35,328,462)
Total equity	₱ 92,491,299	₱33,760,904

32. CATEGORIES OF FINANCIAL INSTRUMENTS

Set out below is a comparison by category of the Company's financial instruments that are carried in the financial statements as of December 31, 2023 and 2022:

		December 31, 2023			
	Note	Cash on Hand	Financial Assets at Amortized Cost	Financial Liabilities at Amortized Cost	Total
Financial Assets:					
Cash	6	328,104	3,908,196	-	₱ 4,236,300
Receivable - net	7	-	37,472,215	-	37,472,215
Short term investment	8	-	12,805,000	-	12,805,000
Due from related party	9,28	-	2,789,939	-	2,789,939
Investment in shares of stock	13	-	5,281,240	-	5,281,240
Refundable deposits *	14	-	228,935	-	228,935
		328,104	62,485,525	-	₱ 62,813,629
Financial Liabilities:					
Health care plan liabilities	15	-	-	22,270,787	₱ 22,270,787
Note payable	16	-	-	3,000,000	3,000,000
Other payables	17	-	-	5,047,240	5,047,240
Lease liability	12	-	-	39,732,340	39,732,340
Fidelity fund	18	-	-	1,627,075	1,627,075
		-	-	71,677,442	₱ 71,677,442

		December 31, 2022			
		Cash on Hand	Financial Assets at Amortized Cost	Financial Liabilities at Amortized Cost	Total
Financial Assets:					
Cash	6	80,000	1,690,939	-	₱ 1,770,939
Receivable - net	7	-	16,191,419	-	16,191,419
Short term investment	8	-	2,008,898	-	2,008,898
Refundable deposits *	14	-	228,935	-	228,935
		80,000	20,120,191	-	₱ 20,200,191
Financial Liabilities:					
Health care plan liabilities	15	-	-	10,593,970	₱ 10,593,970
Other payables	17	-	-	2,047,242	2,047,242
Fidelity fund	18	-	-	1,627,075	1,627,075
		-	-	14,268,287	₱ 14,268,287

* *Included as part of "Other noncurrent assets"*

As at December 31, 2023 and 2022, the Company does not hold any financial assets and liabilities that are carried at fair value.

33. PRIOR PERIOD ADJUSTMENT

In November 2023, the Board of Directors approved the recognition of a prior period adjustment on the payment of the Company's deficiency taxes for the years 2015, 2016 and 2021.

As approved by Management, the following journal entry was recorded in the Company's books of accounts as follows:

Account Title	Debit	Credit
Prior period adjustment	₱ 6,778,864	
Penalties and surcharges		₱ 6,778,864

34. SUPPLEMENTARY TAX INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE (BIR)

A. **BIR Revenue Regulation No. 15-2010**

On November 25, 2010, the BIR issued Revenue Regulation No. 15-2010, which required certain information on taxes, duties and license fees paid or accrued during taxable year to be disclosed as part of the notes to financial statements. The Company reported and/or paid the following types of taxes:

Value-added Tax (VAT)
The National Internal Revenue Code of 1997 provides for the imposition of VAT on sales of goods and services. Accordingly, the Company's sales are subject to output VAT while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT.

Details of the Company's net sales/receipts, output VAT and input VAT accounts are as follows:

a. Value Added Tax (VAT)

	2023
Output VAT	₱ 8,850,363
Basis of Output Vat	
Vatable	
Service fee	₱ 73,747,409
Other income	5,619
	₱ 73,753,028

	2023
Input VAT	
Beginning of the year	₱ 4,625,970
Adjustment from previous years	
Current year's domestic purchases:	
Services lodged under other accounts	2,920,061
Claims for tax credit/refund and other adjustments	(3,803,190)
Balance at the end of the year	₱ 3,687,630

b. Withholding Taxes

	2023
Tax on compensation and benefits	₱ 1,505,926
Expanded withholding taxes	436,801
	₱ 1,942,727

c. All Other Taxes

Other taxes paid during the year recognized under "Taxes and licenses" account in Operating Expenses.

		2023
Business licenses and permits	₱	467,858
Community tax certificate		10,500
Other licenses and permits		21,210
	₱	499,568

B. **BIR Revenue Regulation No. 34-2020**

On December 22, 2020, the BIR issued Revenue Regulation No. 34-2020 to inform all concerned on the streamlined guidelines and procedures in the submission of BIR Form 1709 (Information Return on Related Party Transactions) and its required attachments including transfer pricing documentation (TPD).

ONG, NOCEJA & ASSOCIATES
Certified Public Accountants

Supplemental Statement of Independent Auditors
To Accompany Financial Statements For Filing With
The Securities and Exchange Commission
(Statement Required by Rule 68, Part 1, Section 3,
Securities Regulation Code (SRC), As Amended on October 20, 2011)

The Board of Directors and Stockholders
MEDICARE PLUS, INC.
4F2, 8101 Pearl Plaza, Pearl Drive
Ortigas Center, Pasig City

We have examined the financial statements of MEDICARE PLUS, INC. as at and for the year ended December 31, 2023, on which we have rendered the attached report dated November 29, 2024.

In compliance with the Revised Securities Registration Code Rule 68, we are stating that the Company has eight (8) shareholders owning one hundred (100) or more shares of the Company's capital stock as at December 31, 2023.

ONG, NOCEJA & ASSOCIATES

BY: LAGRIMAS V. ONG
PARTNER
CPA Cert. No. 38847
Tax Identification No. 153-104-203
PTR 3480791, January 2, 2024 @ Parañaque City
FIRM's PRC/BOA
Firm - Accreditation No. 9308, Valid until August 6, 2027
Partner - Accreditation No. 9308/P-001 Valid until August 6, 2027
IC Group C Accreditation
Firm - Accreditation No. 9308-IC Valid for Audit Period 2020 - 2024
Partner - Accreditation No. 38847-IC Valid for Audit 2020 - 2024
CDA CEA Accreditation
Partner - Accreditation No. 39, Valid until October 14, 2029

Parañaque City, Metro Manila, Philippines
November 29, 2024