

KAISER INTERNATIONAL HEALTHGROUP, INC.

FINANCIAL STATEMENTS  
DECEMBER 31, 2021 AND 2020  
*IN PHILIPPINE PESOS*



May 10, 2022

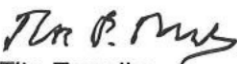
The Bureau of Internal Revenue  
RDO No. 049  
313 Sen. Gil J. Puyat Ave, Makati 1209 Metro Manila

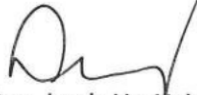
**STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN**

The management of **Kaiser International Healthgroup, Inc.** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2021. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the management affirms that the attached audited financial statements for the year ended December 31, 2021 and the accompanying Annual Income Tax Return are in accordance with the books and records of **Kaiser International Healthgroup, Inc.** complete and correct in all material respects. Management likewise affirms that:

- (a.) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b.) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c.) the **Kaiser International Healthgroup, Inc.** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

  
Dr. Tito Torralba  
Chairman of the Board

  
Dra. Leah Uy-Yolo  
President

  
Mr. Louis Bartolome J. Borja  
Treasurer





# eSubmission Validation Report

1 message

**eSubmission** <esubmission@bir.gov.ph>  
To: acctgsupervisor@kaiserhealthgroup.com

Thu, Apr 21, 2022 at 5:09 PM

ACKNOWLEDGEMENT RECEIPT NUMBER: 20220421-B010307

This is to confirm receipt of the file(s) as stated below:

Total attachment/file(s) received : 3

No. of valid file(s) : 3

No. of invalid file(s) : 0

We have validated your submission in compliance with existing BIR regulations.

Find below the details of your submission:

Date of Submission: 04/18/2022 8:18:48 PM

Filename(s):

- 1. Attachment : 23219198800001020211702Q.DAT  
23219198800001020211702Q.DAT - VALID  
CONFIRMATION RECEIPT NUMBER - 2022-0000024314
- 2. Attachment : 23219198800001120211702Q.DAT  
23219198800001120211702Q.DAT - VALID  
CONFIRMATION RECEIPT NUMBER - 2022-0000024315
- 3. Attachment : 23219198800001220211702Q.DAT  
23219198800001220211702Q.DAT - VALID  
CONFIRMATION RECEIPT NUMBER - 2022-0000024316

### VALIDATION REPORT:

1. Attachment : 23219198800001020211702Q.DAT

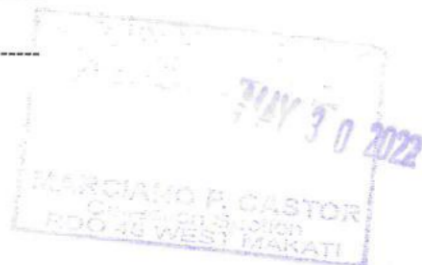
TIN of Withholding Agent TIN: 232191988-0000  
Alphalist Form : 1702Q  
Taxable Month : 10/2021

LINE NUM	SCHEDULE	ERROR DESCRIPTION
0000000000		No Errors Encountered

2. Attachment : 23219198800001120211702Q.DAT

TIN of Withholding Agent TIN: 232191988-0000  
Alphalist Form : 1702Q  
Taxable Month : 11/2021

LINE NUM	SCHEDULE	ERROR DESCRIPTION
0000000000		No Errors Encountered





Reference No : 462200047840746  
 Date Filed : May 16, 2022 03:09 PM  
 Batch Number : 0



Republic of the Philippines  
 Department of Finance  
 Bureau of Internal Revenue

For BIR Use Only: BCS/Item:

BIR Form No. <b>1702-RT</b> January 2018(ENCS) Page 1	<b>Annual Income Tax Return</b> For Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate <i>Enter all required information in CAPITAL LETTERS. Mark applicable boxes with an "X".          Two Copies MUST be filed with the BIR and one held by the taxpayer.</i>	 1702-RT 01/18ENCS P1
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1 For <input type="checkbox"/> Calendar <input type="checkbox"/> Fiscal	3 Amended Return? <input type="checkbox"/> Yes <input type="checkbox"/> No	4 Short Period Return? <input type="checkbox"/> Yes <input type="checkbox"/> No	5 Alphanumeric Tax Code (ATC) IC055 <input type="checkbox"/> Minimum Corporate Income Tax (MCIT)
2 Year Ended (MM/20YY) 12/2021			

Part I - Background Information			
6 Taxpayer Identification Number (TIN)	232 - 191 - 988 - 000		7 RDO Code 048
8 Registered Name (Enter only 1 letter per box using CAPITAL LETTERS) KAISER INTERNATIONAL HEALTHGROUP INC.			
9A Registered Address (Indicate complete registered address) G/F KINGS COURT BLDG 2129 CHINO ROCES AVE. CITY OF MAKATI			
9B Zipcode 1224			
10 Date of Incorporation/Organization (MM/DD/YYYY)			
11 Contact Number 8112327	12 Email Address maricel@kaiserhealthgroup.com		
13 Method of Deductions <input checked="" type="checkbox"/> Itemized Deductions [Section 34 (A-J), NIRC] <input type="checkbox"/> Optional Standard Deduction (OSD) - 40% of Gross Income [Section 34(L), NIRC as amended by RA No. 9504]			


Part II - Total Tax Payable (Do NOT enter Centavos)	
14 Total Income Tax Due (Overpayment) (From Part IV Item 43)	1,339,767
15 Less: Total Tax Credits/Payments (From Part IV Item 55)	4,730,026
16 Net Tax Payable (Overpayment) (Item 14 Less Item 15) (From Part IV Item 56)	(3,390,259)
<b>Add Penalties</b>	
17 Surcharge	0
18 Interest	0
19 Compromise	0
20 Total Penalties (Sum of Items 17 to 19)	0
21 TOTAL AMOUNT PAYABLE (Overpayment) (Sum of Item 16 and 20)	(3,390,259)
If Overpayment, mark "X" one box only (Once the choice is made, the same is irrevocable)	
<input type="checkbox"/> To be refunded	<input type="checkbox"/> To be issued a Tax Credit Certificate (TCC) <input type="checkbox"/> To be carried over as tax credit next year/quarter

We declare under the penalties of perjury, that this annual return has been made in good faith, verified by us, and to the best of our knowledge and belief, is true and correct pursuant to the provisions of the National Internal Revenue Code, as amended, and the regulations issued under authority thereof. (If Authorized Representative, attach a power of attorney and indicate TIN)

Signature over printed name of President/Principal Officer/Authorized Representative		Signature over printed name of Treasurer/Assistant Treasurer <i>Mr. Louis Bartolome Borja</i>		22 Number of Attachments 4
Title of Signatory	TIN	Title of Signatory	TIN	

Part III - Details of Payment				
Particulars	Drawee Bank/Agency	Number	Date (MM/DD/YYYY)	Amount
23 Cash/Bank Debit Memo				0
24 Check				0
25 Tax Debit Memo				0
26 Others (Specify Below)				0

Machine Validation/Revenue Official Receipts Details <i>(if not filed with an Authorized Agent Bank)</i>	Stamp of receiving Office/AAB and Date of Receipt <i>(RO's Signature/Bank Teller's Initial)</i>
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BIR Form No. <b>1702-RT</b> January 2018(ENCS) Page 2	<b>Annual Income Tax Return</b> Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate	 1702-RT 01/18ENCS P2
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<b>Taxpayer Identification Number (TIN)</b>	<b>Registered Name</b>
232 - 191 - 988 - 000	KAISER INTERNATIONAL HEALTHGROUP INC.

Part IV - Computation of Tax <span style="float: right;">(Do NOT enter Centavos)</span>	
27 Sales/Receipts/Revenues/Fees	485,649,846
28 Less: Sales Returns, Allowances and Discounts	0
29 Net Sales/Receipts/Revenues/Fees (Item 27 Less Item 28)	485,649,846
30 Less: Cost of Sales/Services	420,202,128
31 Gross Income from Operation (Item 29 Less Item 30)	65,447,718
32 Add: Other Taxable Income Not Subjected to Final Tax	298,278
33 Total Taxable Income (Sum of Items 31 and 32)	65,745,996

Less: Deductions Allowable under Existing Law	
34 Ordinary Allowable Itemized Deductions (From Part VI Schedule I Item 18)	60,386,930
35 Special Allowable Itemized Deductions (From Part VI Schedule II Item 5)	0
36 NOLCO (only for those taxable under Sec. 27(A to C); Sec. 28(A)(1) & (A)(6)(b) of the tax Code) (From Part VI Schedule III Item 8)	0
37 Total Deductions (Sum of Items 34 to 36)	60,386,930
OR [in case taxable under Sec 27(A) & 28(A)(1)]	
38 Optional Standard Deduction (40% of Item 33)	0

39 Net Taxable Income/(Loss) (If Itemized: Item 33 Less Item 37; If OSD: Item 33 Less Item 38)	5,359,066
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40 Applicable Income Tax Rate	25 %
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41 Income Tax Due other than Minimum Corporate Income Tax (MCIT) (Item 39 x Item 40)	1,339,767
42 MCIT Due (2% of Item 33)	1,314,920
43 Tax Due (Normal Income Tax Due in Item 41 OR the MCIT Due in Item 42, whichever is higher) (To Part II Item 14)	1,339,767

Less: Tax Credits/Payments (attach proof)	
44 Prior Year's Excess Credits Other Than MCIT	4,006,038
45 Income Tax Payment under MCIT from Previous Quarter/s	0
46 Income Tax Payment under Regular/Normal Rate from Previous Quarter/s	0
47 Excess MCIT Applied this Current Taxable Year (From Part VI Schedule IV Item 4)	0
48 Creditable Tax Withheld from Previous Quarter/s per BIR Form No. 2307	580,685
49 Creditable Tax Withheld per BIR Form No. 2307 for the 4th Quarter	143,303
50 Foreign Tax Credits, if applicable	0
51 Tax Paid in Return Previously Filed, if this is an Amended Return	0
52 Special Tax Credits (To Part V Item 58)	0
Other Credits/Payments (Specify)	
53	0
54	0

55 Total Tax Credits/Payments (Sum of Items 44 to 54) (To Part II Item 15)	4,730,026
56 Net Tax Payable / (Overpayment) (Item 43 Less Item 55) (To Part II Item 16)	(3,390,259)

Part V - Tax Relief Availment	
57 Special Allowable Itemized Deductions (Item 35 of Part IV x Applicable Income Tax Rate)	0
58 Add: Special Tax Credits (From Part IV Item 52)	0
59 Total Tax Relief Availment (Sum of Items 57 and 58)	0

BIR Form No. <b>1702-RT</b> January 2018(ENCS) Page 3	<b>Annual Income Tax Return</b> Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate	 1702-RT 01/18ENCS P
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<b>Taxpayer Identification Number (TIN)</b> 232 - 191 - 988 - 000	<b>Registered Name</b> KAISER INTERNATIONAL HEALTHGROUP INC.
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**Schedule I - Ordinary Allowable Itemized Deductions** *(Attach additional sheet/s, if necessary)*

1 Amortizations	0
2 Bad Debts	0
3 Charitable Contributions	0
4 Depletion	0
5 Depreciation	0
6 Entertainment, Amusement and Recreation	8,956,422
7 Fringe Benefits	3,263,736
8 Interest	0
9 Losses	4,127,700
10 Pension Trust	0
11 Rental	0
12 Research and Development	0
13 Salaries, Wages and Allowances	0
14 SSS, GSIS, Philhealth, HDMF and Other Contributions	18,591,923
15 Taxes and Licenses	1,117,059
16 Transportation and Travel	3,358,829
17 Others (Deductions Subject to Withholding Tax and Other Expenses) <i>(Specify below; Add additional sheet(s), if necessary)</i>	814,452
a Janitorial and Messengerial Services	
b Professional Fees	652,613
c Security Services	3,963,228
d ADVERTISING AND PROMOTIONS	0
e COMMUNICATION LIGHT AND WATER	1,881,729
f MISCELLANEOUS EXPENSE	2,234,076
g OFFICE SUPPLIES	5,024,498
h REPAIRS AND MAINTENANCE	2,171,454
i OTHERS	620,661
	3,608,550
i.1 INSURANCE	161,213
i.2 DUES AND SUBSCRIPTION	2,398,463
i.3 BANK CHARGES	473,330
i.4 UNPAID CLAIMS	575,544
<b>18 Total Ordinary Allowable Itemized Deductions</b> <i>(Sum of Items 1 to 17i) (To Part IV Item 34)</i>	<b>60,386,930</b>

**Schedule II - Special Allowable Itemized Deductions** *(Attach additional sheet/s, if necessary)*

Description	Legal Basis	Amount
1		0
2		0
3		0
4		0
<b>5 Total Special Allowable Itemized Deductions</b> <i>(Sum of Items 1 to 4) (To Part IV Item 35)</i>		<b>0</b>

BIR Form No. <b>1702-RT</b> January 2018(ENCS) Page 4	<b>Annual Income Tax Return</b> Corporation, Partnership and Other Non-Individual Taxpayer Subject Only to REGULAR Income Tax Rate	 1702-RT 01/18ENCS P4
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Taxpayer Identification Number (TIN)	Registered Name
232 - 191 - 988 - 000	KAISER INTERNATIONAL HEALTHGROUP INC.

Schedule III - Computation of Net Operating Loss Carry Over (NOLCO)	
1 Gross Income (From Part IV Item 33)	0
2 Less: Ordinary Allowable Itemized Deductions (From Part VI Schedule I Item 18)	0
3 Net Operating Loss (Item 1 Less Item 2) (To Schedule IIIA, Item 7A)	0

Schedule IIIA - Computation of Available Net Operating Loss Carry Over (NOLCO) (DO NOT enter Centavos; 49 Centavos or Less drop down; 50 or more round up)		
Net Operating Loss		B) NOLCO Applied Previous Year
Year Incurred	A) Amount	
4	0	0
5	0	0
6	0	0
7	0	0

Continuation of Schedule IIIA (Item numbers continue from table above)

C) NOLCO Expired	D) NOLCO Applied Current Year	E) Net Operating Loss (Unapplied) [ E = A Less (B + C + D) ]
4 0	0	0
5 0	0	0
6 0	0	0
7 0	0	0
8 Total NOLCO (Sum of Items 4D to 7D) (To Part IV, Item 36)	0	0

**Schedule IV - Computation of Minimum Corporate Income Tax (MCIT)**

Year	A) Normal Income Tax as adjusted	B) MCIT	C) Excess MCIT over Normal Income Tax
1	0	0	0
2	0	0	0
3	0	0	0

Continuation of Schedule IV (Item numbers continue from table above)

D) Excess MCIT Applied/Used in Previous Years	E) Expired Portion of Excess MCIT	F) Excess MCIT Applied this Current Taxable Year	G) Balance of Excess MCIT Allowable as Tax Credit for Succeeding Year/s [ G = C Less (D + E + F) ]
1 0	0	0	0
2 0	0	0	0
3 0	0	0	0
Total Excess MCIT Applied (Sum of Items 1F to 3F) (To Part IV Item 47)		0	

Schedule V - Reconciliation of Net Income per Books Against Taxable Income (attach additional sheet/s, if necessary)	
1 Net Income/(Loss) per books	10,767,787
Add: Non-deductible Expenses/Taxable Other Income	
2 PENALTIES AND FINES	808,938
3 OTHERS	5,299,246
<hr/>	
3.1 UNALLOWABLE INTEREST EXPENSE	169,633
3.2 INTEREST ON LEASE	1,127,229
3.3 DEPRECIATION	3,446,446
3.4 RETIREMENT LIABILITY	555,938
4 Total (Sum of Items 1 to 3)	16,875,071



6.1	DIVIDEND INCOME	
6.2	NON TAXABLE INTEREST INCOME ON DISC OF SEC DE	2,243,507
6.3	PRINCIPAL LEASE PAYMENT	156,098
6.4	GAIN ON LEASE MODIFICATION	6,421,722
6.5	UNPAID CLAIMS	1,441,501
B) Special Deductions		575,544
7		
8		0
		0
9	Total (Sum of Items 5 to 8)	11,516,905
10	Net Taxable Income/(Loss) (Item 4 Less Item 9)	5,359,066



**Bureau of Internal Revenue**  
Republic of the Philippines

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**efps**

REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF FINANCE  
**BUREAU OF INTERNAL REVENUE**

**FILING REFERENCE NO.**

TIN	: 232-191-988-000
Name	: KAISER INTERNATIONAL HEALTHGROUP INC.
RDO	: 048
Form Type	: 1702
Reference No.	: 462200047840746
Amount Payable (Over Remittance)	: -3,390,259.00
Accounting Type	: C - Calendar
For Tax Period	: 12/31/2021
Date Filed	: 05/16/2022
Tax Type	: IT

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# E. P. De Guzman & Company

Certified Public Accountants

PRC-BOA Accreditation No. 2190  
BIR AN-07-000122-005-2021  
IC AN-F-2019-002-R  
43 Sgt. Ybardolaza St., Sacred Heart, Quezon City  
Tel. 922-7246, 929-3139  
E-Mail Address: epdeguzmanandcompany@gmail.co

## INDEPENDENT AUDITOR'S REPORT TO ACCOMPANY INCOME TAX RETURN

The Board of Directors and Stockholders  
KAISER INTERNATIONAL HEALTHGROUP, INC.  
G/F King's Court 1 Bldg., Chino Roces Avenue, Makati City

We have examined the financial statement of KAISER INTERNATIONAL HEALTHGROUP, INC. for the year ended December 31, 2021, on which we have rendered the attached report dated May 10, 2022.

In compliance with Revenue Regulations V-20, we are stating the following:

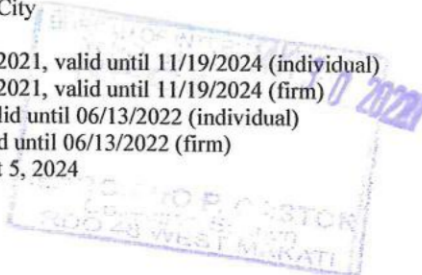
1. The taxes paid or accrued by the above Company for the year ended December 31, 2021 are shown in the Schedule of Taxes and Licenses attached to the Annual Income Tax Return.
2. No partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholders of the Company.

E. P. DE GUZMAN & COMPANY  
TIN: 239-187-805

  
**ESTRELLITA G. DEL ROSARIO**

Partner  
CPA Certificate No. 14705  
PTR No. 2434550D, January 14, 2022, Quezon City  
TIN: 106-090-137  
BIR AN-07-000122-004-2021, issued on 11/19/2021, valid until 11/19/2024 (individual)  
BIR AN-07-000122-005-2021, issued on 11/19/2021, valid until 11/19/2024 (firm)  
IC AN-SP-2019-03-R, issued on 06/14/2019, valid until 06/13/2022 (individual)  
IC AN-F-2019-02-R, issued on 06/14/2019, valid until 06/13/2022 (firm)  
BOA/PRC Reg. No. 2190, effective until August 5, 2024

Quezon City, Metro Manila  
May 10, 2022



## **INDEPENDENT AUDITOR'S REPORT**

The Board of Directors and Stockholders  
KAISER INTERNATIONAL HEALTHGROUP, INC.  
G/F King's Court 1 Bldg., Chino Roces Avenue, Makati City

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of **KAISER INTERNATIONAL HEALTHGROUP, INC.** which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of income, statements of changes in equity and statements of cash flows for the year 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, 2021 and 2020 and its financial performance and its cash flows for the year ended in accordance with Philippine Financial Reporting Standards (PFRS).

#### ***Basis for Opinion***

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the 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 financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is

sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

#### **Report on the Supplementary Information Required Under Revenue Regulation (RR) 15-2010**

The supplementary information required under Revenue Regulations 15-2010 for purposes of filing with the Bureau of Internal Revenue is presented by management of the Company in a separate schedule. Revenue regulations 15-2010 requires the information to be presented in the notes to financial statements. Such information is not a required part of the basic financial statements. Such information is the responsibility of the management of KAISER INTERNATIONAL HEALTHGROUP, INC. The information is also not required by Securities Regulation Code Rule 68, As Amended. Our opinion on the basic financial statements is not affected by the presentation of the information in a separate schedule.

**E. P. DE GUZMAN & COMPANY**  
TIN: 239-187-805

  
**ESTRELLITA G. DEL ROSARIO**

Partner

CPA Certificate No. 14705

PTR No. 2434550D, January 14, 2022, Quezon City

TIN: 106-090-137

BIR AN-07-000122-004-2021, issued on 11/19/2021, valid until 11/19/2024 (individual)

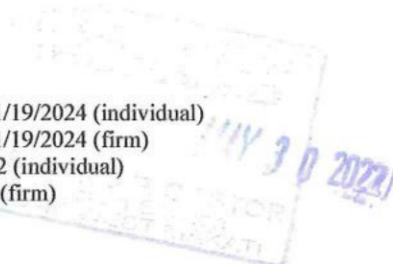
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BOA/PRC Reg. No. 2190, effective until August 5, 2024

Quezon City, Metro Manila  
May 10, 2022



# E. P. De Guzman & Company

Certified Public Accountants

PRC-BOA Accreditation No. 2190  
BIR AN-07-000122-005-2021  
IC AN-F-2019-002-R  
43 Sgt. Ybardolaza St., Sacred Heart, Quezon City  
Tel. 922-7246, 929-3139  
E-Mail Address: epdeguzmanandcompany@gmail.com

## SUPPLEMENTAL WRITTEN STATEMENT

The Board of Directors and Stockholders  
KAISER INTERNATIONAL HEALTHGROUP, INC.  
G/F King's Court 1 Bldg., Chino Roces Avenue, Makati City

We have examined the financial statement of KAISER INTERNATIONAL HEALTHGROUP, INC. for the year ended December 31, 2021, on which we have rendered the attached report dated May 10, 2022.

In compliance with SRC Rule 68, we are stating that the said company has a total number of eight (8) stockholders owning one hundred (100) or more shares each.

E. P. DE GUZMAN & COMPANY  
TIN: 239-187-805

  
**ESTRELLITA G. DEL ROSARIO**

Partner  
CPA Certificate No. 14705  
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BOA/PRC Reg. No. 2190, effective until August 5, 2024

Quezon City, Metro Manila  
May 10, 2022



**KAISER INTERNATIONAL HEALTHGROUP, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2021 AND 2020**  
*(Amounts in Philippine Pesos)*

	Note	2021	2020
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	6	₱373,067,949	₱311,424,094
Short-term investments	7	13,422,461	23,751,193
Receivables	8	6,435,808	6,297,876
Prepaid expenses and other current assets	9	15,255,497	14,604,487
Financial assets at fair value through other comprehensive income (FVOCI)	10	1,045,523,900	955,560,780
Due from affiliates	14	42,987,123	47,700,560
<b>Total Current Assets</b>		<b>1,496,692,738</b>	<b>1,359,338,990</b>
<b>Noncurrent Assets</b>			
Property and equipment - net	11	3,376,895	4,695,094
Investment properties	12	147,852,083	147,852,083
Right of use asset - net	21	14,693,574	14,630,381
Security deposit	21	1,531,737	1,232,420
Deferred tax asset	20	2,016,989	3,002,190
<b>Total Noncurrent Assets</b>		<b>169,471,278</b>	<b>171,412,168</b>
		<b>₱1,666,164,016</b>	<b>₱1,530,751,158</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	13	₱5,516,909	₱15,392,163
Reserved liability to planholders	15	1,303,194,869	1,194,816,084
Due to affiliates	14	22,579,277	26,286,747
Long-term loans payable	16	8,426,751	8,691,854
Lease liabilities	21	5,046,337	4,908,440
<b>Total Current Liabilities</b>		<b>1,344,764,143</b>	<b>1,250,095,288</b>
<b>Noncurrent Liabilities</b>			
Reserved liability to planholders	15	206,184,603	160,061,390
Loans payable	16	41,114,733	49,541,485
Lease liabilities	21	9,139,848	10,539,622
Retirement liability	17	3,308,099	3,315,465
<b>Total Noncurrent Liabilities</b>		<b>259,747,283</b>	<b>223,457,962</b>
		<b>1,604,511,426</b>	<b>1,473,553,250</b>
<b>Equity</b>			
Capital stock – ₱1 par value			
Authorized – 160,000,000 shares			
Issued and subscribed – 68,240,000 shares			
net of subscriptions receivable of ₱15,000,000	25	53,240,000	53,240,000
Cumulative fair value loss on financial asset at FVOCI	10	(11,701,825)	(6,852,511)
Cumulative remeasurement loss	17	(630,115)	(1,016,297)
Retained earnings		20,744,530	11,826,716
<b>Total Equity</b>		<b>61,652,590</b>	<b>57,197,908</b>
		<b>₱1,666,164,016</b>	<b>₱1,530,751,158</b>

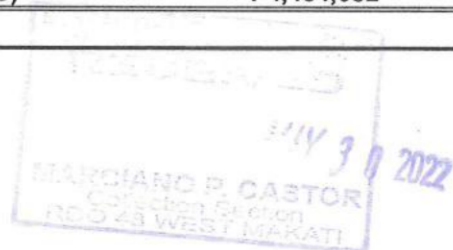
See accompanying Notes to Financial Statements.

\*There were no movements in the number of Company's authorized and subscribed shares as at December 31, 2021 and 2020.

**KAISER INTERNATIONAL HEALTHGROUP, INC.**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
*(Amounts in Philippine Pesos)*

	Notes	2021	2020
<b>SERVICE REVENUES</b>	22	<b>₱485,649,846</b>	₱462,807,574
<b>COST OF SERVICES</b>	18	<b>420,202,128</b>	406,529,155
<b>GROSS PROFIT</b>		<b>65,447,718</b>	56,278,419
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	19	<b>52,158,454</b>	45,487,715
<b>INCOME FROM OPERATIONS</b>		<b>13,289,264</b>	10,790,704
<b>OTHER INCOME (CHARGES) – Net</b>			
Interest expense on loans	16	(4,297,333)	(4,834,693)
Interest expense on lease liability	21	(1,127,229)	(1,662,306)
Dividend income	10	2,243,507	2,001,390
Interest income on banks	6, 7	678,533	1,180,210
Loss on lease modification	21	(646,738)	–
Bank charges		(473,330)	(423,207)
Interest income on security deposit	21	156,098	143,748
Others		945,015	701,557
		<b>(2,521,477)</b>	<b>(2,893,301)</b>
<b>INCOME BEFORE INCOME TAX</b>		<b>10,767,787</b>	7,897,403
<b>PROVISION FOR INCOME TAX</b>	20		
Current		1,041,895	3,574,455
Deferred		808,078	(1,996,441)
		<b>1,849,973</b>	<b>1,578,014</b>
<b>NET INCOME</b>		<b>8,917,814</b>	6,319,389
<b>OTHER COMPREHENSIVE LOSS</b>			
<i>Not reclassifiable subsequently to profit or loss</i>			
Fair value loss on financial asset at FVOCI	10	(4,849,314)	(6,911,482)
Remeasurement gain (loss) on retirement benefits	17	563,304	(1,451,853)
		<b>(4,286,010)</b>	<b>(8,363,335)</b>
Deferred income tax benefit (expense)	20	(177,122)	435,556
		<b>(4,463,132)</b>	<b>(7,927,779)</b>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>₱4,454,682</b>	<b>(₱1,608,390)</b>

See accompanying Notes to Financial Statements.





**KAISER INTERNATIONAL HEALTHGROUP, INC.**  
**STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
*(Amounts in Philippine Pesos)*

	Note	2021	2020
<b>CAPITAL STOCK – ₱1 par value</b>	25	<b>₱53,240,000</b>	<b>₱53,240,000</b>
<b>CUMULATIVE REMEASUREMENT LOSS – Net</b>			
Balance at beginning of year		(1,016,297)	–
Remeasurement gain (loss) during the year	17	386,182	(1,016,297)
Balance at end of year		(630,115)	(1,016,297)
<b>CUMULATIVE FAIR VALUE GAIN (LOSS) ON FINANCIAL ASSET AT FVOCI – Net</b>			
Balance at beginning of year		(6,852,511)	1,094,331
Fair value loss during the year	10	(4,849,314)	(6,911,482)
Reclassification to retained earnings		–	(1,035,360)
Balance at end of year		(11,701,825)	(6,852,511)
<b>RETAINED EARNINGS</b>			
Balance at beginning of year		11,826,716	4,471,967
Net income during the year		8,917,814	6,319,389
Sale of equity instruments at FVOCI		–	1,035,360
Balance at end of year		20,744,530	11,826,716
		<b>₱61,652,590</b>	<b>₱57,197,908</b>

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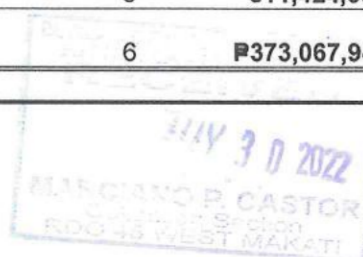
MARCIANO P. CASTOR  
 Director Section  
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**KAISER INTERNATIONAL HEALTHGROUP, INC.****STATEMENTS OF CASH FLOWS**

FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

*(Amounts in Philippine Pesos)*

	Notes	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax		<b>₱10,767,787</b>	₱7,897,403
Adjustments for:			
Depreciation and amortization	11, 21	<b>4,539,645</b>	6,829,530
Interest expense on loans	16	<b>4,297,333</b>	4,834,693
Dividend income	10	<b>(2,243,507)</b>	(2,001,390)
Interest expense on lease liability	21	<b>1,127,229</b>	1,662,306
Interest income	6, 7, 21	<b>(834,631)</b>	(1,323,958)
Provision for retirement expense	17	<b>555,938</b>	504,396
Loss on lease modification		<b>646,738</b>	—
Income before working capital changes		<b>18,856,532</b>	18,402,980
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	8	<b>(137,931)</b>	1,512,625
Prepaid expenses and other current assets	9	<b>(651,010)</b>	542,581
Increase (decrease) in:	13		
Trade and other payables		<b>(9,875,254)</b>	4,888,749
Reserved liability to planholders		<b>154,501,998</b>	190,942,554
Cash generated from operations		<b>162,694,335</b>	216,289,489
Interest paid	16	<b>(4,297,333)</b>	(4,834,693)
Income tax paid	20	<b>(1,041,895)</b>	(2,902,864)
Dividends received	10	<b>2,243,507</b>	2,001,390
Interest received	6, 7	<b>678,533</b>	1,180,210
Net cash provided by operating activities		<b>160,277,147</b>	211,733,532
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Decrease (increase) in:			
Financial asset at FVOCI	10	<b>(94,812,434)</b>	(63,209,588)
Security deposit	21	<b>(143,219)</b>	301,528
Short-term investment	6	<b>10,328,732</b>	(13,751,193)
Additions to (disposal of) property and equipment	11	<b>225,000</b>	(225,000)
Collections from affiliates	14	<b>4,713,437</b>	15,805,574
Net cash used in investing activities		<b>(79,688,484)</b>	(61,078,679)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payments of:			
Loans	16	<b>(8,691,855)</b>	(8,053,698)
Due to affiliates	14	<b>(3,707,470)</b>	(9,889,488)
Lease liability	21	<b>(6,545,483)</b>	(5,855,865)
Net cash used in financing activities		<b>(18,944,808)</b>	(23,799,051)
<b>NET INCREASE IN CASH</b>		<b>61,643,855</b>	126,855,802
<b>CASH AT BEGINNING OF YEAR</b>	6	<b>311,424,094</b>	184,568,292
<b>CASH AT END OF YEAR</b>	6	<b>₱373,067,949</b>	₱311,424,094



## **KAISER INTERNATIONAL HEALTHGROUP, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

**AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

*(Amounts in Philippine Pesos)*

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#### **1. Corporate Information**

Kaiser International Healthgroup, Inc. (the "Company") was incorporated on June 8, 2004 under the laws of the Philippines. Its primary purpose is to operate as a healthcare provider and as a broker for other healthcare companies. The Company is regulated by the Insurance Commission (IC) and was granted clearance to operate on January 28, 2016.

The Company's principal place of business is at G/F King's Court 1 Bldg., Chino Roces Avenue, Makati City.

The accompanying financial statements as at and for the year ended December 31, 2021 was authorized and approved for issue by the Board of Directors (BOD) on May 10, 2022.

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#### **2. Basis of Preparation of Financial Statements**

The financial statements have been prepared on the historical cost basis except for financial assets and investment property that are measured at fair value, and right-of-use assets, lease liability and retirement liability that are measured at present value. The financial statements are presented in Philippine Pesos, which is the Company's functional and presentation currency. All values are rounded to the nearest peso, except when otherwise indicated.

##### Statement of Compliance

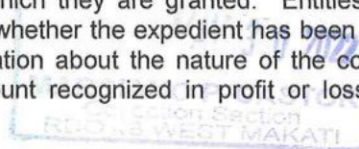
The accompanying financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS and Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by Security and Exchange Commission (SEC).

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#### **3. Changes in Accounting and Financial Reporting Policies**

The accounting policies adopted by the Company are consistent with those of the previous financial years except for the applicable amended accounting standards that became effective in the current year. Unless otherwise indicated, the following amended PFRS that became effective in 2021 did not have any significant impact on the Company's financial statements or is not applicable to the Company.

- **Amendments to PFRS 16, COVID-19-related Rent Concessions**  
As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. An amendment to PFRS 16, Leases provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognized in profit or loss arising from the rent concessions.



The 2021 amendments extend the practical expedient to now apply to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

#### New and Amended Standards Issued but not yet Effective

Standards issued but not yet effective up to the date of the Company's financial statements are listed below. Unless otherwise indicated, the Company does not expect that the adoption of these new and amended standards to have significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

#### Effective in 2022

These are effective on or after January 1, 2022. Earlier adoption is permitted.

- *Amendments to PFRS 3, Reference to the Conceptual Framework*  
The amendments update a reference to the Conceptual Framework as this would cause conflicts for entities applying PFRS 3. Potential conflicts occur as the definition of assets and liabilities in the 2018 Framework differ from those in the 1989 Framework potentially leading to day 2 gains or losses post-acquisition for some balances recognized. An exception has been added to the requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should instead refer to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.
- *Amendments to PAS 16, Property, Plant and Equipment - Proceeds before Intended Use*  
The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling and the cost of producing such items in profit or loss. An entity applies the amendments retrospectively on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.
- *Amendments to PAS 37, Onerous Contracts - Cost of Fulfilling a Contract*  
The amendments specify that the cost of fulfilling a contract comprises those that relate directly to the contract, which can either be incremental costs or an allocation of other costs that relate directly to fulfilling contracts. Entities apply the amendments to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparative financial statements are not restated.

#### Annual Improvements to PFRS Standards 2018-2020 Cycle

- Amendments to PFRS 1, *Subsidiary as a first-time adopter*
- Amendments to PFRS 9, *Fees in the '10 per cent' test for derecognition of financial liabilities*
- Amendments to PFRS 16, *Lease Incentives*
- Amendments to PAS 41, *Taxation in fair value measurements*

#### Effective in 2023

- PFRS 17, *Insurance Contracts*
- Amendments to PAS 1, *Classification of Liabilities as Current or Noncurrent*
- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities from a Single Transaction*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PFRS 17, *Insurance Contracts*

Deferred

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*  
This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The Philippine SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.
- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*  
These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

No mandatory effective date

- PFRS 9, *Financial Instruments* (Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39)

The Company will continue to assess the relevance and impact of the above standards, amendments and improvements to standards, and interpretations. The revised disclosures on the financial statements required by the above standards and interpretations will be included in the Company's financial statements when these are adopted.

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#### 4. Summary of Significant Accounting and Financial Reporting Policies

The principal accounting and financial reporting policies adopted in preparing the financial statements of the Company are summarized below and in the succeeding pages. The policies have been consistently applied to all years presented unless otherwise stated.

Current versus Noncurrent Classification

The Company presents assets and liabilities in the statements of financial position based on current/noncurrent classification.

An asset is current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading or rendering of services;
- expected to be realized within twelve (12) months after the financial reporting period;
- expected to be settled on demand; or
- cash unless restricted from being exchanged or used to settle a liability for at least (12) twelve months after the financial reporting period.

All other assets are classified as noncurrent. Deferred tax assets are classified as noncurrent.

A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading or rendering of services;
- it is due to be settled within twelve (12) months after the financial reporting period;
- it is expected to be settled on demand; or
- there is no unconditional right to defer the settlement of the liability for at least (12) twelve months after the financial reporting period.

All other liabilities are considered noncurrent. Deferred tax liabilities are classified as noncurrent.

#### Fair Value Measurement

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

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

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

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

A fair value measurement of a nonfinancial 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 assets or liability and the level of the fair value hierarchy.

#### Financial Assets and Liabilities

##### Date of recognition

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

##### Initial recognition

At initial recognition, the Company measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL, if any, are expensed in profit or loss.

#### Determination of fair value

Fair value is determined by preference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value model where the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for a similar instrument with similar maturities. Other valuation techniques include comparing to similar instruments for which market observable prices exist; recent arm's length market transaction; option pricing model and other relevant valuation models.

#### Classification of financial assets

The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value [either through other comprehensive income (OCI) or through profit or loss], and
- Those to be measured at amortized cost.

#### *Financial assets at fair value through other comprehensive income (FVOCI)*

Financial assets at FVOCI comprise:

- Equity instruments

Equity securities which are not held for trading, and which the Company has irrevocably elected at initial recognition to be recognized in this category. These are strategic investments and the Company considers this classification to be more relevant.

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

The Company classifies its investment in shares of stocks as financial asset at FVOCI as at December 31, 2021 and 2020 (see Note 10).

- Debt instruments

Debt securities where the contractual cash flows are solely principal and interest and the objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statements of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company has no debt instruments at FVOCI as at December 31, 2021 and 2020.

#### *Financial assets at FVPL*

The Company classifies the following financial assets at FVPL:

- debt investments that do not qualify for measurement at either amortized cost or FVOCI
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognize fair value gains and losses through OCI.

Financial assets at FVPL are carried in the statements of financial position at fair value with net changes in fair value recognized in the statements of comprehensive income. This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at FVOCI.

Dividends on listed equity investments are also recognized as other income in the statements of profit or loss when the right of payment has been established.

The Company has no financial assets at FVPL as at December 31, 2021 and 2020.

*Financial assets at amortized cost*

The amortized cost of a financial asset is the present value of future cash receipts discounted at the effective interest rate. The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVPL:

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

This classification includes the Company's cash in banks (see Note 6), short-term investments (see Note 7), receivables (see Note 8), security deposits (see Note 21) and due from affiliates (see Note 14) as at December 31, 2021 and 2020.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

*Subsequent measurement of financial assets*

- Debt instruments
  - There are three measurement categories into which the Company classifies its debt instruments:
    - *Amortized cost:* Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains (losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statements of comprehensive loss.

Short-term receivables with no stated interest rate are measured at their invoice amounts or expected amounts of settlement without discounting, when the effect of not discounting is immaterial.



- *FVOCI*: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains (losses) and impairment expenses are presented as separate line item in the statements of comprehensive loss.
- *FVPL*: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains (losses) in the period in which it arises.
- Equity instruments  
The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Company's right to receive payments is established.

#### Impairment of financial assets

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

In measuring ECL, the Company must reflect:

- An unbiased evaluation of a range of possible outcomes and their probabilities of occurrence;
- Discounting for the time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

For cash in banks, receivables other than trade, short-term investments, security deposits and due from affiliates, the Company applies the general approach in calculating ECLs. The Company recognizes a loss allowance based on either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk on its cash in banks and due from related parties since initial recognition.

For trade receivables, the Company applies the 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 considers a financial asset in default when contractual payments are 90 days 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.

Classification and subsequent measurement of financial liabilities

The Company classifies its financial liabilities in the following categories:

- *Financial liabilities at FVPL*

Financial liabilities are classified in this category if these result from trading activities or derivatives transactions that are not accounted for as accounting hedges, or the Company elects to designate a financial liability under this category. Financial liabilities at FVPL are measured at fair value and net gains and losses, including interest expense, are recognized in profit or loss.

As at December 31, 2021 and 2020, the Company has no financial liabilities at FVPL.

- *Financial liabilities at amortized cost*

This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon inception of the liability. These include liabilities arising from operations (e.g. payables excluding statutory regulated payables) or borrowing (e.g. long-term debt).

The financial liabilities are initially recorded at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using effective interest method. These include liabilities arising from operations and borrowings. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gains and losses on derecognition is also recognized in profit or loss.

As at December 31, 2021 and 2020, this classification includes the Company's trade and other payables (except government payables) (see Note 13), due to affiliates (see Note 14) and loans payable (see Note 16).

The classification depends on the purpose for which the financial liabilities are acquired and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, reevaluates this classification at every reporting date.

Derecognition of Financial Instruments

*Financial assets*

A financial asset is derecognized when (1) the rights to receive cash flows from the financial instruments expire, (2) the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement, or (3) the Company has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows of an asset or has entered into a pass-through arrangement and has neither transferred nor retained substantially all the risks and rewards of an asset nor transferred control of the assets, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

On disposal of debt investments, any related balance within the FVOCI reserve is reclassified to profit or loss.

On disposal of equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

#### *Financial Liabilities*

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

#### Classification of Financial Instrument between Debt and Equity

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest relating to a financial instrument or a component that is a financial liability is reported as expenses. A financial instrument is classified as debt if it provides for a contractual obligation to: (a) deliver cash or another financial asset to another entity; or (b) exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or (c) satisfy the obligation other than by exchange of a fixed amount of cash or other financial asset for a fixed number of own equity shares. If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

#### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the Statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

#### Prepaid Expenses

Prepaid expenses are costs which are paid in advance of actually incurring them and regularly recurring in the normal course of the business. Prepaid expenses are initially recorded at actual amount paid for expenses and subsequently amortized and recognized as expense in profit or loss as the benefits of the payments are received by the Company.

#### Creditable Withholding Tax (CWT)

Creditable withholding tax is recognized for income taxes withheld by customers and is deducted from income tax payable. The balance at each end of the reporting date represents the unutilized amount after deducting any income tax payable. CWT is initially recognized at actual amount withheld and subsequently stated at its realizable value.

#### Property and Equipment

Property and equipment are initially recorded at cost and subsequently stated at cost less accumulated depreciation, amortization and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including legal and brokerage fees, import duties and non-refundable purchases taxes, after deducting trade discounts and rebates, and any directly attributable costs of bringing the asset to its location and condition necessary for it to be capable of operating in the manner intended by management. Expenses incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul costs, the cost of day-to-day servicing of an item of property and equipment, are normally charged to operations or profit or loss in the period when the costs are incurred.

In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization commence once the assets are available for use and is computed on a straight-line method over the following estimated useful lives of the property and equipment, except for leasehold improvement, which are amortized over their estimated useful lives or term of the lease, whichever is shorter.

	Number of years
Transportation equipment	5
Office equipment	5
Leasehold improvement	5

The estimated useful life and depreciation and amortization methods are reviewed periodically to ensure the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

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

#### Investment Property

Investment property is property held to earn rental or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes, or sale in the ordinary course of business. Investment property is measured initially at cost, including transaction costs. The cost of a purchased investment property comprises its purchase price and any directly attributable costs such as legal and brokerage fees, property transfer taxes and other transaction costs. If payment is deferred beyond normal credit terms, the cost is the present value of all future payments. Investment property whose fair value can be measured reliably without undue cost or effort is measured at fair value at each reporting date with changes in fair value recognized in profit or loss. Where there is clear evidence that the fair value of an investment property is not reliably determinable on a continuing basis, the cost model shall be used. As at December 31, 2021 and 2020, the Company's investment property is measured at fair value.

Investment property is derecognized when these are disposed of or when the investment property is permanently withdrawn from use and there is no future economic benefit expected to arise from the continued use of the property. Any gain or loss on the retirement or disposal of said property is recognized in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. These transfers are recorded using the carrying amount of the investment property at the date of change in use.

#### Impairment of Nonfinancial Assets

The carrying values of nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of net selling price (fair value less cost to sell) or value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's-length transaction less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is charged to operations in the period in which it arises unless the asset is carried at a revalued amount in which case the impairment is charged to the revaluation increment of the said asset.

An assessment is made at the end of each financial reporting period to determine whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's 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 recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation 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.

#### Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the company and its related parties, regardless whether a price is charged. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the company and close members of the family of any such individual; and (d) other related parties such as directors, officers and stockholders.

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

#### Equity

- *Capital stock* is measured at par value for all shares subscribed and paid, or issued.
- *Retained earnings* represent the cumulative balance of net profit or loss and any dividend distribution.
- *Cumulative fair value gain (loss) on financial asset at FVOCI* on financial asset at FVOCI are recognized immediately in other comprehensive income in equity in the period in which they arise and cannot be reclassified to profit or loss in subsequent periods.
- *Cumulative remeasurement gain (loss)* comprises the net actuarial gains and losses on the Company's retirement obligation as a result of remeasurement.

#### Revenue Recognition

The Company recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Company has concluded that it is acting as a principal.

The Company also applies the following five steps:

1. Identify the contract(s) with a customer.
2. Identify the performance obligations in the contract. Performance obligations are promises in a contract to transfer to a customer goods or services that are distinct.
3. Determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. If the consideration promised in a contract includes a variable amount, an entity must estimate the amount of consideration to which it expects to be entitled in exchange for transferring the promised goods or services to a customer.
4. Allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract.
5. Recognize revenue when a performance obligation is satisfied by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). For a performance obligation satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognized as the performance obligation is satisfied.

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

- *Sale of services.* Revenue is recognized based on billings to customers upon completion of the jobs.
- *Dividend income.* Income is recognized when stockholder's right to receive the payment is established.
- *Interest income.* Interest income is recognized using the effective interest method on a time proportion basis that reflects the effective yield on the assets.
- *Commission and other income.* Other revenues are recognized as these accrue.

#### Contract Balances

##### *Receivables*

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

##### *Contract assets*

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

##### *Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract. The contract liabilities also include payments received by the Company from the customers for which revenue recognition has not yet commenced.

#### Costs to Obtain Contract

The incremental costs of obtaining a contract with a customer are recognized as an asset if the Company expects to recover them. Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

#### Value Added Tax (VAT)

Revenues, if any, expenses and assets are recognized, net of the amount of VAT, except when VAT incurred on a purchase of assets or services is not recoverable from the taxation authority such as the case of exempt transaction, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of the cost and expense item, as applicable.

#### Cost and Expense Recognition

Direct costs or cost of services is recognized in the statements of comprehensive loss upon utilization of the service or at the date they are incurred. Operating and other expenses include expenses related to administering and operating the business and are expensed upon utilization of the service or at the date they are incurred. Interest and similar expenses are reported on accrual basis.

#### Employee Benefits

*Short-term benefits* are recognized as expense in the period when the economic benefits are given. Unpaid benefits at end of the financial reporting period are recognized as accrued expense while benefits paid in advance are recognized as prepayment to the extent that it will lead to a reduction in future payments.

#### *Retirement benefits costs*

The Company's retirement benefit cost is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in other comprehensive income in the period in which they occur. Remeasurement is not reclassified to statement of comprehensive income. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Retirement benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlement)
- Net interest expense or income
- Remeasurement on the retirement obligation or asset

The current service cost is a level annual amount or a fixed percentage of salary which, when invested at the rate of interest assumed in the actuarial valuation, is sufficient to provide the required retirement benefit at the employee's retirement.

Past service cost is the present value of the excess of the projected retirement benefits over the amount expected to be provided by future contributions based on the service cost. It is recognized when plan amendment or curtailment occurs.

Net interest on the retirement benefit obligation or asset is the change during the period in the net defined retirement obligation or asset that arises from the passage of time. Net interest is recognized in profit and loss.

Remeasurements which comprises actuarial gains and losses, difference between the return on plan assets and interest income (calculated as part of net interest) and any change in the effect of the asset ceiling, (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income (loss) in the period in which they arise. Remeasurements are not reclassified to profit and loss in the subsequent period.

Actuarial gains and losses are changes in the present value of the retirement benefit obligation resulting from experience adjustments and the effects of changes in actuarial assumptions. Actuarial gains and losses are immediately recognized in other comprehensive income.

The retirement benefit obligation recognized in the statements of financial position represents the present value of the defined benefit obligation and as reduced by the fair value of plan assets. Any assets resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

#### Leases

The Company assesses whether the contract is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Company assesses whether, throughout the period of use, it has the right to obtain substantially all the economic benefits from the use of the identified asset and the right to direct the use of the asset. If the Company has the right to control the use of an identified asset only for a portion of the term of the contract, the contract contains a lease for that portion of the term.

#### *Company as a lessee*

The Company recognized ROU assets and a lease liability on the balance sheet.

#### *Initial and subsequent measurement of ROU asset*

ROU assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

The ROU assets are recognized at the present value of the lease liabilities adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statements of financial position.

Subsequently, ROU assets are measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liability. ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the ROU assets are depreciated over the underlying asset's useful life. Otherwise, the Company will depreciate the ROU asset from the commencement date to the earlier of the end of the useful life of each ROU asset or the end of lease term. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

#### *Initial and subsequent measurement of lease liabilities*

Lease liabilities are measured at the present value of remaining lease payments at the date of adoption, discounted using the interest rate implicit to the lease, if that rate can be readily determined. Otherwise, the Company's incremental borrowing rate.

To determine the incremental borrowing rate, the Company:

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by a subsidiary, which does not have recent third party financing,
- makes adjustments specific to the lease, such as term and security, and
- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received

Lease payments included in the measurement of a lease liability comprise of the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;



- the exercise price under a purchase option that the Company is reasonably certain to exercise that option; and,
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the ROU asset.

Lease liabilities are subsequently measured at amortized cost. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Lease terms are negotiated on an individual basis and contain similar terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

#### *Short-term leases and leases of low-value assets*

The Company applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below US \$5,000 or ₱260,000). Lease payments are recognized as expense on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less.

The Company's existing contracts do not have non-lease components.

#### Income Taxes

Income taxes represent the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable income for the year. Taxable income differs from income as reported in the statements of comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted at the end of the financial reporting period. Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the end of financial reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) and carryforward benefit of unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets and liabilities are measured using the tax rate that is expected to apply to the period when the asset is realized or the liability is settled.

The carrying amount of deferred tax assets is reviewed at each end of financial reporting period and reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss. Only changes in deferred tax assets or liabilities that relate to items recognized in equity are recognized directly in other comprehensive income.

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

### Provisions

Provisions are recognized only when the following conditions are met: a) there exists a present obligation (legal or constructive) as a result of past event; b) it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and c) reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each financial reporting period and adjusted to reflect the current best estimate.

### Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefit is probable.

### Events After End of Financial Reporting Period

Post year-end events that provide additional information about the Company's position at the end of financial reporting period, if any, are reflected in the financial statements. However, post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

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## 5. Management's Use of Judgments and Estimates

The preparation of the Company's financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. In preparing the Company's financial statements, management has made its best judgment and estimates of certain amounts, giving due consideration to materiality. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the financial statements. Actual results could differ from those estimates, and such estimates will be adjusted accordingly.

The following is a summary of these significant judgments and estimates and the related impact and accounted risks on the financial statements:

### Judgments

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

- *Assessment of Classification of Financial Instruments and Measurement Criteria*  
The Company classifies financial assets at initial recognition depending on the financial assets contractual cash flows characteristics of the Company's business model for managing them.

The Company determines the classification at initial recognition and reevaluates this designation at every reporting date.

- *Determination of Fair Value of Financial Assets and Liabilities*  
PFRS requires that certain financial assets and liabilities be carried at fair value, which requires the use of extensive accounting estimates and judgments. While significant components of fair value measurement are determined using verifiable objective evidence (i.e. interest rates, volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and liabilities would directly affect income and equity.

The summary of the carrying values and fair values of the Company's financial instruments as at December 31, 2021 and 2020 is shown in Note 23.

- *Classification of Lease as Operating and Finance Leases*

The Company has entered into various lease agreements as a lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by determining if the contract conveys a right to control the use of an identified asset. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Company assesses whether, throughout the period of use, it has the right to obtain substantially all the economic benefits from the use of the identified asset and the right to direct the use of the asset. If the Company has the right to control the use of an identified asset only for a portion of the term of the contract, the contract contains a lease for that portion of the term. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

The Company recognized ROU assets and lease liabilities measured at the present value of lease payments to be made over the lease term using the Company's incremental borrowing rate on the lease contracts accounted as finance lease.

- *Determining the Lease Term*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases office spaces, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

- *Identification of Contract with Customers under PFRS 15*

The Company enters into a contract with customer through an approved written contract with specific details such as quantity, price, contract terms and their specific obligations are clearly identified. In addition, part of the assessment process of the Company before revenue recognition is to assess the probability that the Company will collect the consideration to which it will be entitled in exchange for the products that will be transferred to the customer.

- *Identifying Performance Obligations*

The Company identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customers and the Company's promise to transfer the good or service to the customer is separately identifiable.

The performance obligation of the Company is satisfied overtime as the customer simultaneously receives and consumes all of the benefits provided by the Company as the Company performs.

### Estimates

- *Estimating Allowance for Impairment of Financial Assets*

The Company applies general approach for determining the expected credit losses of cash in banks, short-term investments, nontrade receivables, due from affiliates and security deposit. A credit loss is the difference between the cash flows that are expected to be received discounted at the original effective interest rate and contractual cash flows in accordance with the contract. The loss allowance for financial assets is based on the assumptions about risk of default and expected loss rates. In addition, management's assessment of the credit risk on the financial assets as at the reporting date is low.

For trade receivables, the Company applies the simplified approach in calculating ECLs. 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.

Management assessed the credit risk of the trade receivables as at the reporting date as low, therefore the Company did not have to assess whether a significant increase in credit risk has occurred.

No allowance for impairment was recognized as at December 31, 2021 and 2020.

- *Estimation of Useful Lives of ROU Assets and Property and Equipment*

The useful life of each of the Company's 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, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and 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 asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above.

A reduction on the estimated useful life of any property and equipment would increase the recorded operating expenses and decrease noncurrent assets.

The carrying value of depreciable property and equipment and ROU asset as at December 31, 2021 and 2020 amounted to ₱18.1 million and ₱19.3 million, respectively (see Notes 11 and 21).

- *Evaluation of Impairment of Nonfinancial Assets*

The Company assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company consider 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.

These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. 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 estimates and assumptions that can materially affect the financial statements. An impairment loss is recognized and charged to earnings if the discounted expected future cash flows are less than the carrying amount. Fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the market rate for a term consistent with the period of expected cash flows.

There was no allowance for impairment as at December 31, 2021 and 2020.

- *Estimation of Realizability of Deferred Tax Assets*

The carrying amount of deferred tax assets is reviewed at the end of each financial reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Management expects future operations will generate sufficient taxable profit that will allow all or part of the deferred income tax assets to be utilized.

Deferred tax asset recognized in the Company's financial statements amounted to ₱2.0 million and ₱3.0 million as at December 31, 2021 and 2020, respectively (see Note 20).

- *Estimation of Retirement Benefits Costs*

The determination of the Company's obligation and cost for pension and other retirement benefits is dependent on management's selection of certain assumptions in calculating such amounts. The assumptions for pension costs and other retirement benefits are described in Note 17 and include among others, rates of compensation increase. Actual results that differ from assumptions are accumulated and amortized over future periods and therefore, generally affect the Company's recognized expense and recorded obligation in such future periods. While management believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in management assumptions may materially affect the Company's pension and other retirement obligations.

The Company's estimated retirement benefit liability amounted to ₱3.3 million as at December 31, 2021 and 2020 (see Note 17).

- *Estimation of Provisions*

The estimate of the probable costs for possible third-party claims, including tax liabilities, if any, has been developed based on management's analysis of potential results. When management believes that the eventual liabilities under these claims, if any, will not have a material effect on the Company's financial statements no provision for probable losses is recognized.

No provision for probable losses is recognized in the Company's financial statements in 2021 and 2020.

## 6. Cash

This account consists of:

	2021	2020
Cash in banks	₱373,027,949	₱311,384,094
Petty cash fund	40,000	40,000
	<b>₱373,067,949</b>	<b>₱311,424,094</b>

Cash in banks generally earn interest income based on the effective bank deposit rates of less than 1% annually. Interest income earned on cash in banks, net of final tax, amounted to ₱487,149 in 2021 and ₱526,573 in 2020.

## 7. Short-term Investments

In compliance with the amended circular issued by the Insurance Commission (IC) for the Security Deposit Requirement on Health Maintenance Organizations, the Company invested in government securities. The carrying amount of these investments amounted to ₱13,422,461 and ₱13,290,241 as at December 31, 2021 and 2020, respectively. The investment earns interest ranging from 1.4% to 3.9%. Interest income earned amounted to ₱132,220 in 2021 and ₱454,444 in 2020.

In 2019, the Company invested in time deposit in compliance with IC requirements. Carrying amount amounted to ₱10,460,952 as at December 31, 2020. The investment earns interest at a rate of 4.0% from a trustee bank approved by IC. Interest income amounted to ₱59,164 in 2021 and ₱199,193 2020. The time deposit matured in 2021.

Rollforward analysis of this account follows:

	2021	2020
Balance at beginning of year	₱23,751,193	₱10,000,000
Additions during the year	13,251,533	13,097,556
Matured during the year	(23,771,649)	-
Interest earned during the year	191,384	653,637
Balance at end of year	<b>₱13,422,461</b>	<b>₱23,751,193</b>

## 8. Receivables

This account consists of:

	2021	2020
Trade	₱6,180,996	₱6,043,064
Due from planholders	254,812	254,812
	<b>₱6,435,808</b>	<b>₱6,297,876</b>

Trade receivables are noninterest-bearing and are generally collected within terms ranging from 30 to 90 days. Trade receivables as at December 31, 2019 amounted to ₱7.3 million.

Due from planholders pertains to loans from policy availed.

All of the Company's receivables are noninterest bearing and were not pledged to any of the Company's liabilities and subject to review for indicators of impairment. Accordingly, no provision was made in 2021 and 2020.

## 9. Prepaid Expenses and Other Current Assets

This account consists of:

	2021	2020
Deposit to healthcare providers	₱9,390,000	₱9,015,000
Creditable withholding tax (Note 20)	3,688,131	4,006,038
Prepaid expenses	1,829,864	1,161,410
Security deposit (Note 21)	347,502	422,039
	<b>₱15,255,497</b>	<b>₱14,604,487</b>

Deposit to healthcare providers are cash given to partner hospitals as a security to the Company's clients' outstanding hospital bills which are yet to be paid.

Prepaid expenses pertain to unutilized purchases of office supplies and marketing materials such as fliers and brochures which are charged to expense upon consumption.

## 10. Financial Assets at FVOCI

The Company's financial assets at FVOCI consist of investment in mutual funds and equity shares which consist of the following:

	2021	2020
Listed shares of stock	₱476,136,590	₱384,751,120
Mutual funds	569,387,310	570,809,660
Total	<b>₱1,045,523,900</b>	<b>₱955,560,780</b>

The rollforward analysis of this account follows:

	2021	2020
Balance at beginning of year	₱955,560,780	₱899,262,674
Additions during the year	94,812,434	72,299,628
Fair value loss during the year	(4,849,314)	(6,911,482)
Sales of shares:		
Cost of equity instruments	-	(8,054,680)
Accumulated fair value changes	-	(1,035,360)
Balance at end of year	<b>₱1,045,523,900</b>	<b>₱955,560,780</b>

Rollforward analysis of fair value of this investment, which is shown as "Cumulative fair value loss on financial asset at FVOCI" in the equity section of the statements of financial position, is shown below:

	2021	2020
Balance at beginning of year	(₱6,852,511)	₱1,094,331
Fair value loss during the year	(4,849,314)	(6,911,482)
Realized gain on disposal of equity instruments at FVOCI transferred to retained earnings	-	(1,035,360)
Balance at end of year	<b>(₱11,701,825)</b>	<b>(₱6,852,511)</b>

Dividend income earned from financial assets at FVOCI amounted to ₱2,243,507 in 2021 and ₱2,001,390 in 2020.

## 11. Property and Equipment

The rollforward analysis of this account follows:

	2021			Total
	Transportation equipment	Office equipment	Leasehold improvements	
Cost:				
Balance at beginning of year	₱14,677,595	₱8,119,366	₱3,300,167	₱26,097,128
Disposal during the year	—	—	(225,000)	(225,000)
Balance at end of year	14,677,595	8,119,366	3,075,167	25,872,128
Accumulated depreciation and amortization:				
Balance at beginning of year	14,083,531	5,153,190	2,165,313	21,402,034
Depreciation and amortization (Note 19)	153,554	926,420	13,226	1,093,199
Balance at end of year	14,237,085	6,079,610	2,178,539	22,495,233
Net carrying value	₱440,510	₱2,039,756	₱896,628	₱3,376,895

	2020			Total
	Transportation equipment	Office equipment	Leasehold improvements	
Cost:				
Balance at beginning of year	₱14,677,595	₱8,119,366	₱3,075,167	₱25,872,128
Additions during the year	—	—	225,000	225,000
Balance at end of year	14,677,595	8,119,366	3,300,167	26,097,128
Accumulated depreciation and amortization:				
Balance at beginning of year	13,929,977	4,148,803	1,546,185	19,624,965
Depreciation and amortization (Note 19)	153,554	1,004,387	619,128	1,777,069
Balance at end of year	14,083,531	5,153,190	2,165,313	21,402,034
Net carrying value	₱594,064	₱2,966,176	₱1,134,854	₱4,695,094

Management believes that there were no indications of impairment in the value of its property and equipment as at December 31, 2021 and 2020.

There was no contractual commitment to purchase property and equipment. There were no property and equipment pledged as collateral for any of the Company's debt.

## 12. Investment Properties

Investment properties pertain to various condominium units acquired for investment purposes. Fair value of the properties was not determined as at December 31, 2021 and 2020. However, there was no indication as at December 31, 2021 and 2020 that would significantly reduce the recoverable values and current market conditions for condominiums depicts favorable outcome to the Company as the prices are currently high. Cost of investment properties amounted to ₱147.9 million as at December 31, 2021 and 2020.

Cost incurred in maintaining the investment properties for utilities and association dues amounting to ₱714,578 in 2021 and ₱714,568 in 2020 were included under 'Communication, light and water' and 'Membership dues'.

There were no additions, disposals and adjustment for impairment as at December 31, 2021 and 2020. There was also no income generated from investment properties as at December 31, 2021 and 2020.

There was no contractual commitment to purchase, construct, or develop investment property or for repairs, maintenance or enhancements. There were no investment properties pledged as collateral for any of the Company's debt.



### 13. Trade and Other Payables

	2021	2020
Unpaid claims	P4,715,960	P5,291,504
Due to planholders	2,856,717	2,312,314
Government payables	1,454,687	1,909,515
Output VAT	802,689	458,342
Accrued expenses	402,816	128,984
	<b>P5,516,909</b>	<b>P15,392,163</b>

Unpaid claims refer to the claims incurred but not yet paid as at the end of the accounting period.

Due to planholders pertain to pending premiums of planholders with incomplete requirements.

Government payables include government remittances for withholding taxes and SSS, Philhealth and HDMF contribution and loan payables.

### 14. Related Party Transactions

The Company has the following transactions with its affiliates:

- a. Provides medical services to the employees of its affiliates. These are noninterest-bearing and unsecured advances.
- b. Extends to and avails from affiliates noninterest-bearing and unsecured advances for working capital and investment purposes. Receivables amounted to P43.0 million and P47.7 million as at December 31, 2021 and 2020, respectively, and payables amounted to P22.6 million and P26.3 million as at December 31, 2021 and 2020, respectively.
- c. Rollforward analysis of due to/from affiliates is as follows:

	2021	2020
Due from:		
Balance at beginning of year	P47,700,560	P63,506,134
Collections during the year	(4,713,437)	(15,805,574)
Balance at end of year	<b>P42,987,123</b>	<b>P47,700,560</b>
Due to:		
Balance at beginning of year	P26,286,747	P36,176,235
Advances paid during the year	(3,707,470)	(9,889,488)
Balance at end of year	<b>P22,579,277</b>	<b>P26,286,747</b>

- d. Columnar presentation of the Company's transactions with its affiliates are as follows:

Category	Transaction amount	2021		
		Balance – Asset/ (Liability)	Terms and conditions/ settlement	Guaranty/Provision
Affiliates				
1. Receivables				
Advances		P42,987,123		
• Collection	(P4,713,437)		Payable on demand; noninterest – bearing; payable in cash	Unsecured; no impairment; no commitments
2. Payables				
Advances		(22,579,277)		
• Payment	3,707,470		Payable on demand; noninterest – bearing; payable in cash	Unsecured

Category	2020			
	Transaction amount	Balance – Asset/ (Liability)	Terms and conditions/ settlement	Guaranty/Provision
Affiliates				
1. Receivables				
<i>Advances</i>		₱47,700,560	Payable on demand;	Unsecured; no
• Collection	(₱15,805,574)		noninterest – bearing; payable in cash	Impairment; no commitments
<i>Service revenue</i>			– 30 to 90 days; noninterest – bearing; collectible in cash	Unsecured; no impairment
(Note 8)				
• Collection	(1,068,800)			
2. Payables				
<i>Advances</i>		(26,286,747)	Payable on demand;	Unsecured
• Payment	9,889,488		noninterest – bearing; payable in cash	

The Company and its affiliates have common shareholders.

- e. Compensation to the Company's key management personnel follows:

	2021	2020
Salaries and wages	₱2,238,167	₱1,889,798
13 <sup>th</sup> month pay and other bonuses	142,862	145,269
	<b>₱2,381,029</b>	<b>₱2,035,067</b>

- f. There are no other significant related party transactions in 2021 and 2020.

#### 15. Reserved Liability to Planholders

This account pertains to the actuarial reserves for subsequent medical availments and maturity benefits value by planholders. It consists of the liabilities for all benefits stipulated in the contract which are provided directly by the Company. This is computed based on the valuation standards for Health Maintenance Organization (HMO) Agreement liabilities prescribed by the Insurance Commission.

Total amount is presented as follows:

	2021	2020
Noncurrent portion	₱206,184,603	₱160,061,390
Current portion	1,298,478,909	1,200,107,588
	<b>₱1,504,663,512</b>	<b>₱1,360,168,978</b>

#### 16. Loans Payable

- On November 18, 2009, the Company availed a loan from a local bank which amounted to ₱11,492,530 due after fifteen (15) years. The loan bears fixed interest rate of 7.5% for the first year and subject for repricing thereafter based on prevailing interest rate. Payments made pertaining to this loan in 2021 and 2020 amounted to ₱992,934 and ₱908,284, respectively. Outstanding balance as at December 31, 2021 and 2020 amounted to ₱3,453,409 and ₱4,446,343, respectively.
- On October 25, 2012, the Company availed another loan from a local bank which amounted to ₱16,971,440 due after ten (10) years. The loan bears fixed interest rate of 5.75% for the first year and subject for repricing thereafter based on prevailing interest rate. Payments made pertaining to this loan in 2021 and 2020 amounted to ₱2,182,254 and ₱1,997,398, respectively. Outstanding balance as at December 31, 2021 and 2020 amounted to ₱1,972,297 and ₱4,154,551, respectively.

- On September 8, 2013, the Company availed another loan from a local bank which amounted to ₱596,400 due after sixty (60) months. In 2019, the remaining balance amounting to ₱142,854 was fully paid.
- Another loan was availed which amounted to ₱7,995,029 with a term of ten (10) years beginning July 8, 2014. The loan bears interest of 6.88%. Payments made pertaining to this loan in 2021 and 2020 amounted and ₱814,017, respectively. Outstanding balance as at December 31, 2021 and 2020 amounted to ₱2,596,510 and ₱3,484,758, respectively.
- On January 12, 2015, the Company availed another loan from a local bank which amounted to ₱24,762,720 due after fifteen (15) years. The loan bears fixed interest rate of 6.5% for the first year and subject for repricing thereafter based on prevailing interest rate. Payments made pertaining to this loan in 2021 and 2020 amounted to ₱1,349,171 and ₱1,235,094, respectively. Outstanding balance as at December 31, 2021 and 2020 amounted to ₱16,410,911 and ₱17,760,082, respectively.
- Another loan was availed which amounted to ₱4,356,165 with a term of fifteen (15) years beginning February 28, 2016. The loan bears interest of 6.5%. Payments made pertaining to this loan in 2021 and 2020 amounted ₱282,236 to ₱265,443, respectively. Outstanding balance as at December 31, 2021 and 2020 amounted to ₱2,498,202 and ₱2,780,437, respectively.
- On November 29, 2016, the Company availed another loan from a local bank which amounted to ₱2,553,600 with a term of five (5) years. The loan bears interest of 8.38%. Payments made pertaining to this loan in 2021 and 2020 amounted ₱551,310 and ₱555,198, respectively. Outstanding balance as at December 31, 2020 amounted to ₱551,311.
- On June 6, 2017, the Company availed another loan from a local bank which amounted to ₱17,464,000 with a term of ten (10) years. The loan bears interest of 6.75%. Payments made pertaining to this loan in 2021 and 2020 amounted to ₱1,501,814 and ₱1,393,623, respectively. Outstanding balance as at December 31, 2021 and 2020 amounted to ₱11,237,656 and ₱12,739,469, respectively.
- Another loan was availed which amounted on ₱16,319,023 with a term of fifteen (15) years beginning June 30, 2017. The loan bears interest of 6.5%. Payments made pertaining to this loan in 2021 and 2020 amounted to ₱943,887 and ₱884,641, respectively. Outstanding balance as at December 31, 2021 and 2020 amounted to ₱11,372,500 and ₱12,316,387, respectively.

Rollforward of loans payable are as follow:

	2021	2020
Balance at beginning of year	₱58,233,339	₱66,287,037
Payments during the year	(8,691,855)	(8,053,698)
Balance at end of year	<b>₱49,541,484</b>	<b>₱58,233,339</b>

Interest expense incurred from above loans amounted to ₱4,297,333 and ₱4,834,693 in 2021 and 2020, respectively. In 2019, adjustment to loans were made.

Total amount of all loans availed by the Company are presented as follows:

	2021	2020
Noncurrent portion	₱41,114,733	₱49,541,485
Current portion (due within one year)	8,426,751	8,691,854
	<b>₱49,541,484</b>	<b>₱58,233,339</b>

## 17. Retirement Liability

The Company has started a noncontributory defined benefit retirement plan covering substantially all of its qualified employees in 2020. Retirement benefits are based on employees' years of service and compensation levels during their employment period. The most recent actuarial valuation was dated April 8, 2022 computed for the year ended December 31, 2021.

The retirement liability presented in the statements of financial position amounted to ₱3,308,099 and ₱3,315,465 as at December 31, 2021 and 2020, respectively.

Changes in the present value of the defined benefit obligation follows:

	2021	2020
Balance at beginning of year	₱3,315,465	₱1,359,216
Remeasurement gain (loss) – OCI	(563,304)	1,451,853
Current service cost	555,938	504,396
Balance at end of year	₱3,308,099	₱3,315,465

The retirement benefits expense recognized in the statements of comprehensive income as shown as part of "General and Administrative Expenses" (see Note 19) for the years ended December 31, 2021 and 2020 was determined as follow:

	2021	2020
Current service cost	₱430,945	₱504,396
Interest cost – net of interest income	124,993	–
Balance at end of year	₱555,938	₱504,396

The movements of cumulative remeasurement loss, net of deferred tax, recognized in other comprehensive income follow:

	2021	2020
Balance at beginning of year	(₱1,016,297)	₱–
Remeasurement gain (loss) during the year	386,182	(1,016,297)
Balance at end of year	(₱630,115)	(₱1,016,297)

There are no unusual or significant risks to which the retirement plan exposes the Company. However, in the event a benefit claim arises, it shall be immediately due and payable from the Company.

There was no plan amendment, curtailment, or settlement recognized in 2021 and 2020.

The principal actuarial assumptions used to determine retirement benefits in 2021 is as follow:

	2021	2020
Discount rate	5.0%	3.8%
Salary increase rate	3.5%	3.5%
Retirement age (in years)	60	60

The sensitivity analysis on the retirement benefit obligation in 2021 is as follows:

	2021	2020
1% increase in discount rate	(P255,109)	(P311,638)
1% decrease in discount rate	323,992	379,067
1% increase in the salary increase rate assumption	326,834	374,550
1% decrease in the salary increase rate assumption	(267,027)	(318,025)
10% improvement in employee turnover	118,477	138,885
10% increase in employee turnover	(118,477)	(138,885)

#### 18. Cost of Services

This account consists of:

	2021	2020
Claims:		
Medical	P129,208,279	P121,549,118
Death	6,990,673	3,802,100
Cash value	413,277	512,604
	136,612,229	125,863,822
Reserves for long-term contracts	181,238,696	185,651,050
Commission	83,130,571	78,035,951
Term insurance premium	15,177,459	13,750,767
Fees – dental network	4,043,173	3,227,565
	P420,202,128	P406,529,155

#### 19. General and Administrative Expenses

This account consists of:

	2021	2020
Salaries and employee benefits	P18,591,923	P15,428,977
Depreciation and amortization (Notes 11 and 21)	6,627,884	6,829,530
Taxes and licenses	4,167,766	3,645,797
Professional fee	3,963,228	2,005,425
Representation and entertainment	2,536,274	3,298,410
Membership dues	2,398,463	1,634,995
Communication, light and water	2,234,076	2,030,632
Supplies	2,171,455	2,327,876
Advertising and promotions	1,881,729	1,960,784
SSS, Philhealth and HDMF premium contribution	1,117,059	1,313,041
Transportation and travel	814,452	1,096,260
Meals and hotel accommodations	727,461	368,264
Janitorial and messengerial services	652,613	512,351
Repairs and maintenance	620,661	143,038
Retirement benefit expense (Note 17)	555,938	504,396
Insurance	161,213	647,113
Miscellaneous	2,936,259	1,740,826
	P52,158,454	P45,487,715

Miscellaneous include penalties, sundry expenses, usage fee of shared areas occupied, prizes and awards, pantry expenses, special projects and other expenses.

20. **Income Taxes**

- a. The current income tax expense in 2021 and 2020 represents RCIT and MCIT, respectively.
- b. Below is the reconciliation of income taxes which will show income tax payable or any creditable withholding taxes:

	2021	2020
Income before income tax	P10,767,787	P7,897,403
Multiplied by statutory tax	25%	30%
Income tax at statutory tax rate	2,691,947	2,369,221
Income tax effects of:		
Dividend income subjected to final tax	(560,877)	(600,417)
Gain on lease modification	(360,375)	-
Nondeductible penalties	202,235	60,346
Expired MCIT	174,794	-
Interest income subjected to final tax	(169,634)	(354,063)
Nondeductible interest expense	42,408	146,051
Amortization of discount on security deposit	(39,025)	(43,124)
Total income tax expense – current and deferred	1,981,473	1,578,014
Deferred income tax expense (benefit)	(808,078)	1,996,441
Current income tax expense	1,173,395	3,574,455
Adjustment to deferred income tax due to CREATE Act prior period	166,371	-
Adjustment to current income tax due to CREATE Act (see item c.)	(297,871)	-
Current income tax expense for the year	1,041,895	3,574,355
Prior year excess tax credits	(4,006,038)	(1,103,174)
Creditable withholding tax during the year	(723,988)	(2,902,864)
MCIT application during the year	-	(3,574,455)
Creditable withholding tax (Note 9)	(P3,688,131)	(P4,006,038)

- c. The following tables show the adjustment made due to change in tax rates in 2020:

Current income tax expense

	December 31, 2021
Current income tax expense in 2021	P1,339,766
Effect of change in tax rate in 2020	(297,871)
Current income tax expense, as adjusted	P1,041,895

Deferred income tax expense – P&L

	December 31, 2021
Deferred income tax benefit in 2021	(P641,708)
Effect of change in tax rate in 2020	(166,371)
Deferred income tax benefit, as adjusted	(P808,078)

Deferred income tax expense – OCI

	December 31, 2021
Deferred income tax benefit in 2021	(P140,826)
Effect of change in tax rate in 2020	(36,296)
Deferred income tax benefit, as adjusted	(P177,122)

Creditable withholding tax

	December 31, 2021
Creditable withholding tax in 2021	₱3,390,260
Effect of change in tax rate in 2020	297,871
<b>Creditable withholding tax, as adjusted</b>	<b>₱3,688,131</b>

Deferred tax assets

	As at December 31, 2020	Effect of tax rate reduction	As adjusted
Deferred tax assets			
Deferred income tax recognized in profit or loss:			
Retirement liability	₱559,084	(₱12,610)	₱546,474
Lease liability (ROU)	245,305	(21,473)	223,832
Excess MCIT over RCIT	174,794	-	174,794
Unpaid claims	1,587,451	(132,288)	1,455,163
	<b>2,566,634</b>	<b>(166,371)</b>	<b>2,400,263</b>
Deferred income tax recognized in OCI:			
Remeasurement gain	435,556	(36,296)	399,260
<b>Total deferred tax</b>	<b>₱3,002,190</b>	<b>(₱202,667)</b>	<b>₱2,799,523</b>

- d. The components of the Company's deferred tax assets and deferred tax liability account in the Statements of financial position follow:

	2021		
	Balance at beginning of year	Deferred income tax benefit (expense)	Balance at end of year
Deferred tax assets			
Deferred income tax recognized in profit or loss:			
Retirement liability	₱546,474	₱138,984	₱685,458
Lease liability (ROU)	223,832	(462,012)	(283,180)
Excess MCIT over RCIT	174,794	(174,794)	-
Unpaid claims	1,455,163	(143,886)	1,311,277
	<b>2,400,263</b>	<b>(641,708)</b>	<b>1,758,555</b>
Deferred tax liability			
Deferred income tax recognized in profit or loss:			
Unrealized foreign exchange gain	-	-	-
Deferred income tax recognized in OCI:			
Remeasurement gain (loss)	399,260	(140,826)	258,434
<b>Total deferred tax</b>	<b>₱2,799,523</b>	<b>(₱782,534)</b>	<b>₱2,016,989</b>
	2020		
	Balance at beginning of year	Deferred income tax benefit (expense)	Balance at end of year
<i>Deferred tax assets (liabilities) – P&amp;L</i>			
Excess MCIT over RCIT	₱3,749,249	(₱3,574,455)	₱174,794
Retirement liability	407,765	151,319	559,084
Excess of lease liability over ROU asset	(12,366)	257,671	245,305
Unpaid claims	-	1,587,451	1,587,451
<i>Deferred tax assets – OCI</i>			
Remeasurement gain	-	435,556	435,556
	<b>₱4,144,648</b>	<b>(₱1,142,458)</b>	<b>₱3,002,190</b>

- e. The carryforward benefits of MCIT can be claimed as deduction against regular income tax due follows:

Year incurred	Expiration	Expired/Applied	Unapplied
2018	2021	1,529,807	–
2019	2022	1,284,403	–
Total		₱2,814,210	₱–

Management believes that the corresponding carryforward tax benefits from MCIT will be realized prior to its expiration.

- f. **Net Operating Loss Carry-Over (NOLCO)**
- NOLCO incurred in taxable years 2020 and 2021.  
Pursuant to Section 4 (bbbb) of Bayanihan II and as implemented under Revenue Regulations (RR) No. 25-2020, the net operating losses of a business or enterprise incurred for taxable years 2020 and 2021 can be carried over as deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.
- No NOLCO was incurred in 2021 and 2020.
- g. The Company opted for the itemized deduction scheme for its income tax reporting in 2021 and 2020.
- h. Corporate Recovery and Tax Incentives for Enterprises Act or "CREATE"

The CREATE Act was approved and enacted into law by the President of the Republic of the Philippines on March 26, 2021. The CREATE Act became effective on April 11, 2021. The said "Act" seeks to reduce the corporate income tax rates and to rationalize the current fiscal incentives by making it time-bound, targeted, and performance-based.

Applying the provisions of the CREATE Act, the Company was subjected to a lower regular corporate income tax rate (RCIT) of 25% effective July 1, 2020 in its statutory income tax return. As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q & A 2020-07, the CREATE Act was not substantively enacted as at December 31, 2020 even though some provisions have retroactive effect to July 1, 2020. Accordingly, for financial reporting purposes, the Company's current and deferred income taxes for the year ended December 31, 2020 continued to be measured using the applicable rates (30% RCIT) under tax laws enacted or substantively enacted as at December 31, 2020. The adjustment on the related effects of the reduction of RCIT from 30% to 25% from July 1, 2020 to December 31, 2020 to the current and deferred income tax accounts for the year ended December 31, 2020 was recognized in the 2021 financial statements upon the effectivity of the CREATE Act on April 11, 2021.



The related effects are as follows:

	Account balances as at and for the year ended December 31, 2020		
	As computed under Create Act	As reported in the 2020 financial statements	Effect Recognized in 2021 – Increase (Decrease)
	<i>Expense (Benefit) / Asset (Liability)</i>		
<b>Statements of financial position</b>			
Creditable withholding tax	₱4,303,909	₱4,006,038	(₱297,871)
Deferred tax asset	2,799,523	3,002,190	(202,667)
Deferred tax liability	–	–	–
<b>Statements of comprehensive income</b>			
Income tax expense	3,276,584	3,574,455	(297,871)
Deferred income tax – P&L	(1,744,385)	(1,996,441)	166,371
Deferred income tax – OCI	(399,260)	(435,556)	36,296

## 21. Lease Agreement

The Company leases its office space for five years until September 30, 2024, with options to extend upon mutual agreement of both parties. In 2021, the lease was pre-terminated. Loss on lease termination amounted to ₱646,738. During the same year, the Company entered into another lease agreement with another lessor for thirty-five (35) months.

### ROU Assets

Rollforward analysis of ROU assets follow:

	2021	2020
<b>Cost:</b>		
Balance at beginning of year	₱24,314,265	₱24,314,265
Addition during the year	15,584,094	–
Termination during the year	(24,314,265)	–
Balance at end of year	15,584,094	24,314,265
<b>Accumulated amortization:</b>		
Balance at beginning of year	9,683,884	4,631,423
Depreciation and amortization (Note 19)	5,534,685	5,052,461
Termination during the year	(14,328,049)	–
Balance at end of year	890,520	9,683,884
Net carrying value	₱14,693,574	₱14,630,381

### Lease liabilities

Rollforward analysis of lease liabilities follows:

	2021	2020
Balance at beginning of year	₱15,448,062	₱19,641,621
Addition during the year	15,460,332	–
Termination during the year	(11,427,717)	–
Payments made during the year	(6,421,721)	(5,855,865)
Interest charge for the year	1,127,229	1,662,306
Balance at end of year	14,186,185	15,448,062
Less current portion	5,046,337	4,908,440
Noncurrent portion	₱9,139,848	₱10,539,622

Interests on the lease liabilities amounting to ₱1,127,229 in 2021 and ₱1,662,306 in 2020 are included as part of 'Interest expense' in the statements of comprehensive income (loss). In 2020, the lessor waived the rent for the month of April amounting to ₱481,964 due to the effect of the pandemic.

The Company also paid security deposits required under the lease contract which are refundable at the end of the lease term. Current and noncurrent portion of security deposit amounted to ₱347,502 and ₱1,531,737 as at December 31, 2021, respectively and ₱422,039 and ₱1,232,420 as at December 31, 2020. Amortization of the discount on security deposit included under 'Interest income' amounted to ₱156,098 in 2021 and ₱143,748 in 2020.

Future minimum lease payments for the above lease agreement follow:

	2021	2020
Within one year	₱5,046,337	₱6,148,655
After one year but not more than 5 years	9,139,848	11,477,487
<b>Total</b>	<b>₱14,186,185</b>	<b>₱17,626,142</b>

## 22. Service Revenues

Service revenues pertain to healthcare services covered under the HMO agreements rendered by the Company to customers. The performance obligation to provide medical services is satisfied over time upon rendering of the services. Revenue in 2021 and 2020 amounted to ₱485.6 million and ₱462.8 million, respectively. Outstanding contract balances amounted to ₱6.2 million in 2021 and ₱6.0 million in 2020 (see Note 8). These are noninterest-bearing and to be settled on demand. The Company has no liability related to these services.

## 23. Financial Instruments

Set out below is a comparison of carrying values and estimated fair values of the Company's financial instruments as at December 31, 2021 and 2020:

	Note	2021			
		Carrying value	Fair value	Quoted price in active market (Level 1)	Significant observable input (Level 2)
<b>Financial assets:</b>					
Cash	6	₱373,067,949	₱373,067,949	₱-	₱373,067,949
Short term investments	7	13,422,461	13,422,461	-	13,422,461
Receivables	8	6,435,808	6,435,808	-	6,435,808
Financial assets at FVOCI	10	1,045,523,900	1,045,523,900	1,045,523,900	-
Due from affiliates	14	42,987,123	42,987,123	-	42,987,123
Security deposit	21	1,879,239	1,879,239	-	1,879,239
		<b>₱1,483,316,480</b>	<b>₱1,483,316,480</b>	<b>₱1,045,523,900</b>	<b>₱437,792,580</b>
<b>Financial liabilities:</b>					
Trade and other payables*	13	₱3,259,533	₱3,259,533	₱-	₱3,259,533
Reserved liability to planholders	15	1,509,379,472	1,509,379,472	-	1,509,379,472
Due to affiliates	14	22,579,277	22,579,277	-	22,579,277
Loans payable	16	49,541,484	49,541,484	-	49,541,484
Lease liabilities	21	14,186,185	14,186,185	-	14,186,185
		<b>₱1,598,945,951</b>	<b>₱1,598,945,951</b>	<b>₱-</b>	<b>₱1,598,945,951</b>

\*Excluding nonfinancial liabilities amounting to ₱2,257,376.

2020					
	Note	Carrying value	Fair value	Quoted price in active market (Level 1)	Significant observable input (Level 2)
<b>Financial assets:</b>					
Cash	6	₱311,424,094	₱311,424,094	₱–	₱311,424,094
Short term investments	7	23,751,193	23,751,193	–	23,751,193
Receivables	8	6,297,876	6,297,876	–	6,297,876
Financial assets at FVOCI	10	955,560,780	955,560,780	955,560,780	–
Due from affiliates	14	47,700,560	47,700,560	–	47,700,560
Security deposit	21	1,654,459	1,654,459	–	1,654,459
		<b>₱1,346,388,962</b>	<b>₱1,346,388,962</b>	<b>₱955,560,780</b>	<b>₱390,828,182</b>
<b>Financial liabilities:</b>					
Trade and other payables*	13	₱13,024,306	₱13,024,306	₱–	₱13,024,306
Reserved liability to planholders	15	1,354,877,474	1,354,877,474	–	1,354,877,474
Due to affiliates	14	31,578,251	31,578,251	–	31,578,251
Loans payable	16	58,233,339	58,233,339	–	58,233,339
Lease liabilities	21	15,448,062	15,448,062	–	15,448,062
		<b>₱1,473,161,432</b>	<b>₱1,473,161,432</b>	<b>₱–</b>	<b>₱1,473,161,432</b>

\*Excluding nonfinancial liabilities amounting to ₱2,367,857.

#### *Methods and Assumptions Used to Estimate the Fair Value*

The carrying value of cash, short-term investment, due to and from affiliates, trade and other payables approximate the fair value due to the short-term nature of the transactions.

The fair value of security deposit is the present value of the discounted expected future cash flows using the incremental borrowing rate on the lease agreements in which these relates to.

The carrying value of loans approximate their fair values as their interest rate are based on market rates for debt with the same maturity profiles at the end of the reporting period.

The fair value of financial assets and liabilities included in Level 2 which are not traded in an active market are determined based on the expected cash flows of the underlying asset and liability based on the instrument where the significant inputs required to determine the fair value of such instrument are directly or indirectly observable.

#### *Financial assets at FVOCI*

The fair value of investments that are actively traded in organized financial market is determined by reference to quoted market bid prices at the close of business at the end of financial reporting period. For investments where there is no active market, fair value is determined using other valuation techniques.

There has been no reclassification to and from Level 1 and 2 categories in 2021 and 2020.

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

The main purpose of the Company's financial instruments is to fund its operations, acquire and improve property and equipment and to settle obligations. The main risks arising from the use of financial instruments are credit, interest rate, liquidity and equity price risk. The Company's financial instruments comprise of cash and cash equivalents, short-term investment, receivables, security deposits, due to and from affiliates, loans payable, trade and other payables. Exposures to credit and liquidity risks arise in the normal course of the Company's business activities. The main objectives of the Company's financial risk management are as follows:

- To identify and monitor such risks on an ongoing basis;
- To minimize and mitigate such risks; and
- To provide a degree of certainty about costs.

The Company's BOD reviews and agrees with policies for managing each of these risks. These are summarized below:

Credit Risk

The Company's exposure to credit risk on its receivables relates primarily to the inability of the debtors to pay and to fully settle unpaid balances. The Company controls this risk through monitoring procedures and regular coordination with the customers. The Company has policies in place to ensure that sales of products are made to those with appropriate credit history. Safeguards are implemented to ascertain that no additional deliveries are made to customers with long outstanding balances. Receivable balances are monitored on an ongoing basis.

*Credit risk exposure*

Table below shows the maximum exposure to credit risk of the Company as at December 31, 2021 and 2020 without considering the effects of collaterals and other credit risk mitigation techniques:

	2021	2020
Cash in banks (Note 6)	P373,067,949	P311,384,094
Short-term investments (Note 7)	13,422,461	23,751,193
Receivables (Note 8)	6,435,808	6,297,876
Due from affiliates (Note 14)	42,987,123	47,700,560
Financial assets at FVOCI (Note 10)	1,045,523,900	955,560,780
Security deposit (Note 21)	1,879,238	1,654,459
	<b>P1,483,316,479</b>	<b>P1,346,348,962</b>

*Credit quality per class of financial assets*

The table below shows the credit quality by class of financial assets as at December 31, 2021 and 2020:

	2021			
	Neither past due nor impaired			
	High grade	Standard grade	Substandard grade	Total
Financial assets:				
Cash in banks	P373,027,949	P-	P-	P373,027,949
Short-term investment	13,422,461	-	-	13,422,461
Receivables	-	-	6,435,808	6,435,808
Due from affiliates	-	-	42,987,123	42,987,123
Financial assets at FVOCI	1,045,523,900	-	-	1,045,523,900
Security deposit	-	1,879,239	-	1,879,239
	<b>P1,431,974,310</b>	<b>P1,879,239</b>	<b>P49,422,931</b>	<b>P1,483,276,480</b>
	2020			
	Neither past due nor impaired			
	High grade	Standard grade	Substandard grade	Total
Financial assets:				
Cash in banks	P311,384,094	P-	P-	P311,384,094
Short-term investment	23,751,193	-	-	23,751,193
Receivables	-	-	6,297,876	6,297,876
Due from affiliates	-	-	47,700,560	47,700,560
Financial assets at FVOCI	955,560,780	-	-	955,560,780
Security deposit	-	1,654,459	-	1,654,459
	<b>P1,290,696,067</b>	<b>P1,654,459</b>	<b>P53,998,436</b>	<b>P1,346,348,962</b>

There were no financial assets which were considered as past due but not impaired in 2021 and 2020.

High grade cash in banks are working capital cash fund placed or deposited in local banks belonging to the top ten (10) banks in the Philippines in terms of resources and profitability.

Other high-grade accounts are accounts considered to be high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

Standard grade accounts are active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

Substandard grade accounts are accounts which have a probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up and extended payment terms.

#### *Impairment assessment*

The Company applies general approach for determining the ECLs of cash in banks, short-term investments, nontrade receivables and due from affiliates. A credit loss is the difference between the cash flows that are expected to be received discounted at the original effective interest rate and contractual cash flows in accordance with the contract. The loss allowance for financial assets is based on the assumptions about risk of default and expected loss rates. The management has assessed that above financial assets are not impaired.

Impairment of security deposit could not be readily determined as the underlying contracts are currently in force and the parties involved have no immediate plan to pre-terminate the leases. The Company is compliant with the lease conditions based on the contracts.

#### *Interest rate risk*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

Cash flow interest rate risk exposure is limited to its cash and short and long-term debts kept with various depository banks. Changes in interest thereof would not be material to the Company's operations.

As at December 31, 2021 and 2020, the Company's interest on loans payable is subject regular evaluation. Interest risk is managed through regular monitoring.

#### *Liquidity Risk*

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations as they fall due. The Company seeks to manage its liquidity profile to be able to finance its capital expenditures and cover its operating costs. The Company's objective is to maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information.

Additional short-term funding is obtained from related parties and short-term loans, when necessary. The Company monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk.

Table below summarizes the maturity profile of the Company's financial assets and liabilities:

	2021			Total
	On demand	Within 1 year	Beyond 1 year but not more than 5 years	
<i>Financial assets:</i>				
Cash	₱373,067,949	₱-	₱-	₱373,067,949
Short-term investment	-	13,422,461	-	13,422,461
Receivables	-	6,435,808	-	6,435,808
Financial assets at FVOCI	1,045,523,900	-	-	1,045,523,900
Due from affiliates	-	-	42,987,123	42,987,123
Security deposit	-	-	1,879,239	1,879,239
	₱1,418,591,849	₱19,858,269	₱44,866,362	₱1,483,316,480
<i>Financial liabilities:</i>				
Trade and other payables*	₱-	₱3,259,533	₱-	₱3,259,533
Reserved liability to planholders	-	1,303,194,869	206,184,603	1,509,379,472
Due to affiliates	22,579,277	-	-	22,579,277
Loans payable	-	8,426,751	41,114,733	49,541,484
Lease liability	-	5,046,337	9,139,848	14,186,185
	₱22,579,277	₱1,319,927,490	₱256,439,184	₱1,598,945,951

\*Excluding government payables and output VAT payable ₱2,257,376.

	2020			Total
	On demand	Within 1 year	Beyond 1 year but not more than 5 years	
<i>Financial assets:</i>				
Cash	₱311,424,094	₱-	₱-	₱311,424,094
Short-term investment	-	23,751,193	-	23,751,193
Receivables	-	6,297,876	-	6,297,876
Financial assets at FVOCI	955,560,780	-	-	955,560,780
Due from affiliates	-	-	47,700,560	47,700,560
Security deposit	-	-	1,654,459	1,654,459
	₱1,266,984,874	₱30,049,069	₱49,355,019	₱1,346,388,962
<i>Financial liabilities:</i>				
Trade and other payables*	₱-	₱13,024,306	₱-	₱13,024,306
Reserved liability to planholders	-	1,194,816,084	160,061,390	1,354,877,474
Due to affiliates	31,578,251	-	-	31,578,251
Loans payable	-	8,691,854	49,541,485	58,233,339
Lease liability	-	4,908,440	10,539,622	15,448,062
	₱31,578,251	₱1,221,440,684	₱220,142,497	₱1,473,161,432

\*Excluding government payables and output VAT payable ₱2,367,857.

#### Equity Price Risk

The Company's exposure to equity securities price risk pertains to its equity instrument financial asset at FVOCI. Equity securities price risk arises from the changes in the levels of equity indices and value of stocks traded in the stock market.

At December 31, 2021 and 2020, if the quoted stock price for the securities using PSE index had increased (decreased) by 17% and 22%, respectively, the Company's total equity would have been higher (lower) by about ₱30.8 million and ₱72.8 million, respectively. The analysis is based on the assumption that the quoted prices had changed by 22% and 22%, with all other variables held constant.

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## 25. Capital Management

The Company has an authorized capital stock of ₱160,000,000 divided into 160,000,000 common shares at a par value of ₱1.0 per share. Total issued and outstanding shares amounted to 68,240,000 of which 53,240,000 were paid and the remaining unpaid subscription amounted to 15,000,000 shares.

The Company maintains a capital base to cover risks inherent in the business. The primary objective of the Company's capital management is to maintain stability of capital and minimize losses.

The Company considers the following as its capital as at December 31, 2021 and 2020:

	2021	2020
Capital stock	₱53,240,000	₱53,240,000
Cumulative fair value loss on equity instruments at FVOCI	(11,701,825)	(6,852,511)
Cumulative remeasurement loss	(630,115)	(1,016,297)
Retained earnings	20,744,530	11,826,716
	<b>₱61,652,590</b>	<b>₱57,197,908</b>

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## 26. Impact Brought by COVID-19

### COVID-19

In a move to contain the COVID-19 pandemic, the community quarantine which was initially imposed in 2020, were further extended throughout 2021. Different forms of community quarantines were imposed on different parts of the country up to report date. These measures still cause disruptions to businesses and economic activities, and its impact on businesses still continue to evolve.

The Company has observed the government mandates and directives. Management believes that the COVID-19 pandemic poses no further significant impact on its financial statements to the Company as it continues operations in the new normal set up.

The Company's management will continuously monitor the impact and will plan accordingly to minimize and (or) mitigate further risk on the Company's financial performance and position. The Company has taken measures to preserve the health and safety of its stakeholders as well as the business operations.

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## 27. Supplementary Information Required by the Bureau of Internal Revenue (BIR)

The following information on taxes, duties and license fees paid or accrued during the taxable year 2021 as presented for purposes of compliance with the disclosure requirement by the BIR as provided for in its Revenue Regulation 15-2010 and is not a required part of the basic financial statements in accordance with PFRS:

- a. Net sales/receipts declared in the Company's VAT returns

	Net sales/receipts	Output VAT
Service income	₱428,477,622	₱51,417,315

b. VAT

Balance at beginning of year	₱-
Current year's domestic purchases:	
Services lodged under other accounts	34,663,274
Goods other than for resale or manufacture	185,906
Less: Claims for tax credit	-
Applied to output VAT	(34,849,180)
<u>Balance at end of year</u>	<u>₱-</u>

c. Taxes and licenses

Business permit	₱3,205,853
Penalties and interest	808,938
Real property tax	142,475
Community tax certificate	10,500
<u></u>	<u>₱4,167,766</u>

Documentary stamp tax pertains to equity and loans instrument.

d. Withholding taxes

The amount of withholding taxes paid or accrued in 2021 follow:

Expanded withholding taxes	₱18,206,895
Tax on compensation and benefits	792,849
<u></u>	<u>₱18,999,744</u>

e. The Company has no transactions in 2020 that were subject to the following taxes:

- Customs duties and tariff fees
- Excise taxes
- Capital gains tax

f. The Company has paid deficiency taxes amounting to ₱808,937 in 2021 for the taxable year 2020.



3. Attachment : 23219198800001220211702Q.DAT

TIN of Withholding Agent TIN: 232191988-0000  
Alphalist Form : 1702Q  
Taxable Month : 12/2021

LINE NUM	SCHEDULE	ERROR DESCRIPTION
0000000000		No Errors Encountered

Thank You.

\*\*\*\*\*  
 \*\* REMINDER: Starting January 8, 2021, the Alphalist Data Entry and Validation Module is now updated to version 7.0.  
 \*\* You might have used an older version. For the new file structure and naming convention, please visit the BIR website  
 \*\* at [www.bir.gov.ph](http://www.bir.gov.ph) and look for Revenue Memorandum Circular No. 7-2021 or you may directly visit  
 \*\* <http://bit.ly/RMC72021> (Full Text) <http://bit.ly/RMC72021A> (Annex A), <http://bit.ly/RMC72021B> (Annex B).  
 \*\*\*\*\*

This is a system generated report. For inquiries, please email us at [contact\\_us@bir.gov.ph](mailto:contact_us@bir.gov.ph) or call us at 8981-7003 / 8981-7020 / 8981-7030 / 8981-7040 / 8981-7046 / 8981-7419 / 8981-7452 / 8981-7478.

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