COVER SHEET

SEC Registration Number

C S 2 0 0 2 5 1 0 6 4

Company Name

MEDILINES DISTRIBUTORS INCORPORATED

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

3rd Floor Vistamall Hub, C.V. Starr Ave., Pamplona Dos, Las Piñas City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-Q	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
investorrelations@medilines.com.ph	(+632)7747-1076/(+632)8519-2012	-

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
13	First Monday of June	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Luis Melquiades P. Garcia III	investorrelations@medilines.com.ph	(+632)7747-1076	-

Contact Person's Address

3rd Floor, Vistamall Hub, C.V. Starr Ave., Pamplona Dos, Las Piñas City.

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

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SECTION 141 OF CORPORATION CODE OF THE PHILIPPINES

1. For the quarterly period ended **June 30, 2022**

2. SEC Identification No. **CS200251064**

3. BIR Tax Identification No. **219075614000**

4. Exact name of the registrant as specified in its charter
   MEDILINES DISTRIBUTORS INCORPORATED

5. **Philippines**
   Province, Country or other jurisdiction of Incorporation or organization

6. ____________(SEC use only)
   Industry Classification code:

7. **3rd Floor, Vistamall Hub, C.V. Starr Ave., Pamplona Dos, Las Piñas, City, 1740**

   Address of principal office　　　　Postal Code

8. **(+632)7747-1076/(+632)8519-2012**
   Registrant's telephone number, including area code

9. **Not Applicable**
   Former name, former address, and former fiscal year, if changed since last year

10. Securities registered pursuant to Section 4 and 8 of the RSA

Title of Each Class Outstanding	Number of Shares of Common Stock and Amount of Debt Outstanding
Common Shares	**2,750,000,800**

11. Are any or all of these securities listed on the Philippine Stock Exchange?

    Yes [x]　　　No [ ]

12. Check weather the registrant:

    a. Has filed all reports to be filed by Section 11 of the Revised Securities Act (RSA) and RSA Rule 11(a)-1 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such reports):
       Yes [x]　　　No [ ]

    b. Has been subject to such filing requirements for the past 90 days
       Yes [x]　　　No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant
    The aggregate market value as of the voting stock held by non-affiliates is about Php1.06 billion , based on the stock price of Medilines Distributors Incorporated as of 31 December 2021.

MEDILINES DISTRIBUTORS INCORPORATED
Unaudited Statements of Financial Position (in Philippine Peso)

	Notes	31-Mar 2023	31-Mar 2022	31-Dec 2022	31-Dec 2021
A S S E T S					
CURRENT ASSETS					
Cash	5	P 247,342,173	P 70,464,459	P 102,717,511	P 930,811,224
Trade and other receivables - net	6	1,660,595,516	1,707,682,251	1,766,169,848	1,477,306,724
Contract assets	14	1,720,902,700	1,102,181,251	1,768,036,154	1,195,263,315
Inventories - net	7	113,409,987	158,927,256	76,924,962	120,421,869
Prepayments and other current assets	8	135,813,647	110,698,424	109,120,442	90,917,073
Total Current Assets		3,878,064,023	3,149,953,640	3,822,968,917	3,814,720,205
NON-CURRENT ASSETS					
Property, plant and equipment - net	9	181,399,314	154,734,681	183,253,784	155,442,563
Deferred tax assets - net	18	17,464,463	1,171,430	17,464,463	12,172,301
Guarantee deposits		2,366,122	2,366,122	2,366,122	2,366,122
Right-of-use asset - net	10	-	12,172,301	-	1,171,430
Total Non-current Assets		201,229,899	170,444,534	203,084,369	171,152,416
TOTAL ASSETS		P 4,079,293,922	P 3,320,398,174	P 4,026,053,286	P 3,985,872,621
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Trade and other payables	11	P 1,752,314,773	P 1,312,104,644	P 1,702,808,390	P 1,367,946,585
Loans and other borrowings	12	180,536,097	-	181,634,310	578,521,722
Lease liability	10	-	654,105	-	1,341,992
Contract liabilities	14	-	21,073,994	-	21,073,994
Income tax payable		31,260,120	4,383,680	31,260,120	-
Total Current Liabilities		1,964,110,990	1,338,216,423	1,915,702,820	1,968,884,293
NON-CURRENT LIABILITIES					
Loans and other borrowings	12	-	5,906,316	-	69,183,561
Retirement benefit obligation	17	3,918,206	-	3,918,206	7,027,099
Total Non-current Liabilities		3,918,206	12,933,415	3,918,206	76,210,660
Total Liabilities		1,968,029,196	1,351,149,838	1,919,621,026	2,045,094,953
EQUITY					
Capital stock	20	687,500,200	687,500,200	687,500,200	687,500,200
Treasury shares	20	(1,651,240)	1,084,071,109	(813,240)	-
Additional paid-in capital	20	1,084,071,109	197,677,027	1,084,071,109	1,084,071,109
Revaluation reserves	17	(2,294,559)		(2,294,559)	(2,235,260)
Retained earnings	20	343,639,216	-	337,968,750	171,441,619
Total Equity		2,111,264,726	1,969,248,336	2,106,432,260	1,940,777,668
TOTAL LIABILITIES AND EQUITY		P 4,079,293,922	P 3,320,398,174	P 4,026,053,286	P 3,985,872,621

MEDILINES DISTRIBUTORS INCORPORATED
Unaudited Statements of Comprehensive Income (in Philippine Peso)

		For the Three Months Ended March 31		For the Years Ended Dec 31		
	Notes	**2023**	2022	2022	2021	2020
REVENUES	14, 19	**P 95,163,431**	P 259,863,677	P 1,964,800,406	P 1,585,028,417	P 1,466,659,212
DIRECT COSTS	15	**62,308,044**	191,910,142	1,581,474,295	1,252,867,427	1,222,987,488
GROSS PROFIT		**32,855,387**	67,953,534	383,326,111	332,160,990	243,671,724
OPERATING EXPENSES	15					
General and administrative expenses		**29,067,199**	31,038,238	123,602,114	107,773,710	81,386,226
Expected credit losses	6	**450,001**	-	1,199,886	18,350,560	368,225
		29,517,200	31,038,238	124,802,000	126,124,270	81,754,451
OPERATING PROFIT		**3,338,187**	36,915,297	258,524,111	206,036,720	161,917,273
OTHER INCOME (CHARGES) - Net	16	**3,188,353**	1,045,594	(1,623,721)	3,838,944	(14,683,947)
PROFIT BEFORE TAX		**6,526,540**	37,960,890	256,900,390	209,875,664	147,233,326
TAX EXPENSE	18	**856,074**	9,490,223	64,928,534	40,244,164	44,169,774
NET PROFIT		**5,670,466**	28,470,668	191,971,856	169,631,500	103,063,552
OTHER COMPREHENSIVE LOSS						
Item that will not be reclassified to profit or loss						
Remeasurement loss on post-employment defined benefit obligation	17	**-**	-	(79,066)	(2,112,049)	(424,142)
Tax income	18	**-**	-	19,767	484,598	127,243
		-	-	(59,299)	(1,627,451)	(296,899)
TOTAL COMPREHENSIVE INCOME		**P 5,670,466**	**P 28,470,668**	P 191,912,557	P 168,004,049	P 102,766,653

MEDILINES DISTRIBUTORS INCORPORATED
Unaudited Statements of Changes in Equity (in Philippine Peso)

	Capital Stock (see Note 20)	Additional Paid in Capital (see Note 20)	Treasury Shares (see Note 20)	Revaluation Reserves (see Note 17)	Retained Earnings (see Note 20)	Total
Balance at January 1, 2023	P 687,500,200	P 1,084,071,109	(P 813,240)	(P 2,294,559)	P 337,968,750	P 2,106,432,260
Reacquisition of shares	-	-	(838,000)	-	-	(838,000)
Cash dividends	-	-	-	-	-	-
Total comprehensive income (loss) for Quarter 1 202	-	-	-	-	5,670,466	5,670,466
		-				
Balance at March 31, 2023	**P 687,500,200**	**P 1,084,071,109**	**(P 1,651,240)**	**(P 2,294,559)**	**P 343,639,216**	**P 2,111,264,726**
Balance at January 1, 2022	P 687,500,200	P 1,084,071,109	P -	(P 2,235,260)	P 171,441,619	P 1,940,777,668
Reacquisition of shares	-	-	(813,240)	-	-	(813,240)
Cash dividends	-	-	-	-	(25,444,725)	(25,444,725)
Total comprehensive income (loss) for the year	-	-	-	(59,299)	191,971,856	191,912,557
		-				
Balance at March 31, 2022	**P 687,500,200**	**P 1,084,071,109**	**(P 813,240)**	**(P 2,294,559)**	**P 337,968,750**	**P 2,106,432,260**
Balance at January 1, 2022	P 400,000,000	P -	P -	(P 607,809)	P 256,810,119	P 656,202,310
Issuance of shares	287,500,200	1,084,071,109	-	-	-	1,371,571,309
Cash dividends	-	-	-	-	(255,000,000)	(255,000,000)
Total comprehensive income (loss) for the year	-	-	-	(1,627,451)	169,631,500	168,004,049
Balance at December 31, 2022	P 687,500,200	P 1,084,071,109	P -	(P 2,235,260)	P 171,441,619	P 1,940,777,668
Balance at January 1, 2021	P 400,000,000	P -	P -	(P 310,910)	P 153,746,567	P 553,435,657
Total comprehensive income (loss) for the year	-	-	-	(296,899)	103,063,552	102,766,653
Balance at December 31, 2021	P 400,000,000	P -	P -	(P 607,809)	P 256,810,119	P 656,202,310

MEDILINES DISTRIBUTORS INCORPORATED
Unaudited Statements of Cash Flows (in Philippine Peso)

	Notes	For the Three Months Ended March 31 2023	2022	For the Years Ended December 31 2022	2021
CASH FLOWS FROM OPERATING ACTIVITES					
Profit before tax		**P 6,526,540**	P 37,960,890	P 256,900,390	P 209,875,664
Adjustments for:					
Unrealized foreign exchange losses (gains) - net		**(4,455,785)**	-	22,828,782	(37,142)
Depreciation and amortization	9, 10	**2,554,191**	-	9,553,745	10,142,188
Interest expense	10, 12	**3,070,463**	3,880,868	9,209,726	47,402,126
Provision for expected credit losses	6	**450,001**	2,139,095	1,199,886	18,350,560
Interest income	5	**(28,522)**		(245,858)	(159,603)
Gain on sale of property and quipment	9	**-**		(240,290)	(28,894,879)
Loss on lease modification	10	**-**	3,433,169	-	1,166,872
Operating profit before working capital changes		**8,116,888**	47,414,022	299,206,381	257,845,786
Decrease (increase) in trade and other receivables		**105,124,331**	(237,964,728)	(290,063,010)	124,736,005
Increase in contract assets		**47,133,454**	93,082,065	(572,772,839)	(233,675,744)
Decrease (increase) in inventories		**(36,485,025)**	(38,505,387)	43,496,907	111,790,071
Increase in prepayments and other current assets		**(26,693,205)**	(19,781,349)	(18,203,369)	(63,167,761)
Increase in trade and other payables		**53,962,168**	(55,841,942)	311,613,588	200,084,466
Increase (decrease) in contract liabilities		**-**	-	(21,073,994)	17,468,265
Increase (decrease) in post-employment defined benefit obligation		**-**	-	(3,187,959)	571,932
Cash generated from (used in) operations		**151,158,611**	(211,597,319)	(250,984,295)	415,653,020
Income taxes paid		**(856,074)**	(4,383,680)	(38,891,637)	(79,815,614)
Interest paid		**(3,070,463)**	(3,880,868)	(9,195,718)	(47,224,754)
Interest received		**28,522**	3,433,169	196,686	134,022
Net Cash From (Used In) Operating Activities		**147,260,596**	(216,428,699)	(298,874,964)	288,746,674
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisitions of property and equipment	9	**(699,721)**		(36,468,240)	(18,896,812)
Proceeds from sale of property and equipment	9	**-**	(1,431,213)	514,994	50,714,288
Payment of refundable deposits		**-**	-	-	(349,300)
Net Cash From (Used In) Investing Activities		**(699,721)**	(1,431,213)	(35,953,246)	31,468,176
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayments of interest-bearing loans and borrowings	12, 13	**(1,098,213)**		(943,863,531)	(1,651,477,782)
Proceeds from interest-bearing loans and borrowings	12, 13	**-**	(641,798,966)	477,792,558	1,088,492,536
Cash dividends paid	13, 20	**-**		(25,444,725)	(255,000,000)
Payments of lease liability	10, 13	**-**	(687,887)	(1,356,000)	(5,476,731)
Purchase of treasury shares	13, 20	**(838,000)**	-	(813,240)	-
Net proceeds from issuance of share capital	20	**-**	-	-	1,371,571,309
Net Cash From (Used In) Financing Activities		**(1,936,213)**	(642,486,853)	(493,684,938)	548,109,332
Effect of Exchange Rate Changes on Cash		**-**		419,435	37,142
NET INCREASE (DECREASE) IN CASH		**144,624,662**	(860,346,765)	(828,093,713)	868,361,324
CASH AT BEGINNING OF YEAR		**102,717,511**	930,811,224	930,811,224	62,449,900
CASH AT END OF YEAR		**P 247,342,173**	P 70,464,459	P 102,717,511	P 930,811,224

MEDILINES DISTRIBUTORS INCORPORATED
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2023 and DECEMBER 31, 2022
(Amounts in Philippine Pesos)

1. GENERAL INFORMATION

1.1 Corporate Information

Medilines Distributors Incorporated (the Company) was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on July 12, 2002. The Company's primary purpose is to establish, conduct and maintain business of trading and/or distribution by purchasing, acquiring, importing, marketing, trading, distributing, selling, exporting or otherwise do business in all kinds of goods, products, merchandise, medicines, supplies, compounds, machinery, equipment, apparatus, appliances, instruments, or other lawful objects of radiological, scientific, therapeutic, cosmetic, general and miscellaneous purposes and engage in such activities as to accomplish the same including to act as representative or agent, upon consignment or indents orders in any other representative capacity or be under distributorship or other arrangement for natural and juridical persons and entities, whether domestic or foreign.

The Company's shares were listed in the Philippine Stock Exchange (PSE) on December 7, 2021 and were traded under the ticker MEDIC (see Note 20.1).

The registered office of the Company, which is also its principal place of business, is located at 3rd floor, Vistamall Hub, C.V. Starr Avenue, Pamplona Dos, Las Piñas City. The Company also has its warehouse facility, which is located at 54 E Rodriguez Jr. Ave., Backing F. Pike St., Bagong Ilog, Pasig City.

1.2 Continuing Impact of COVID-19 Pandemic on Company's Business

In December 2019, a novel strain of coronavirus, COVID-19, was reported to have surfaced in China. The World health Organization has declared the outbreak as a public health emergency of international concern. The COVID-19 pandemic started to become widespread in the Philippines in early March 2020. This caused government to declare a state of public health emergency in the country followed by the implementation of enhanced quarantine and social distancing measures and restrictions within the Luzon area with other cities and provinces in the country. These measures taken by the government to contain the virus have affected the economic conditions and the Company's business operations.

In 2022 and 2021, the following are the impact of the COVID-19 pandemic to the Company's business:

- Price increase and shortage of stocks for COVID-19-related diagnostic equipment such as mobile x-rays, among others;
- Increase in shipment charges and fluctuations in delivery schedule depending on varying countries' protocols;

- Delays in collection resulting from delays in project implementation and project installations due to on-site work suspensions implemented by the Inter-agency Task Force for the Management of Emerging Infectious Diseases;
- Decline in marketing and other operational costs due to the adaptations of flexible working arrangements such as work-from-home option for office-based personnel;
- Disruption on the supply chain of materials, facilities and other products which in turn caused delays in imports through the effect of travel restrictions, quarantines, closure of factories and facilities; and,
- Increase in the volatility or cause disruption of global financial markets and affected the Company's capabilities of accessing funding resources on favorable or acceptable terms.

In response to these matters, the Company has taken the following actions:

- Continuous coordination with principal partners and suppliers in order to support the government's initiative to enhance the country's healthcare facilities.
- Negotiations and volume commitment with principals to secure stocks allocation.
- Payment collection as the primary focus of Company efforts, with sales only secondary.
- Cost-cutting measures to preserve cash, including priority payments of high interest debt, negotiation of payment terms with suppliers, consolidation of deliveries to reduce shipping charges, among others.
- Utilization of Sales Force Efficiency Software Program and other web-based medium to enhance internal communication and coordination, and to conduct virtual product training.

As a result of the measures in place to adapt to and address pandemic-related issues in 2022, the Company continued to see stable operations and increasingly positive results as the economy recovers. Overall net impact is an increase in net profit of 13% compared to that of 2021.

Management will continue to take actions to continually improve the operations as the need arises. Based on the foregoing improvements, management projects that the Company would continue to report positive results of operations and would remain liquid to meet current obligations as they fall due. Accordingly, management has not determined material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern due to the effects of the pandemic.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of Preparation of Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board and approved by the Philippine Board of Accountancy.

The financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Financial Statements

The financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Company presents all items of income and expenses in a single statement of comprehensive income.

The Company presents a third statement of financial position as of the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the statement of financial position at the beginning of the preceding period. The related notes to the third statement of financial position are not required to be disclosed.

(c) Functional and Presentation Currency

These financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the financial statements of the Company are measured using its functional currency. Functional currency is the currency of the primary economic environment in which the Company operates.

2.2 Adoption of Amended PFRS

(a) Effective in 2022 that are Relevant to the Company

The Company adopted for the first time the following amendments and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2022:

PAS 16 (Amendments)	:	Property, Plant and Equipment – Proceeds Before Intended Use
PAS 37 (Amendments)	:	Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract
Annual Improvements to PFRS (2018-2020 Cycle)		
PFRS 9 (Amendments)	:	Financial Instruments – Fees in the '10 percent' Test for Derecognition of Liabilities
PFRS 16 (Amendments)	:	Leases – Lease Incentives

Discussed below and in the succeeding page is the relevant information about these pronouncements.

(i) PAS 16 (Amendments), *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 such items, and the cost of producing those items, in profit or loss. The application of these amendments had no significant impact on the Company's financial statements as there were no sales of such items produced by property, plant and equipment made before being available for use on or after the beginning of the earliest period presented.

(ii) PAS 37 (Amendments), *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract.* The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services. Costs that relate directly to a contract include both incremental costs of fulfilling that contract (e.g., direct labor and materials) or an allocation of other costs that relate directly to fulfilling contracts e.g., the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). The amendments resulted in a revision in the Company's policy to include both incremental costs and an allocation of other costs when determining whether a contract was onerous. The amendments apply prospectively to contracts existing at the date when the amendments are first applied. Management assessed that there is no significant impact on the Company's financial statements as a result of the change since none of the existing contracts as of January 1, 2022 would be identified as onerous after applying the amendments.

(iii) Annual Improvements to PFRS 2018-2020 Cycle. Among the improvements, the following amendments which do not have significant impact and which are effective from January 1, 2022, are relevant to the Company's financial statements:

- PFRS 9 (Amendments), *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Liabilities.* The amendments clarify the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- Illustrative Examples Accompanying PFRS 16, *Leases – Lease Incentives.* The amendments remove potential for confusion regarding lease incentives by deleting from Illustrative Example 13 the reimbursement relating to leasehold improvements as it had not been explained clearly enough as to whether the reimbursement would meet the definition of a lease incentive in accordance with PFRS 16.

(b) Effective in 2022 that is not Relevant to the Company

Among the amendments and annual improvements to PFRS which are mandatorily effective for annual periods beginning on or after January 1, 2022, the following are not relevant to the Company's financial statements:

(i) PFRS 3 (Amendments), *Business Combinations - Reference to the Conceptual Framework*

(ii) Annual Improvements to PFRS 2018-2020 Cycle:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Subsidiary as a First-time Adopter*

- PAS 41, *Agriculture – Taxation in Fair Value Measurements*

(c) Effective Subsequent to 2022 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2022, which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions; and none of these are expected to have significant impact on the Company's financial statements:

(i) PAS 1 (Amendments), *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current* (effective from January 1, 2023)

(ii) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies* (effective from January 1, 2023)

(iii) PAS 8 (Amendments), *Accounting Estimates – Definition of Accounting Estimates* (effective from January 1, 2023)

(iv) PAS 12 (Amendments), *Income Taxes – Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* (effective from January 1, 2023)

2.3 Current versus Non-current Classification

The Company presents assets and liabilities in the statement of financial position based on current or non-current classification. An asset is current when it is:

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

2.4 Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual terms of the financial instrument.

(a) Financial Assets

For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments – Presentation*. All other non-derivative financial instruments are treated as debt instruments.

(i) Classification, Measurement and Reclassification of Financial Assets

The classification and measurement of financial assets are measured at amortized cost if both of the following conditions are met:

- the asset is held within the Company's business model whose objective is to hold financial assets in order to collect contractual cash flows ("hold to collect"); and,

- the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Except for trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with PFRS 15, *Revenue from Contracts with Customers*, all financial assets meeting these criteria are measured initially at fair value plus transaction costs. These are subsequently measured at amortized cost using the effective interest method, less any allowance for expected credit losses (ECL).

The Company's financial assets measured at amortized cost are presented in the statement of financial position as Cash, Trade and Other Receivables (excluding advances to suppliers and advances to employees), and Guarantee Deposits, Rental and Other Deposits, and Bid and Construction Bonds (presented as part of Prepayments and Other Current account in the statement of financial position).

For purposes of cash flows reporting and presentation, cash generally include cash on hand, demand deposits and savings deposits which are subject to insignificant risk of changes in value.

Interest income earned is recognized as part of Other Income (Charges) account in the statement of comprehensive income.

(ii) Impairment of Financial Assets

At the end of the reporting period, the Company assesses its ECL on a forward-looking basis associated with its financial assets carried at amortized cost. The measurement of ECL involves consideration of a broader range of information in assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect collectability of the future cash flows of the financial assets.

For trade and other receivables, the Company recognizes lifetime ECL when there has been a significant increase in credit risk on a financial asset since initial recognition. Lifetime ECL represents the expected credit loss that will result from all possible default events over the expected life of a financial asset, irrespective of the timing of the default. However, if the credit risk on a financial asset has not increased significantly since initial recognition, the Company measures and provides for credit losses that are expected to result from default events that are possible within 12 months after the end of the reporting period.

The Company determines whether there has been a significant increase in credit risk for financial asset since initial recognition by comparing the risk of default occurring over the expected life of the financial asset between the reporting date and the date of the initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that may indicate an actual or expected deterioration of the credit quality of the financial assets.

The key elements used in the calculation of ECL are as follows:

- *Probability of default (PD)* – It is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or the remaining lifetime of the obligation.

- *Loss given default (LGD)* – It is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Company would expect to receive, including the realization of any collateral or effect of any credit enhancement.

- *Exposure at default (EAD)* – It represents the gross carrying amount of the financial instruments in the event of default which pertains to its amortized cost.

The Company recognizes an impairment loss in profit or loss for all financial instruments subjected to impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account.

(iii) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

(b) Financial Liabilities

Financial liabilities, which include loans and other borrowings, lease liability and trade and other payables (excluding tax-related payables) are recognized when the Company becomes a party to the contractual terms of the instrument.

All interest-related charges incurred on financial liability are recognized as an expense in profit or loss under Finance Costs in the statement of comprehensive income.

Loans and other borrowings are raised for support of short-term and long-term funding of operations. These are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and other payables (excluding tax-related payables) are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Dividend distributions to shareholders are recognized as financial liabilities upon declaration by the Company.

Financial liabilities are derecognized from the statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration. Financial liabilities are also derecognized when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability derecognized and the consideration paid or payable is recognized in profit or loss.

(c) Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the resulting net amount, considered as a single financial asset or financial liability, is reported in the statement of financial position when the Company currently has legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. The right of set-off must be available at the end of the reporting period, that is, it is not contingent on future events. It must also be enforceable in the normal course of business, in the event of default, and in the event of insolvency or bankruptcy; and must be legally enforceable for both entity and all counterparties to the financial instruments.

2.5 Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined using the first-in, first-out method. The cost of inventories includes all costs directly attributable to acquisitions, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Allowance is made for, where necessary, obsolete, slow-moving and defective inventories.

2.6 Prepayments and Other Assets

Prepayments and other current assets pertain to other resources controlled by the Company as a result of past events. They are initially recognized at cost in the financial statements when it is probable that the future economic benefits will flow to the Company and the asset has a cost or value that can be measured reliably. These are subsequently changed to profit or loss as utilized or reclassified to another asset account, if capitalizable.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.12).

2.7 Property, Plant and Equipment

The Company's property and equipment, except land, are stated at cost less accumulated depreciation and any accumulated impairment losses. Land is measured at cost less any accumulated impairment losses.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for additions, major improvements and renewals are capitalized only when it is probable that future economic benefits associated to the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Office condominium unit	25 years
Transportation equipment	5 years
Warehouse equipment	1-5 years
Demo units	1-5 years
Furniture and fixtures	1-3 years
Computer equipment	1-3 years
Building – warehouse	25 years

Leasehold improvements are amortized over the terms of the related leases or the useful lives of the improvements of two years, whichever is shorter.

Construction-in-progress represents a warehouse under construction and is stated at cost. This includes the costs of construction and other direct costs. The account is not depreciated until such a time that the assets are completed and available for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.12).

The residual values, estimated useful lives and method of depreciation of property and equipment are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property and equipment, including the related accumulated depreciation and impairment losses, is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.8 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive obligation that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as an interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the Company that do not yet meet the recognition criteria of an asset are considered contingent assets; hence, are not recognized in the financial statements. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.9 Revenue and Expense Recognition

Revenue arises mainly from the sale, and installation of medical equipment.

To determine whether to recognize revenue, the Company follows a five-step process:

(1) identifying the contract with a customer;
(2) identifying the performance obligation;
(3) determining the transaction price;
(4) allocating the transaction price to the performance obligations; and,
(5) recognizing revenue when/as performance obligations are satisfied.

The Company determines whether a contract with customer exists by evaluating whether the following gating criteria are present:

(i) the parties to the contract have approved the contract either in writing, orally or in accordance with other customary business practices;
(ii) each party's rights regarding the goods or services to be transferred or performed can be identified;
(iii) the payment terms for the goods or services to be transferred or performed can be identified;
(iv) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and,
(v) collection of the consideration in exchange of the goods and services is probable.

Revenue is recognized only when (or as) the Company satisfies a performance obligation by transferring control of the promised goods or services to a customer. The transfer of control can occur over time or at a point in time.

A performance obligation is satisfied at a point in time unless it meets one of the following criteria, in which case it is satisfied over time:

(i) the customer simultaneously receives and consumes the benefits provided by the Company's performance as the Company performs;

(ii) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and,

(iii) the Company's performance does not create an asset with an alternative use to the Company and the entity has an enforceable right to payment for performance completed to date.

The transaction price allocated to performance obligations satisfied at a point in time is recognized as revenue when control of the goods or services transfers to the customer.

If the performance obligation is satisfied over time, the transaction price allocated to that performance obligation is recognized as revenue as the performance obligation is satisfied.

The Company also assesses its revenue agreements against the specific criteria enumerated below in order to determine if it is acting as principal or agent. Both the legal form and the substance of the agreement are considered to determine each party's respective roles in the agreement. Revenue is recorded at gross when acting as a principal while only net revenues are considered if only an agency service exists. In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Sale of medical equipment* – Revenue is recognized when or as the Company transfers control of the assets at a point in time to the customer. Invoices for goods transferred are due upon receipt by the customer.

(b) *Installation of medical facilities and medical equipment* – Revenue from installation of medical facilities and medical equipment is recognized over time and is based on a percentage-of-completion method.

(c) *Distribution income* – Revenue from warehousing and logistics services is recognized over time and is equivalent to a percentage of the counterparty's net sales.

The Company presents a contract asset when it performs by transferring control of medical equipment or performing installation services to a customer before the customer pays consideration or before payment is due. A contract asset is the Company's right to consideration in exchange for goods or services that the Company has transferred to a customer. Contract assets are subjected to impairment in the same manner as how the Company assesses impairment of its financial assets.

The Company presents a contract liability when a customer pays the consideration, or a Company has the right to an amount of consideration that is unconditional (i.e., a receivable), before the Company transfers integrated circuits or performs installation service to the customer. A contract liability is the Company's 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.

In obtaining customer contracts, the Company incurs incremental costs. As the expected amortization period of these costs, if capitalized, would be less than one year, the Company uses the practical expedient in PFRS 15 and expenses such costs as incurred. The Company also incurs costs in fulfilling contracts with customers. However, as those costs are within the scope of other financial reporting standards, the Company accounts for those costs in accordance with accounting policies related to those financial reporting standards.

Cost and expenses are recognized in profit or loss upon utilization of goods or services or at the date they are incurred. All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset.

2.10 Leases

(a) *Company as a Lessee*

For any new contracts entered into, the Company considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;

- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,

- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability in the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

Subsequently, the Company depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist (see Note 2.12).

On the other hand, the Company measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets and lease liabilities have been presented separately from all other assets and liabilities, respectively.

(b) Company as a Lessor

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized as part of Other Income (Charges) – net in profit or loss on a straight-line basis over the lease term.

2.11 Foreign Currency Transactions and Translation

The accounting records of the Company are maintained in Philippine pesos. Foreign currency transactions during the year are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

2.12 Impairment of Non-financial Assets

The Company's property and equipment, right-of-use asset and other non-financial assets are subject to impairment testing. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable.

Similarly, at each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory (or group of similar items) with its net realizable value. If an item of inventory (or group of similar items) is impaired, its carrying amount is reduced to its net realizable value and an impairment loss is recognized immediately in profit or loss in the statement of comprehensive income.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized in profit or loss for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts, which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget, adjusted as necessary to exclude the effects of asset enhancements. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risk factors.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist. An impairment loss is reversed if the asset's or cash generating unit's recoverable amount exceeds its carrying amount.

2.13 Employee Benefits

The Company provides post-employment benefits to employees through a defined benefit plan and defined contribution plans, and other employee benefits, which are recognized as follows:

(a) Post-employment Defined Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Company, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Company's post-employment defined benefit plan covers all regular full-time employees. The pension plan is tax-qualified, non-contributing and administered by a trustee.

The liability recognized in the statement of financial position for a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows for expected benefit payments using a discount rate derived from the interest rates of zero coupon government bonds using the reference rates published by Bloomberg using its valuation technology, Bloomberg Valuation (BVAL), that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability. BVAL provides evaluated prices that are based on market observations from contributed sources.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Salaries and wages under Operating Expenses in the statement of comprehensive income.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment and curtailment.

(b) Post-employment Defined Contribution Plans

A defined contribution plan is a post-employment plan under which the Company pays fixed contributions into an independent entity, such as the Social Security System (SSS). The Company has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities or assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short-term nature.

(c) Short-term Benefits

Short-term employee benefits include wages, salaries, bonuses, and non-monetary benefits provided to current employees, which are expected to be settled before twelve months after the end of the annual reporting period during which an employee services are rendered, but does not include termination benefits. The undiscounted amount of the benefits expected to be paid in respect of services rendered by employees in an accounting period is recognized in profit or loss during that period and any unsettled amount at the end of the reporting period is included as part of Accrued expenses under Trade and Other Payables account in the statements of financial position.

(d) Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of each reporting period. They are included in the Trade and Other Payables account in the statement of financial position at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

(e) Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever the employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of when it can no longer withdraw the offer of such benefits and when it recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the reporting period are discounted to their present value.

2.14 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or current tax liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of each reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The measurement of deferred tax assets and deferred tax liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

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

2.15 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless of 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) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual; and, (c) the Company's funded retirement plan.

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

Transactions amounting to 10% or more of the total assets based on the latest audited financial statements that were entered into with the related parties are considered material.

All individual material related party transactions shall be approved by at least two-thirds vote of the BOD, with at least a majority of the independent directors voting to approve the material related party transactions. In case that a majority of the independent directors' vote is not secured, the material related party transaction may be ratified by the vote of the stockholders representing at least two-third of the outstanding capital stock. For aggregate related party transactions within a 12-month period that breaches the materiality threshold of 10% of the Company's total assets based on the latest audited financial statements, the same BOD approval would be required for the transactions that meet and exceed the materiality threshold covering the same related party.

2.16 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Company's BOD – its chief operating decision-maker. The Company's BOD is responsible for assessing the performance of the operating segments.

In identifying its operating segments, management generally follows the Company's business line as disclosed in Note 4.

The measurement policies the Company uses for segment reporting under PFRS 8, *Operating Segments*, are the same as those used in its financial statements.

In addition, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to a segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.17 Equity

Capital stock represents the nominal value of shares that have been issued.

Additional paid-in capital includes any premium received on the issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Treasury shares are stated at the cost of reacquiring such shares and are deducted from stockholders' equity until the shares are cancelled, reissued or disposed of.

Revaluation reserves comprise remeasurements of retirement benefit obligation.

Retained earnings represent all current and prior period results of operations as reported in the statement of comprehensive income, reduced by the amounts of dividends declared, if any.

2.18 Basic and Diluted Earnings Per Share

Basic earnings per share (EPS) is determined by dividing net profit by the weighted average number of common shares issued, retrospectively adjusted for any stock dividends or stock splits, less any shares held in treasury during the reporting period. The diluted EPS is also computed by dividing net profit by the weighted average number of common shares issued and outstanding during the reporting period. However, net profit attributable to common shares and the weighted average number of common shares outstanding are adjusted to reflect the effects of any potentially dilutive preferred shares, convertible loan and stock option.

Currently, the basic and diluted EPS are the same as there are no dilutive preferred shares, convertible loan and stock option.

2.19 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Company's financial position at the end of the reporting period (adjusting event) is reflected in the financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) *Determination of Lease Term of Contracts with Renewal and Termination Options*

In determining the lease term, management considers all relevant factors and circumstances that create an economic incentive to exercise a renewal option or not exercise a termination option. Renewal options and/or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended or not terminated.

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 is within the control of the Company.

The Company did not include the renewal period as part of the lease term for leases of office spaces because the terms are renewable upon the mutual agreement of the parties.

(b) *Determination of Timing of Satisfaction of Performance Obligations*

(i) *Installation of Medical Facilities and Medical Equipment*

The Company determines that its revenue from installation of medical facilities and medical equipment shall be recognized over time. In making its judgment, the Company considers the timing of receipt and consumption of benefits provided by the Company to the customers. The Company provides installation services without the need of reperformance of other companies. This demonstrates that the customers simultaneously receive and consume the benefits of the Company's rendering of installation service as it performs.

In determining the best method of measuring the progress of the Company's rendering of installation services, management considers the input method under PFRS 15 because of the direct relationship between the Company's effort, in terms of materials or supplies used, incurred labor hours, and the transfer of service to the customer.

(ii) *Sale of Medical Equipment*

The Company determines that its revenue from sale of medical equipment shall be recognized at a point in time when the control of the goods have passed to the customer, i.e., generally when the customer has acknowledged delivery of the goods.

(c) Determination of Transaction Price and Amounts Allocated to Performance Obligation

The transaction price for a contract is allocated amongst the material rights and other performance obligations identified in the contract based on their stand-alone selling prices, which are all observable. The transaction price for a contract excludes any amounts collected on behalf of third parties [e.g., value-added taxes (VAT)]. The Company uses the practical expedient in PFRS 15 with respect to non-adjustment of the promised amount of consideration for the effects of significant financing component as the Company expects, at contract inception, that the period between when the Company transfers promised goods or services to the customer and payment due date is one year or less.

(d) Determination of ECL of Financial Assets at Amortized Cost

The Company uses the simplified approach to calculate ECL for trade and other receivables and contract assets, except those trade receivables from certain agencies of the Philippine National Government (NG). The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating).

The provision matrix is based on the Company's historical observed default rates. The Company's management intends to regularly calibrate (i.e., on an annual basis) the matrix to consider the historical credit loss experience with forward-looking information (i.e., forecast economic conditions).

With respect to trade receivables arising from contracts with NG, management determines the ECL based on the most recent external credit rating provided for the Philippines. Such a rating is considered as the equivalent loss rate in determining the loss allowance related to trade receivables with NG agencies, as it reflects both historical and current considerations, and accounts for the potential impact of future events.

If the Company cannot immediately collect its receivables, management considers the expected manner of recovery to measure ECL. If the recovery strategies indicate that the outstanding balance of receivables can be fully collected, the ECL is limited to the effect of discounting the amount due over the period until cash is realized.

Details about the ECL on the Company's financial assets at amortized cost disclosed in Note 23.2.

(e) Recognition of Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.8 and disclosures on relevant contingencies are presented in Note 22.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(a) Determination of Appropriate Discount Rate in Measuring Lease Liability

The Company measures its lease liability at the present value of the lease payments that are not paid at the commencement date of the lease contract, for new lease contracts. The lease payments were discounted using a reasonable rate deemed by management equal to the Company's incremental borrowing rate. In determining a reasonable discount rate, management considers the term of the leases, the underlying asset, credit risk of the Company and the economic environment. Actual results, however, may vary due to changes in estimates brought about by changes in such factors.

(b) Recognition of Revenues Based on Percentage of Completion (POC)

The Company recognizes its revenue from installation of medical facilities and medical equipment based on the POC under the input method of the project whereby the performance obligations are satisfied over time (see Note 2.9). The Company's application of POC method is based on its efforts or inputs (i.e., actual costs incurred) to the satisfaction of a performance obligation relative to the total expected construction costs. Review of the benchmarks set by management necessary for the determination of POC is done regularly. Actual data is being compared to the related benchmarks and critical judgment is exercised to assess the reliability of the percentage of completion procedures which are currently in place and make the necessary revisions in the light of current progress.

(c) Estimation of Allowance for ECL

The measurement of the allowance for ECL on financial assets at amortized cost and contract assets is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring ECL is further detailed in Note 23.2(b).

(d) Determination of Net Realizable Value of Inventories

In determining the net realizable value of inventories, management takes into account the most reliable evidence available at the dates the estimates are made. The Company's core business is continuously subject to rapid technological changes which may cause inventory obsolescence. Moreover, future realization of the carrying amounts of inventories as presented in Note 7 is affected by price changes and action from competitors. Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Company's inventories within the next financial reporting period.

(e) Estimation of Useful Lives of Property and Equipment and Right-of-use Asset

The Company estimates the useful lives of property and equipment and right-of-use asset based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and right-of-use asset are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

The carrying amounts of property and equipment and right-of-use asset are analyzed in Notes 9 and 10, respectively. Based on management's assessment as of December 31, 2022 and 2021, there is no change in estimated useful lives of those assets during those years. Actual results, however, may vary due to changes in estimates brought about by changes in the factors mentioned above.

(f) Determination of Realizable Amount of Deferred Tax Assets

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount 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 asset to be utilized. Management assessed that the deferred tax assets recognized as of December 31, 2022 and 2021 will be fully utilized in the coming years. The carrying value of deferred tax assets as of those dates is disclosed in Note 18.

(g) Impairment of Non-financial Assets

In assessing impairment, management estimates the recoverable amount of each asset or a cash-generating unit based on expected future cash flows and uses an interest rate to calculate the present value of those cash flows. Estimation uncertainty relates to assumptions about future operating results and the determination of a suitable discount rate (see Note 2.12).

Though management believes that the assumptions used in the estimation of fair values reflected in the financial statements are appropriate and reasonable, significant changes in those assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

No impairment loss is required to be recognized on the Company's property and equipment, right-of-use assets and other non-financial assets in 2022, 2021 and 2020.

(h) Valuation of Post-employment Defined Benefit Obligation

The determination of the Company's obligation or asset and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, expected rate of return on plan assets, salary rate increase, and employee turnover rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or losses and the carrying amount of the post-employment benefit obligation or asset in the next reporting period.

The amounts of post-employment benefit obligation or asset and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 17.2.

4. OPERATING SEGMENT

The Company has only one reportable segment, i.e., distribution of medical equipment, which caters to private and government customers. Revenues from several government agencies, which are considered as a major customer, exceeds 10% of the Company's total revenues in 2022 and 2021 (see Note 14). The details of the revenues from these customers are as follows:

	2022	2021
Department of Budget and Management	**P1,091,648,306**	P 556,945,259
Department of Health	**-**	277,239,852
	P1,091,648,306	P 834,185,111

Further, the Company has only one geographical segment as all of its operations are based in the Philippines.

5. CASH

Cash includes the following components:

	March 2023	Dec 2022
Cash in banks	**P 247,258,208**	**P** 102,633,546
Cash on hand	**83,965**	83,966
	P 247,342,173	P 102,717,512

Cash in banks generally earn interest based on daily bank deposit rates. Interest income earned amounted to P 28,522 for the first quarter of 2023 and P245,858, P159,603 and P224,737 in December 2022, 2021 and 2020, respectively, and is presented as Interest income under Other Income (Charges) – net in the statements of comprehensive income (see Note 16).

6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

	Notes	**March 2023**	Dec 2022
Trade receivables:			
Third parties		**P1,418,463,476**	P1,531,301,893
Related parties	19.2, 19.3 19.4	**-**	-
		1,418,463,476	1,531,301,893
Allowance for expected credit losses	23.2(b)	**(34,667,038)**	(34,217,038)
		1,383,796,438	1,497,084,855
Non-trade receivables:			
Advances to suppliers		**272,341,606**	264,221,515
Advances to employees		**2,904,153**	2,637,950
Advances to a related party	19.1	**-**	-
Other receivables		**1,553,320**	2,225,528
		276,799,079	269,084,993
		P1,660,595,517	P 1,766,169,848

Advances to suppliers pertain to full or partial payment for goods and services before they are actually received by the Company.

Advances to employees consists of advances used in the daily operations of the Company. These advances are noninterest-bearing and expected to be liquidated within the next reporting period.

Other receivables generally arise from transactions outside the usual operating activities of the Company. These receivables pertain to non-trade borrowings by third parties which have market connections and are customers of the Company.

A reconciliation of the allowance for impairment at the beginning and end of 2023 and 2022 is shown below.

	Notes	**March 2023**	Dec 2022
Balance at beginning of year		**P 34,217,038**	P 33,017,152
Provision for ECL	15	**450,000**	1,199,886
Balance at end of year	23.2(b)	**P 34,667,038**	P 34,217,038

Provision for ECL is presented as part of Operating Expenses in the statements of comprehensive income.

7. INVENTORIES

The breakdown of inventories, which are all stated at cost, are as follows:

	March 2023	Dec 2022
Inventories	**P 121,921,520**	P 85,436,495
Allowance for inventory obsolescence	**(8,511,533)**	(8,511,533)
	P 113,409,987	P 76,924,962

In 2021, under the terms of agreements covering the liabilities under trust receipts, inventories with carrying amount of P84,717,799, have been released to the Company in trust for by banks. The Company is accountable to the banks for the trusted inventories and for proceeds of the sale of such inventories (see Note 12.1). There was no similar transaction in 2022.

In prior years, the Company provided an allowance for obsolete inventories amounting to P8,511,533. The Company assessed that there were no additional obsolete and impaired inventories in 2022, 2021, and 2020.

An analysis of the costs of inventories included in the direct costs in each year is presented in Note 15.

8. PREPAYMENTS AND OTHER CURRENT ASSETS

The composition of this account as of December 31 is shown below.

	March 2023	Dec 2022
Input VAT	**P 117,383,719**	P 103,267,862
Bid and construction bonds	**3,424,485**	3,424,485
Rental and other deposits	**635,073**	626,723
Prepaid insurance	**490,362**	181,378
Creditable withholding tax	-	**1,142,196**
VAT withholding tax	-	**9,320,811**
Others	**3,417,000**	1,619,994
	P 135,813,646	P 109,120,442

Bid bonds are issued by contractors to the project owner as part of supply bidding process to provide guarantee that the winning bidder will undertake the contract under the terms at which they bid. Construction bonds, on the other hand, represent deposits required prior to the start of construction to cover all violations or non-compliance of any guidelines, requirements, or deviation from the approved plans and may be forfeited as a result of violation.

Other prepayments include expenses that have been paid but have not yet been used up or expired such as internet subscription and prepayments for employees' medical check-up.

9. PROPERTY, PLANT AND EQUIPMENT

The gross carrying amounts and accumulated depreciation of property, plant and equipment at the beginning and end of 2023 and 2022 are shown below.

	Land	Leasehold improvements	Office condominium unit	Computer equipment	Furniture and fixtures	Transportation equipment	Warehouse equipment	Demo units	Construction in Progress	Building - Warehouse	Total
January 1, 2023											
Cost	P 121,350,000	P 7,209,938	P 13,907,143	P 16,539,980	P 2,795,968	P 10,609,795	P 5,215,863	P 23,911,830	P -	P 40,897,730	P 242,438,246
Accumulated depreciation	-	(7,135,104)	(5,126,768)	(10,768,395)	(2,653,103)	(7,205,516)	(4,396,494)	(22,579,424)	-	(1,174,129)	(61,038,934)
Net carrying amount, Q1 2023	**P 121,350,000**	**P 74,834**	**P 8,780,375**	**P 5,771,585**	**P 142,865**	**P 3,404,279**	**P 819,369**	**P 1,332,406**	**P -**	**P 39,723,601**	**P 181,399,312**
December 31, 2022											
Cost	P 121,350,000	P 7,209,938	P 13,907,143	P 15,875,795	P 2,780,968	P 10,609,795	P 5,195,326	P 23,911,830	P -	P 40,897,730	P 241,738,525
Accumulated depreciation	-	(7,118,474)	(4,987,698)	(9,979,775)	(2,554,583)	(7,064,338)	(3,498,696)	(22,463,221)	-	(817,956)	(58,484,741)
Net carrying amount	**P 121,350,000**	**P 91,464**	**P 8,919,445**	**P 5,896,020**	**P 226,385**	**P 3,545,457**	**P 1,696,630**	**P 1,448,609**	**P -**	**P 40,079,774**	**P 183,253,784**
Cost	P 121,350,000	P 7,110,159	P 13,907,143	P 12,458,701	P 2,345,357	P 8,355,463	P 1,523,773	P 23,837,401	P 15,840,903	P -	P 206,728,900
Accumulated depreciation	-	(7,110,159)	(4,431,412)	(6,264,033)	(2,345,357)	(7,962,678)	(1,523,773)	(21,648,925)	-	-	(51,286,337)
Net carrying amount	P 121,350,000	P -	P 9,475,731	P 6,194,668	P -	P 392,785	P -	P 2,188,476	P 15,840,903	P -	P 155,442,563

A reconciliation of the carrying amounts of property and equipment at the beginning and end of 2023 and 2022 is shown below and in the succeeding page.

	Land	Leasehold improvements	Office condominium unit	Computer equipment	Furniture and fixtures	Transportation equipment	Warehouse equipment	Demo units	Construction in Progress	Building - Warehouse	Total
Balance at January 1, 2023, net of accumulated depreciation	P121,350,000	P 91,464	P 8,919,445	P 5,896,020	P 226,385	P 3,545,457	P 1,696,630	P 1,448,609	P -	P 40,079,774	P 183,253,784
Additions	-	99,779	-	664,186	15,000	-	20,536	-	-	-	699,722
Disposals - net	-	-	-	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-		-	-
Depreciation charges for the quarter	-	(16,630)	(139,071)	(788,620)	(98,520)	(141,177)	(897,797)	(116,202)	-	(356,174)	(2,554,192)
Balance at March 31, 2023, net of accumulated depreciation	**P 121,350,000**	**P 74,834**	**P 8,780,375**	**P 5,771,585**	**P 142,865**	**P 3,404,279**	**P 819,369**	**P 1,332,406**	**P-**	**P 39,723,601**	**P 181,399,312**

	Land	Leasehold improvements	Office condominium unit	Computer equipment	Furniture and fixtures	Transportation equipment	Warehouse equipment	Demo units	Construction in Progress	Building - Warehouse	Total
Balance at January 1, 2022, net of accumulated depreciation	P 121,350,000	P -	P 9,475,731	P 6,194,668	P -	P 392,785	P -	P 2,188,476	P 15,840,903	P -	P 155,442,563
Additions	-	99,779	-	3,458,745	435,611	3,671,295	3,671,554	74,429	-	25,056,827	36,468,240
Disposals - net	-	-	-	-	-	(274,704)	-	-	-	-	(274,704)
Reclassification	-	-	-	-	-	-	-	-	(15,840,903)	15,840,903	-
Depreciation charges for the year	-	(8,315)	(556,286)	(3,757,393)	(209,226)	(243,919)	(1,974,924)	(814,296)	-	(817,956)	(8,382,315)
Balance at December 31, 2022, net of accumulated depreciation	P 121,350,000	P91,464	P 8,919,445	P 5,896,020	P 226,385	P 3,545,457	P 1,696,630	P 1,448,609	P -	P 40,079,774	P 183,253,784
Balance at January 1, 2021, net of accumulated depreciation	P 121,350,000	P -	P 32,373,014	P 4,649,380	P -	P 928,261	P -	P 6,675,273	P -	P -	P 165,975,928
Additions	-	-	-	3,055,909	-	-	-	-	15,840,903	-	18,896,812
Disposals - net	-	-	(21,819,409)	-	-	-	-	-	-	-	(21,819,409)
Reclassification to inventory - net	-	-	-	-	-	-	-	(1,484,911)	-	-	(1,484,911)
Depreciation charges for the year	-	-	(1,077,874)	(1,510,621)	-	(535,476)	-	(3,001,886)	-	-	(6,125,857)
Balance at December 31, 2021, net of accumulated depreciation	P 121,350,000	P -	P 9,475,731	P 6,194,668	P -	P 392,785	P -	P 2,188,476	P 15,840,903	P -	P 155,442,563

Depreciation expense amounting to P2,554,192 for the first quarter of 2023 and P8,382,315, P6,125,857 and P8,950,448 for 2022, 2021 and 2020, respectively, is presented as part of Operating Expenses in the statements of comprehensive income (see Note 15).

In 2022, the Company reclassified certain property and equipment from Construction in Progress to Building – Warehouse amounting to P15,840,903. Meanwhile, in 2021, the Company also made a reclassification of several demo units to commercial stocks, which then went to the normal processing of invoicing goods. The total net carrying value of property and equipment reclassified to inventories amounted to P1,484,911, with no gain or loss recognized.

In 2022, the Company sold certain fully depreciated computer equipment and transportation equipment with net carrying value of P274,704 for P514,994. The related gain amounting to P240,290 is presented as part of Other income under Other Income (charges)- net in the 2022 statement of comprehensive income (see Note 16.1). Meanwhile, in 2021, the Company sold certain condominium unit to a related party under common ownership (see Note 19.5). The total carrying value of the property and equipment sold amounted to P21,819,409 while the gain on sale amounted to P28,894,879, which is presented as part of Other income under Other Income (charges)- net in the 2021 statement of comprehensive income (see Notes 16.1 and 19.5). The Company also sold demo units in 2020 at net carrying amount of P2,156,697. There were no gains or losses arising from this transaction in 2020.

As of December 31, 2021, land amounting to P1,350,000 and office condominium unit amounting to P9,475,732 and other properties owned by the stockholders were mortgaged in favor of local banks to secure credit facilities (see Note 12). There were no items of property, plant and equipment pledged or mortgaged as of December 31, 2022.

As of December 31, 2022 and 2021, the Company's fully depreciated assets amounting to P46,141,843 and P39,531,816, respectively, are still being used in operations.

10. LEASES

The Company have existing leases for warehouse and vehicles. The warehouse lease is reflected on the statements of financial position as a right-of-use asset and a lease liability, while the exception of short-term lease and lease of low-value underlying asset is applied to the vehicle leases.

The lease generally imposes a restriction that, unless there is a contractual right for the Company to sublease the asset to another party, the right-of-use asset can only be used by the Company. The lease is either non-cancellable or may only be cancelled by incurring a substantive termination fee. The lease does not contain an option to purchase the underlying lease asset outright at the end of the lease but contains a provision to extend the lease for a further term. The Company is prohibited from selling or pledging the underlying leased assets as security. For such lease, the Company must keep the property in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Company must ensure the leased asset and incur maintenance fees on the office space in accordance with the lease contract.

The Company has only one asset leased, which pertains to warehouse with floor area of 660 square meters. Lease contract provides a monthly rental payment of P182,474 for five years starting January 1, 2019 to December 31, 2023, renewable upon agreement by both parties.

On February 11, 2021, the Company and the lessor agreed to modify the terms of the lease agreement. The modification includes the retroactive revision of the lease term from April 16, 2020 to April 15, 2022. The modification also includes an increase in monthly rental payment to P339,000 from P182,474. Total loss recognized as a result of the lease modification amounted to P1,166,872 and is presented as part of Other Income (Charges) – Net in the 2021 statement of comprehensive income (see Note 16.2).

On June 15, 2022, the Company terminated its lease contract with its lessor.

10.1 Right-of-use Asset

The carrying amount of the Company's right-of-use asset and the movements during the year are shown below.

	Notes	**March 2023**	Dec 2022
Cost			
Balance at beginning of year		**P -**	P 8,032,662
Effect of lease modification	16.2	-	-
Balance at end of year		-	8,032,662
Accumulated amortization:			
Balance at beginning of year		-	6,861,232
Depreciation and amortization	15	-	1,171,430
Effect of lease modification	16.2	-	-
Balance at end of year		-	8,032,662
Carrying amount		**P -**	P-

11. TRADE AND OTHER PAYABLES

This account consists of:

	Note	March 2023	Dec 2022
Trade payables:			
Third parties		**P 1,514,745,989**	P 1,473,722,474
Related parties	19.6	**-**	-
		1,514,745,989	1,473,722,474
Deferred output VAT		**186,077,708**	191,127,721
Advances from a related party	19.1	**32,633,635**	30,923,575
Accrued expenses		**7,151,454**	4,530,465
Payable to government agencies		**11,705,988**	2,504,155
		P 1,752,314,774	P 1,702,808,390

Trade payables are noninterest-bearing and are due within the next reporting period.

Deferred output VAT pertains to the difference between the output tax recognized for transactions with the government under PFRS 15 revenue recognition and output tax recognized based on collection which are already reported and paid to the Bureau of Internal Revenue (BIR).

Accrued expenses represent accrual for direct labor and other expenses which are already incurred but not yet paid as of the end of the reporting period.

Payable to government agencies include withholding taxes, VAT, and the SSS, Home Development Mutual Fund (HDMF), and Philippine Health Insurance Corporation (PHIC) contributions.

12. LOANS AND OTHER BORROWINGS

Loans and other borrowings are broken down as follows:

	Note	March 2023	Dec 2022
Notes payable	12.2	**P 180,536,097**	P 181,634,310
Trust receipts	12.1	**-**	-
		P 180,536,097	P 181,634,310

Loans and other borrowings are presented in the statements of financial position as follows:

	March 2023	Dec 2022
Current	**P 180,536,097**	P 181,634,310
Non-current	**-**	-
	P 180,536,097	P 181,634,310

As of December 31, 2022, the Company has no outstanding trust receipts and the Company's notes payable amounting to P180,000,000 has no collateral and is under a clean line. In 2021, the notes payable amount to P353,747,910 and trust receipts amounting to P255,467,092 was secured by land and office condominium unit with carrying amounts totaling to P10,825,732 and P33,723,014, respectively, and other properties owned by the stockholders (see Note 9). These are also secured by a corporate guaranty and cross suretyships with the stockholders and various related parties.

A reconciliation of the carrying amounts of loans and other borrowings at the beginning and end of 2022 and 2021 is shown in Note 13.

12.1 Liabilities under Letters of Credits and Trust Receipts

In 2021, the Company availed of letter of credits and trust receipt lines with local banks to finance its purchases of inventories (see Note 7). These short-term trust receipts bear fixed interest rates ranging from 4.50% to 7.00% per annum with a maximum term of 180 days. The lines obtained from various banks are being utilized by the Company for the procurement of both local and foreign inventories.

As of December 31, 2022, the Company has no outstanding letter of credit and trust receipts payable.

12.2 Notes Payable

Notes payable represent term loans obtained from various local banks to finance its purchases of inventories and for additional working capital requirement of the Company. Notes payable bear an interest ranging from 4.50% to 6.75% per annum with terms ranging from six months to five years in 2022, and 4.50% to 5.25% per annum with terms ranging from six months to five years in 2021 and 2020. The Company's loan agreements do not contain covenant obligations.

Notes payable as of December 31 are broken down as follows:

	March 2023	Dec 2022
Current	**P 180,536,097**	P 181,634,310
Non-current	-	-
	P 180,536,097	P 181,634,310

12.3 Interest Expense and Bank Charges

Interest expense on loans and other borrowings amounting to P 3,070,463 in the first quarter of 2023 and P9,195,718, P47,224,754 and P30,697,178 in 2022, 2021 and 2020, respectively, is presented as part of Finance Charges under Other Income (Charges) – net in the statements of comprehensive income
(see Note 16.2).

Bank charges paid and incurred for the availment and processing of loans and other borrowings amounted to P 486,994 in the first quarter of 2023 and P3,071,683, P7,549,984 and P6,976,422 in 2022, 2021 and
2020, respectively, and is presented as part of Finance Charges under Other Income (Charges) – Net in the statements of comprehensive income (see Note 16.2).

13. REVENUE

13.1 Disaggregation of Revenues

The Company derives revenue from the transfer of goods and services in the following primary geographical markets:

	Sale of Medical Equipment (point in time)	Installation (over time)	Total
March 31, 2023			
Primary geographical markets			
Luzon	P 53,573,888	P -	P 53,573,888
Visayas	8,443,365	-	8,443,365
Mindanao	33,146,178	-	33,146,178
	P 95,163,431	**P -**	**P 95,163,431**
December 31, 2022			
Primary geographical markets			
Luzon	P 593,478,912	P 649,321,200	P 1,242,800,112
Visayas	100,478,669	26,169,625	126,648,294
Mindanao	182,956,932	412,395,068	595,352,000
	P 876,914,513	P1,087,885,894	P 1,964,800,406

	Sale of Medical Equipment (point in time)	Installation (over time)	Total
December 31, 2021			
Primary geographical markets			
Luzon	P 842,743,575	P 186,522,529	P 1,029,266,104
Visayas	33,249,485	201,149,452	234,398,937
Mindanao	131,023,723	190,339,653	321,363,376
	P1,007,016,783	P 578,011,634	P 1,585,028,417

The Company derives revenue from the transfer of goods and services in the following sectors:

	Sale of Medical Equipment (point in time)	Installation (overtime)	Total
March 31, 2023			
Customers			
Private entities	P 3,058,649	P -	P 3,058,649
Government	92,104,782	-	92,104,782
	P 95,163,431	**P -**	**P 95,163,431**

December 31, 2022			
Customers			
Private entities	P 140,106,119	P -	P 140,106,119
Government	736,808,394	1,087,885,893	1,824,694,287
	P 876,914,513	P1,087,885,893	P 1,964,800,406
December 31, 2021			
Customers			
Private entities	P 184,819,204	P -	P 184,819,204
Government	822,197,579	578,011,634	1,400,209,213
	P1,007,016,783	P 578,011,634	P 1,585,028,417

13.2 Contract Balances

The Company recognizes contract assets, due to timing difference of payment and satisfaction of performance obligation, to the extent of satisfied performance obligation on all open contracts as of the end of the reporting period.

Changes in the contract assets and contract liabilities are recognized by the Company when a right to receive payment is already established and upon performance of unsatisfied performance obligation, respectively.

The balance of contract assets and contract liabilities were as follows:

	March 2023	Dec 2022
Contract assets	**P1,768,036,154**	**P1,768,036,154**
Contract liabilities	**-**	**-**

Contract assets pertains to revenue recognized based on POC that is not yet billed nor collected as of the first quarter of 2023 and December 31, 2022 and 2021. As of the first quarter of 2023 and December 31, 2022 and 2021, there were no impairment of contract assets.

A reconciliation of the movements of contract balances is shown below.

	March 2023	Dec 2022
Contract assets:		
Balance at beginning of year	**P 1,768,036,154**	P 1,195,263,315
Contract assets during the year	**-**	1,104,276,145
Transfers from contract assets recognized at the beginning of year to trade receivables	**(47,133,454)**	(531,503,306)
Balance at end of year	**P 1,720,902,700**	P 1,768,036,154
Contract liabilities:		
Balance at beginning of year	**P 21,073,994**	P 21,073,994
Revenue recognized that was included in contract liabilities at the beginning of year	**(21,073,994)**	(21,073,994)
Increase due to cash received excluding amount recognized as revenue during the year	**-**	**-**
Balance at end of year	**P -**	P -

14. OPERATING EXPENSES BY NATURE

The details of the Company's operating expenses by nature are shown below.

	Notes	March 2023	March 2022	Dec 2022
Change in inventories		**P 62,308,744**	P 191,910,142	P 1,581,474,295
Salaries and wages	17.1, 19.8	**10,337,016**	9,444,919	42,945,779
Professional fees	19.7	**4,480,751**	5,113,518	18,435,633
Taxes and licenses		**1,071,839**	3,917,695	14,723,270
Depreciation and amortization	9, 10	**2,554,192**	2,139,095	9,553,745
Penalties		**1,139,819**	2,509,866	7,067,571
Freight and handling		**2,717,588**	1,798,961	6,693,411
Travel and transportation		**737,711**	749,341	4,771,296
Insurance		**297,234**	440,495	2,337,642
Representation		**760,752**	1,162,296	2,059,363
Security and janitorial		**542,824**	177,761	1,815,667
SSS, HDMF and PHIC contribution		**523,609**	367,289	1,679,517
Utilities and communication		**565,242**	794,733	1,670,527
Rent	10.3	**305,772**	745,649	1,479,366
Training and seminars		**186,122**	-	1,203,973
Provision for ECL	6	**450,000**	-	1,199,886
Advertising and promotion		**80,357**	-	1,092,571
Meals		**402,843**	154,595	1,070,535
Bidding		**80,562**	145,795	927,752
Repairs and maintenance		**252,316**	113,796	742,724
Supplies		**261,314**	67,627	412,307
Association dues		**52,436**	88,092	276,400
Accommodation		**75,801**	40,156	298,311
Miscellaneous		**1,641,098**	2,858,984	2,344,754
		P 91,825,242	P 222,948,380	P1,706,276,295

The expenses are classified in the statements of comprehensive income as follows:

	March 2023	March 2022	Dec 2022
Direct costs	**P 62,308,744**	P 191,910,142	P1,581,474,295
Operating expenses	**29,517,198**	31,038,238	124,802,000
	P 91,825,242	P 222,948,380	P1,706,276,295

The details of direct costs are shown below.

	Notes	March 2023	March 2022	Dec 2022
Inventories at beginning of year	7	**P 76,924,962**	P 120,421,869	P 120,421,869
Net purchases during the year	19.6	**98,793,069**	230,415,530	1,537,977,388
		-	350,837,399	1,658,399,257
Inventories at end of period	7	**(113,409,987)**	(158,927,256)	(76,924,962)
		P 62,308,044	P 191,910,143	P1,581,474,295

15. OTHER INCOME (CHARGES) – Net

The breakdown of this account follows:

	Notes	March 2023	March 2022	Dec 2022
Other income	16.1	**P 2,250,726**	P 5,152,187	P 33,855,682
Finance charges	16.2	**(3,557,457)**	(3,880,868)	(12,281,409)
Foreign exchanges loss - net		**4,466,563**	(281,576)	(23,443,852)
Interest income	5	**28,522**	55,850	245,858
		P 3,188,354	P 1,045,594	(P 1,623,721)

15.1 Other Income

Other income includes the following:

	Notes	March 2023	March 2022	Dec 2022
Distribution income	19.2	**P 1,974,949**	P 4,760,339	P 32,047,999
Rent income	19.4	**275,777**	391,848	1,567,393
Gain on sale of property and equipment	9, 19.5	**-**	-	240,290
		P 2,250,726	P 5,152,187	P 33,855,682

15.2 Finance Charges

The breakdown of this account follows:

	Notes	March 2023	March 2022	Dec 2022
Interest expense on loans and borrowings	12.3	**P 3,070,463**	P 3,164,528	**P** 9,195,718
Bank charges	12.3	**486,994**	716,340	3,071,683
Interest expense on lease liability	10.4		-	14,008
		P 3,557,457	P 3,880,868	P 12,281,409

16. EMPLOYEE BENEFITS

16.1 Salaries and Employee Benefits

Details of salaries and employee benefits are presented below.

	Notes	March 2023	March 2022	Dec 2022
Short-term employee benefits		**P 10,194,033**	P 9,301,936	P 41,133,739
Post-employment defined benefit	17.2	**142,983**	142,983	1,812,040
	15, 19.8	**P 10,337,016**	P 9,444,919	P 42,945,779

16.2 Post-employment Defined Benefit Plan

(a) Characteristics of the Defined Benefit Plan

In 2022, the Company established a partially funded, tax-qualified, non-contributory post-employment plan that is being administered by a trustee bank that is legally separated from the Company.

The normal retirement age is 60 with a minimum of five years of credited service. The plan also provides that an employee may continue or extend his/her service up to age 64 upon mutual agreement of the employee and the management. Normal retirement benefit shall be a sum equivalent to 22.5 days pay for every year of credited service in accordance with the minimum requirements of the Republic Act 7641, *The Retirement Pay Law*. The post-employment plan covers all regular full-time employees.

(b) Explanation of Amounts Presented in the Financial Statements

Actuarial valuations are made periodically to update the retirement benefit costs and amounts of obligation. The last actuarial valuation was made as of December 31, 2021. No actuarial valuation report was obtained from an independent actuary in 2022 as management assessed that there were no significant changes in the retirement profile of the Company's employees and critical actuarial assumptions from the actuarial valuation determined as of December 31, 2021. Accordingly, management used the 2021 actuarial valuation report as the basis for the valuation of the post-employment defined benefit obligation as of December 31, 2022.

The amounts of post-employment defined benefit obligation recognized in the statements of financial position are determined as follows:

	2022	2021
Present value of the obligation	**P 8,839,139**	P 7,027,099
Fair value of plan assets	**(4,920,933)**	-
	P 3,918,206	P 7,027,099

The movements in the present value of the post-employment defined benefit obligation recognized in the books as of December 31, 2022 is shown below:

	2022	2021
Balance at beginning of year	**P 7,027,099**	P 4,343,118
Current service cost	**1,454,361**	399,945
Interest expense	**357,679**	171,987
Actuarial losses (gains) arising from:		
Experience adjustments	**-**	2,419,751
Changes in financial assumptions	**-**	(303,700)
Changes in demographic assumptions	**-**	(4,002)
Balance at end of year	**P 8,839,139**	P 7,027,099

The movements in the fair value of the plan assets as of December 31, 2022 are shown below.

Balance at beginning of year	P -
Contributions to the plan	5,000,000
Remeasurement losses	(79,067)
Balance at end of year	P 4,920,933

The fair values of the investments in unit investment trust fund are determined based on quoted market prices in active markets (classified as Level 1 of the fair value hierarchy). The Company's plan asset as of December 31, 2022 includes cash and investments in unit investment trust fund amounting to P127 and P4,920,806, respectively (see Note 19.9).

Plan assets do not comprise any of the Company's own financial instruments or any assets occupied and/or used in operations.

The components of amounts recognized in profit or loss and in other comprehensive income in respect of the defined benefit post-employment plan are as follows:

	2022	2021	2020
Reported in profit or loss:			
Current service cost	**P 1,454,361**	P 399,945	P 371,248
Interest expense	**357,679**	171,987	175,042
	P 1,812,040	P 571,932	P 546,290
Reported in other comprehensive loss:			
Actuarial losses (gains) arising from:			
Remeasurement of plan asset	**P 79,067**	P -	P -
Experience adjustments	**-**	2,419,751	146,480
Changes in financial assumptions	**-**	(303,700)	277,662
Changes in demographic assumptions	**-**	(4,002)	-
	P 79,067	P 2,112,049	P 424,142

Current service cost and interest expense is presented as part of Salaries and wages under Operating Expenses in the statements of comprehensive income (see Note 15).

Amounts recognized in other comprehensive income were included within items that will not be reclassified subsequently to profit or loss.

In determining the amounts of the defined benefit post-employment obligation, the following significant actuarial assumptions were used:

	2022	2021	2020
Discount rates	**5.09%**	5.09%	3.96%
Expected rate of salary increases	**3.00%**	3.00%	3.00%

Assumptions regarding future mortality experience are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 60 is 21.7 years, 22.7 years and 21.8 years in 2022, 2021 and 2020, respectively.

These assumptions were developed by management with the assistance of an independent actuary. Discount factors are determined close to the end of each reporting period by reference to the interest rates of zero-coupon government bonds with terms to maturity approximating the terms of the post-employment obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

(c) Risks Associated with the Retirement Plan

The plan exposes the Company to actuarial risks such as interest rate risk, longevity risk and salary risk.

(i) Interest Risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the plan obligation.

(ii) Longevity and Salary Risks

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(d) Other Information

The information on the sensitivity analysis for certain significant actuarial assumptions, and the timing and uncertainty of future cash flows related to the retirement plan are described below.

(i) Sensitivity Analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of December 31, 2022 and 2021:

	Impact on Retirement Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2022			
Discount rate	**+/- 1.00%**	**(P 251,665)**	**P 324,583**
Salary growth rate	**+/- 1.00%**	**328,451**	**(258,355)**
December 31, 2021			
Discount rate	+/- 1.00%	(P 235,615)	P 266,505
Salary growth rate	+/- 1.00%	269,480	(242,321)

The sensitivity analysis, as presented above, is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) Asset-liability Matching Strategies

To efficiently manage the retirement plan, the Company ensures that the investment positions are managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This strategy aims to match the plan assets to the retirement obligations by investing in long-term fixed interest securities (i.e., government or corporate bonds) with maturities that match the benefit payments as they fall due and in the appropriate currency. The Company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations.

In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of the plan assets as of December 31, 2022 consists of medium-term debt securities. The Company believes that these debt securities offer the best returns over the long term with an acceptable level of risk.

(iii) Funding Arrangements and Expected Contributions

As of December 31, 2022, the plan is underfunded by P3,918,206.

The maturity profile of undiscounted expected benefit payments from the plan as of December 31 are as follows:

	2022	2021	2020
More than one year to five years	**P 6,803,232**	P 6,354,803	P 3,238,337
More than five years	**2,125,662**	1,548,390	1,620,471
	P 8,928,894	P 7,903,193	P 4,858,808

The weighted average duration of the defined benefit obligation at the end of the reporting period is 5.0 years, 3.6 years and 5.6 years in 2022, 2021 and 2020, respectively.

17. CURRENT AND DEFERRED TAXES

The components of tax expense relating to profit or loss and other comprehensive income follow:

	2022	2021
Reported in profit or loss		
Current tax expense:		
Regular corporate income tax (RCIT) at 25% in 2022 and 2021, and 30% in 2020	**P 70,151,757**	P 46,315,610
Final tax at 20% and 15%	**49,172**	25,582
Effect of change in income tax rate	**-**	(3,788,827)
	70,200,930	42,552,365
Deferred tax income relating to:		
Origination and reversal of temporary differences	**(5,272,395)**	(3,828,037)
Effect of change in income tax rate	**-**	1,519,836
	(5,272,395)	(2,308,201)
	P 64,928,534	P 40,244,164

	2022	2021
Reported in other comprehensive loss		
Deferred tax expense (income) relating to:		
Origination and reversal of temporary differences	**(P 19,767)**	(P 528,012)
Effect of change in income tax rate	**-**	43,414
	(P 19,767)	(P 484,598)

A reconciliation of tax on pretax profit computed at the applicable statutory rates to tax expense reported in the statements of profit or loss follows:

	2022	2021
Tax on pretax profit at 25% in 2022 and 2021, and 30% in 2020	**P 64,225,098**	P 52,468,916
Adjustment for income subjected to lower tax rates	**(12,293)**	(14,319)
Effect of change in income tax rate	**-**	(2,268,991)
Tax effects of:		
Non-deductible expenses	**715,729**	915,781
IPO expenses charged against APIC	**-**	(10,857,223)
Tax expense	**P 64,928,534**	P 40,244,164

Components of the net deferred tax assets as presented in the statement of financial position as of December 31 follow:

	2022	Dec 2022
Unrealized foreign exchange loss (gain) – net	**P 5,802,769**	**P5,802,769**
Unamortized past service cost	**(886,410)**	**(886,410)**
Impairment losses on trade and other receivables	**8,554,260**	**8,554,260**
Post-employment benefit obligation	**1,865,961**	**1,865,961**
Right-of-use assets and lease liabilities – net	**-**	**-**
Provision for inventory obsolescence	**2,127,883**	**2,127,883**
	P 17,464,463	**P 17,464,463**

Movements in net deferred tax assets for the years ended December 31 presented in profit or loss and other comprehensive income follow:

	Profit or Loss		
	2022	2021	2020
Unrealized foreign exchange loss (gain) – net	**(P 5,812,055)**	P 1,046,400	(P 1,037,114)
Unamortized past service cost	**886,410**	-	-
Impairment losses on trade and other receivables	**(299,972)**	(3,854,310)	(P110,468)
Post-employment benefit obligation	**(89,419)**	30,758	(163,886)
Right-of-use assets and lease liabilities – net	**42,641**	43,374	(29,609)
Provision for inventory obsolescence	**-**	425,577	-
Deferred tax income	**(P 5,272,395)**	(P 2,308,201)	(P 1,341,077)

	Other Comprehensive Income		
	2022	2021	2020
Post-employment benefit obligation	**(P 19,767)**	(P 484,598)	(P 127,243)

The Company is subject to the minimum corporate income tax (MCIT), which is computed at 1% in 2022 and 2021 and 2% in 2020 of gross income net of allowable deductions, as defined under the tax regulations, or RCIT, whichever is higher. No MCIT was reported in 2022, 2021 and 2020 as the RCIT was higher than MCIT in those years.

In 2022, 2021 and 2020, the Company claimed itemized deductions in computing for its income tax due.

18. RELATED PARTY TRANSACTIONS

The Company's related parties include its stockholders, related parties under common ownership and key management personnel as described below.

		Amount of Transactions			Outstanding Balances		
	Notes	**2022**	2021	2020	**2022**	2021	2020
Related Parties under Common Ownership							
Advances – net	19.1	**P 33,051,281**	P 9,614,666	P -	**(P30,923,575)**	P 9,614,666	P -
Distribution income	19.2	**28,764,803**	15,343,997	15,796,442	**-**	15,343,997	-
Sale of medical equipment	19.3	**142,731**	3,931,709	19,692,052	**-**	3,958,301	-
Rent income	19.4	**1,460,250**	1,460,250	1,460,250	**-**	1,460,250	-
Sale of property and equipment	19.5	**-**	50,714,288	-	**-**	-	-
Purchases	19.6	**-**	5,540,099	-	**-**	(5,540,099)	-
Management fee	19.7	**12,500,000**	12,500,000	10,759,063	**-**	-	-
Stockholders							
Cash dividends	20.2	**25,444,724**	255,000,000	-	**-**	-	-
Key Management Personnel							
Compensation	19.8	**21,627,540**	15,846,743	10,035,240	**-**	-	-
Retirement Benefit Plan	19.9	**4,920,933**	-	-	**4,920,000**	-	-

The balances from these transactions are generally payable in cash on demand, unsecured and noninterest bearing. Due to the short duration of the payment to related parties, management considers their carrying amounts to be a reasonable approximation of their fair values. Further, the management believes that such balances of receivables, if there are any, can be collected; hence, not impaired.

18.1 Advances to and from Related Party

The Company transferred funds to and from Asya Medika Inc. (AMI), a related party under common ownership, for working capital purposes. These advances are noninterest-bearing, unsecured and have no definite repayment terms. The gross outstanding balance of advances to a related party as of December 31, 2022 amounted to P211,394,103. In 2022, the Company also borrowed funds from AMI amounting to P242,317,678 as the gross outstanding balance of advances from a related party.

Meanwhile, the gross outstanding balance of advances to a related party as of December 31, 2021 amounted to P82,111,949, while the Company's outstanding balances of advances from a related party amounted to P72,497,283. As agreed by both parties, the advances to and from AMI are offset and is presented as Advances from a related party under Trade and Other Payables as of December 31, 2022 and Advances to a related party under Trade and Other Receivables account as of December 31, 2021 in the statements of financial position (see Notes 11 and 6).

18.2 Distribution Income

The Company has an agreement with AMI for warehousing and logistics services. In exchange for the warehousing and logistics services, AMI is required to pay distribution fee equivalent to 6% of net sales starting January 2023.

The distribution of income is presented as part of Other Income under Other Income (Charges) – net in the statements of comprehensive income (see Note 16.1). The outstanding receivables coming from this transaction as of December 31, 2021 is presented as part of Trade receivables is presented as part of Trade receivables under Trade and Other Receivables in the 2023 statement of financial position (see Note 6). There were no outstanding balance arising from this transaction as of March 31, 2023.

18.3 Sale of Medical Equipment

The Company has sold various medical equipment to AMI amounting to P142,731, P3,931,709 and P19,692,052 in 2022, 2021 and 2020, respectively. The sales were made at a 5% mark-up on cost. These are presented as part of Revenues in the statements of comprehensive income. The Company's receivable to AMI relating to this sale of medical equipment remained outstanding as of December 31, 2021 (see Note 6). There were no outstanding balances arising from this transaction as of December 31, 2022.

18.4 Rent Income

The Company has a lease agreement with AMI for the rental of office with a total rent income amounting to P1,460,250 were recognized in 2022, 2021 and 2020, respectively. The rent income is presented as part of Other Income under Other Income (Charges) – net in the statements of comprehensive income (see Note 16.1). The Company's receivable to AMI relating to these rentals remained outstanding as of December 31, 2021 (see Note 6). There were no outstanding balance as of December 31, 2022.

18.5 Sale of Property and Equipment

In 2021, the Company sold a condominium unit with a total carrying value of P21,819,409. The gain on sale amounted to P28,894,879 and is presented as part of Finance and Other Income under Other Income (Charges) – net in the 2021 statement of comprehensive income (see Notes 9 and 16.1). There are no outstanding receivables from AMI as of December 31, 2021 relating to this transaction.

18.6 Purchases

The Company purchases various merchandise items from AMI with similar transaction prices and terms under exact business circumstances with third parties. These transactions are presented as part of net purchases during December 31, 2021 (see Note 15). The outstanding payables from these transactions as of December 31, 2021 are presented as part of Trade payables under Trade and Other Payables account in the 2021 statement of financial position (see Note 11). There were no similar transactions in 2022 and 2020.

18.7 Management Fee

The Company entered into a management agreement with a related party under common ownership, whereby the latter shall provide the Company with technical guidance in terms of management of the Company's operation including professional advice on financial, treasury and operational matters that would benefit the Company's current operations, future growth and expansion, and plans strategic financing methods, procedures and practices that would benefit the Company's financial position and assistance on overall activities to help ensure that the Company is within the prescribed limits set by law and its corporate policies. In consideration of these services, the Company pays the latter with management fees based on the amount billed on a monthly basis.

The amount of management fees incurred in 2022, 2021 and 2020 is presented as part of Professional fees under Operating Expenses in the statements of comprehensive income (see Note 15). There were no outstanding balance arising from this transaction as of December 31, 2022.

18.8 Key Management Personnel Compensation

The compensation of key management personnel, which is presented as part of Salaries and Wages under operating expenses in the statement of comprehensive income (see Notes 5 and 17), are broken down as follows:

	March 2023	March 2022	Dec 2022
Salaries and wages	**P 4,133,913**	P 4,704,637	P 19,126,683
13th month pay	**340,286**	353,762	1,311,188
Post-employment defined benefit	**82,440**	76,582	1,189,669
	P 4,556,639	P 5,134,981	P 21,627,540

There is no outstanding payable relating to compensation as of December 31, 2022 and 2021.

18.9 Retirement Benefit Plan

The Company's retirement fund for its post-employment defined benefit plan is administered and managed by a trustee bank. The fair value of the plan asset as of December 31, 2022, disclosed under Note 17.2.

19. EQUITY

19.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	2022	2021	2020	**2022**	2021	2020
Common shares – P0.25 par value						
Authorized share capital	**4,000,000,000**	4,000,000,000	400,000	**P 1,000,000,000**	P 1,000,000,000	P 400,000,000
Issued and outstanding						
Balance at beginning of year	**2,750,000,800**	400,000	400,000	**687,500,200**	400,000,000	400,000,000
Increase in number of shares as a result of stock split	**-**	1,599,600,000	-	**-**	-	-
Issued during the year	**-**	1,150,000,800	-	**-**	287,500,200	-
	2,750,000,800	2,750,000,800	400,000	**P 687,500,200**	P 687,500,200	P 400,000,000

On July 16, 2018, the Company amended its Articles of Incorporation to increase its authorized capital stock from P50.0 million divided into 50,000 shares with a par value of P1,000 per share to P400.0 million divided into 400,000 shares with a par value of P1,000 per share. The application for increase in authorized capital stock was approved by the SEC on January 22, 2019.

On July 2, 2021, the Company's BOD approved the increase in authorized capital stock from P400,000,000 divided into 400,000 common shares with par value of P1,000 per share to P1,000,000,000 divided into 4,000,000,000 common shares with par value of P0.25 per share.

In consideration of the increase in the Company's authorized capital stock, the Company received P37,500,000 of additional investment from its stockholders. The Company's application for the increase in authorized capital stock was submitted to SEC on July 14, 2021, and has been approved and certified by SEC on July 27, 2021.

On August 31, 2021, the Company applied for the registration of its 2,750,000,800 common shares with the SEC which was approved on October 12, 2021. On September 13, 2021, the Company applied for listing of the Company's shares on the PSE. The PSE approved the Company's application for the listing of its common shares on October 18, 2021.

On December 7, 2021, the Company, by way of a primary offering (IPO), sold 550,000,000 of its common stock (Offer Share) at an offer price of P2.30 per Offer Share, and generated gross proceeds of P1,265,000,000 from such IPO, net of IPO expenses amounting to P58,076,037. IPO expenses amounting to P43,428,891 and P14,647,146 were charged to APIC and operating expenses, respectively.

As of December 31, 2022 and 2021, the Company's number of shares registered total 2,750,000,800 with par value of P0.25 per share and closed at a price of P0.69 and P1.29, respectively.

On December 28, 2022, the Company reacquired 839,000 common shares from its stockholders for P813,240, which is presented as Treasury Shares in the 2022 statement of financial position. The Company's retained earnings are restricted to the extent of the cost of the treasury shares as of the end of the reporting period.

19.2 Retained Earnings

On December 26, 2018, the Company declared cash dividends amounting to P130,000,000 to stockholders from the unappropriated retained earnings. Dividends payable amounting to P4,567,500 from this transaction remained outstanding as of December 31, 2019 and in 2020.

On June 23, 2021, the Company declared cash dividend amounting to P255,000,000 or P637.50 per share to stockholders of record as of June 30, 2021. The cash dividends were paid on August 18, 2021 and November 9, 2021.

On May 24, 2022, the Company declared cash dividends amounting to P16,963,150 or P0.0061 per share in favor of all stockholders of record as of May 24, 2022. The cash dividends were fully paid on June 28, 2022.

On August 17, 2022, the Company declared cash dividend amounting to P8,481,575 or P0.0031 per share in favor of all its stockholders of record date as of September 1, 2022. The cash dividends were paid on September 22, 2022.

20. EARNINGS PER SHARE

Earnings per share were computed as follows:

	March 2023	March 2022	Dec 2022
Net profit for the year	**P 5,670,466**	P 28,470,668	P 191,971,856
Divided by the weighted average number of outstanding common shares	**2,749,043,444**	2,750,800,00	2,749,993,904
Basic and diluted earnings per share	**P 0.00**	P 0.01	P 0.07

The number of weighted average number of outstanding shares for 2020 has been adjusted for the stock split that occurred in 2021 (see Note 20.1).

The Company has no potential dilutive common shares as of December 31, 2022, 2021 and 2020.

21. COMMITMENTS AND CONTINGENCIES

The following are the significant commitments and contingencies involving the Company:

21.1 Unused Credit Line

The Company has unused credit line amounting to P1,642,030,062 and P2,009,318,657, as of December 31, 2022 and 2021, respectively.

21.2 Others

In the normal course of business, the Company makes various commitments and incurs certain contingent liabilities that are not given recognition in the financial statement. As of December 31, 2022, 2021 and 2020, the management believes that losses, if any, that may arise from these commitments and contingencies will not have material effects on the financial statements.

22. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks in relation to financial instruments. The Company's financial assets and liabilities by category are summarized in Note 24. The main types of risks are market risk, credit risk and liquidity risk.

The Company's risk management, in close cooperation with the BOD, and focuses on actively securing the Company's short-to-medium term cash flows by minimizing the exposure to financial markets.

The Company does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Company is exposed to are described below and in the succeeding paragraphs.

22.1 Market Risk

The Company is exposed to market risk through its use of financial instruments and specifically to foreign currency risk and interest rate risk, which result from both its operating, investing and financing activities.

(a) Foreign Currency Risk

Most of the Company's transactions are carried out in Philippine pesos, its functional currency. Exposures to currency exchange rates arise from the Company's overseas purchases, which are primarily denominated in U.S. dollars (USD). The liability covering the inventory purchases is covered by Letter of Credits, which are subsequently closed to Philippine peso translations. The Company also holds U.S. dollar-denominated cash in banks.

To mitigate the Company's exposure to foreign currency risk, non-Philippine peso cash flows are monitored.

Foreign currency-denominated cash in banks, translated into Philippine pesos at the closing rate, amounted to P5,219,694 and P6,623,055 as of December 31, 2022 and 2021, respectively. However, the management believes the related foreign currency risk exposure is not significant.

(b) Interest Rate Risk

As of December 31, 2022, 2021 and 2020, the Company is exposed to changes in market interest rates through its cash in banks, which are subject to variable interest rates. However, management believes that the related interest rate risk exposure is not significant. All other financial assets and financial liabilities are either non-interest-bearing or subject to fixed interest rates.

22.2 Credit Risk

Credit risk is the risk that a counterparty may fail to discharge an obligation to the Company. The Company is exposed to this risk for various financial instruments arising from selling goods and services to customers and placing deposits with banks.

The Company continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties.

The maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown in the statements of financial position or in the detailed analysis provided in the notes to the financial statements, as summarized below.

	Notes	**March 2022**	Dec 2022
Cash	5	**P 247,342,173**	**P 102,717,511**
Trade and other receivables – net	6	**1,385,349,758**	**1,499,310,383**
Contract assets	14.2	**1,720,902,700**	**1,768,036,154**
Bid and construction bonds	8	**3,424,485**	**3,424,485**
Guarantee deposits		**2,366,122**	**2,366,122**
Rental and other deposits	8	**635,073**	**626,723**
		P3,360,020,311	**P3,376,481,378**

None of the Company's financial assets are secured by collateral or other credit enhancements, except for cash in banks as described below.

(a) Cash in Banks

The credit risk for cash is considered negligible since the counterparties are reputable banks with high quality external credit ratings. Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 for every depositor per banking institution.

(b) Trade and Other Receivables and Contract Assets

The Company applies simplified approach in measuring ECL which uses a lifetime loss allowance for all Trade and Other Receivables, excluding advances to suppliers and advances subject for liquidation, and Contract Assets. The Company's trade and other receivables are assessed individually or on a per customer basis and the contracts assets are assessed on a per project basis.

To measure the ECL, trade receivables have been grouped based on credit risk characteristics and the days past due (age buckets).

The expected loss rates for trade receivables are based on the payment profiles of sales over a period of 5 years before December 31, 2022, 2021 and 2020 respectively, and the corresponding historical credit losses experienced within such period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

On that basis, the loss allowance as of December 31, 2022 and 2021 was determined based on days past due for trade receivables as follows:

Days past due	Expected loss rate	Gross carrying amount		Loss allowance	
December 31, 2022					
0 – 120	0.00%	P	720,558,402	P	-
121 – 180	0.00%		126,403,994		-
181 – 365	0.00%		152,020,025		-
Above 365	13.15%		532,319,472		34,217,038
		P	**1,531,301,893**	**P**	**34,217,038**
December 31, 2021					
0 – 120	0.00%	P	784,874,142	P	-
121 – 180	0.00%		107,006,138		-
181 – 365	0.00%		180,877,069		-
Above 365	12.94%		255,063,580		33,017,152
		P	1,327,820,929	P	33,017,152

With respect to trade receivables from NG amounting to P918,723,559 and P835,307,453 as of December 31, 2022 and 2021, respectively, and contracts assets amounting to P1,768,036,154 and P1,195,263,315 as of December 31, 2022 and 2021, respectively, the Company assessed the ECL based on the latest external credit rating provided by Standard and Poor's (S&P) for the Philippines which evaluates the current and historical information and assesses the potential impact foreseeable future events as basis for the credit ratings. Management used S&P's rating of "BBB", which has an equivalent loss rate of 0.11%, 0.11% and 0.21% as of December 31, 2022, 2021 and 2020, respectively. Such rating resulted to a negligible loss allowance as of December 31, 2022, 2021 and 2020, and therefore no longer recognized.

ECL for advances to a related party are measured and recognized using the liquidity approach. Management determines possible impairment based on the counterparties' ability to repay the receivables upon demand at the reporting date taking into consideration the historical defaults from the counterparties. Management assessed that the outstanding receivables from related parties as of December 31, 2022 and 2021 are recoverable. Since such counterparties are assessed to have a capacity to pay the receivables upon demand and there was no historical default experience noted. Hence, no impairment is necessary as at December 31, 2022 and 2021.

(c) Bid and Construction Bonds, Guarantee Deposits, and Rental and Other Deposits

The credit risk for bid and construction bonds, guarantee deposits, and rental and other deposits are considered negligible due to low credit risk and insignificant value of the balance. Guaranty deposits represent deposits arising from car lease contract that will be refunded at the end of the lease term.

22.3 Liquidity Risk

The Company manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a six-month and one-year period are identified monthly.

The Company maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash is invested in time deposits and short-term marketable securities.

As of December 31, 2022 and 2021, the Company's financial liabilities (except lease liabilities – see Note 10.2) have contractual maturities, which are presented below.

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	More than 5 Years
December 31, 2022				
Loans and other borrowings	P 188,377,008	P -	P -	P -
Trade and other payables	-	1,485,928,296	-	-
	P 188,377,008	**P 1,485,928,296**	**P -**	**P -**
December 31, 2021				
Loans and other borrowings	P 508,686,359	P 92,855,168	P 72,185,579	P -
Trade and other payables	-	1,234,553,254	-	-
	P 508,686,359	P 1,327,408,422	P 72,185,579	P -

The contractual maturities presented above reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting periods.

23. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

23.1 Carrying Amounts and Fair Values by Category

The Company's financial assets and financial liabilities carried at amortized cost as presented in the statements of financial position are short-term in nature and are equal to their fair values as at those dates. Because of this, no further comparison of these carrying values and fair values is presented.

See Note 2.4 for the description of the accounting policies for each category of financial instruments including the determination of fair values. A description of the Company's risk management objectives and policies for financial instruments is provided in Note 23.

23.2 Offsetting of Financial Assets and Financial Liabilities

Except as discussed in Note 19.1, the Company has not set-off financial instruments in 2022 and 2021 and does not have relevant offsetting arrangements as of the end of the reporting periods. Currently, financial assets and financial liabilities are settled on a gross basis; however, each party to the financial instrument will have the option to settle all such amount on a net basis in the event of default of the other party through approval by both parties' BOD and stockholders.

24. FAIR VALUE MEASUREMENT AND DISCLOSURES

24.1 Fair Value Hierarchy

In accordance with PFRS 13, *Fair Value Measurement*, the fair value of financial assets and financial liabilities and non-financial assets, which are measured at fair value on a recurring or non-recurring basis and those assets and liabilities not measured at fair value but for which fair value is disclosed in accordance with other relevant PFRS, are categorized into three levels based on the significance of inputs used to measure the fair value. The fair value hierarchy has the following levels.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that an entity can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and,
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The level within which the asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value at Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

24.2 Financial Instruments Measurement at Fair Value

The Company has no financial assets and financial liabilities measured at fair value as of December 31, 2022 and 2021.

24.3 Financial Instruments Measured at Amortized Cost for which Fair Value is Disclosed

The table below and in the succeeding page summarizes the fair value hierarchy of the Company's financial assets and financial liabilities, which are not measured at fair value in the statements of financial position but for which fair value is disclosed.

	Level 1	Level 2	Level 3	Total
December 31, 2022				
Financial assets:				
Cash	P 102,717,511	P -	P -	P 102,717,511
Trade and other receivables – net	-	-	1,499,310,382	1,499,310,382
Bid and construction bonds	-	-	3,424,485	3,424,485
Guarantee deposits	-	-	2,366,122	2,366,122
Rental and other deposits	-	-	626,723	626,723
	P 102,717,511	**P -**	**P 1,505,727,712**	**P 1,608,445,223**
Financial liabilities:				
Trade and other payables	P -	P -	P 1,485,928,296	P 1,485,928,296
Loans and other borrowings	-	-	181,634,311	181,634,311
	P -	**P -**	**P 1,667,562,607**	**P 1,667,562,607**

	Level 1	Level 2	Level 3	Total
December 31, 2021				
Financial assets:				
Cash	P 930,811,224	P -	P -	P 930,811,224
Trade and other receivables – net	-	-	1,305,099,625	1,305,099,625
Bid and construction bonds	-	-	3,424,485	3,424,485
Guarantee deposits	-	-	2,366,122	2,366,122
Rental and other deposits	-	-	489,493	489,493
	P 930,811,224	P -	P 1,311,379,725	P 2,242,190,949
Financial liabilities:				
Trade and other payables	P -	P -	P 1,234,553,254	P 1,234,553,254
Loans and other borrowings	-	-	647,705,283	647,705,283
	P -	P -	P 1,882,258,537	P 1,882,258,537

For financial assets and financial liabilities with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

25. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Company's capital management objectives are to ensure the Company's ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

The Company monitors capital on the basis of the carrying amount of equity as presented in the statements of financial position. The Company also sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Company manages the capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may adjust the number of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

26. SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE

Presented in the succeeding pages is the supplementary information on taxes, duties and license fees paid or accrued during the taxable year, which is required by the BIR under Revenue Regulation (RR) No. 15-2010 and RR No. 34-2020 to disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

26.1 Requirements Under RR No. 15-2010

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR 15-2010 are as follows:

(a) Output VAT

The Company's VATable sales for the taxable year 2022 are as follows:

	Tax Base	Output VAT
VATable sales	P 177,953,040	P 21,354,365
Sale to Government	1,210,465,405	145,255,848
	P1,388,418,445	**P 166,610,213**

The Company has no exempt sales and no zero-rated sale transactions during the year.

The tax base is included as part of Revenues in the 2022 statement of comprehensive income. Furthermore, the tax base is based on the Company's gross receipts for the taxable year, hence, may not be the same amount presented in the 2022 statement of comprehensive income. Deferred output VAT for the year amounted to P191,127,721.

(b) Input VAT

The movements in input VAT in 2022 is summarized below.

Balance at beginning of year	P 79,893,428
Domestic purchase of service	26,887,064
Goods other than for resale or manufacture	91,651,215
Importation of goods other than capital goods	13,086,686
VAT withheld to Government	66,261,984
Applied against output VAT	(174,512,515)
Balance at end of year	**P 103,267,862**

The outstanding net input VAT amounting to P103,267,862 as of December 31, 2022 is presented as part of Prepayments and Other Assets in the 2022 statement of financial position.

(c) Taxes on Importation

In 2022, the total landed cost of the Company's imported inventory for use in business amounted to P3,793,097. This includes customs duties and tariff fees totaling P2,021,835.

(d) Excise Tax

The Company did not have any transaction in 2022 which is subject to excise tax.

(e) Documentary Stamp Tax

The Company incurred documentary stamp tax in 2022 broken down as follows:

On bank loans	P 2,129,319
Others	198,879
	P 2,328,198

(f) Taxes and Licenses

The details of Taxes and Licenses account is broken down as follows:

Permits and licenses	P 8,781,282
Documentary stamp tax	2,328,198
Real estate tax	1,338,393
IPO-related fees	397,320
Registration fee	230,907
Insurance	14,126
Others	1,633,044
	P 14,723,270

(g) Withholding Taxes

The details of total withholding taxes for the year ended December 31, 2022 are shown below.

Expanded	P 12,016,193
Compensation and employee benefits	6,781,571
	P 18,797,764

The Company has no income payments subject to final withholding tax in 2022.

(h) Deficiency Tax Assessments and Tax Cases

As of December 31, 2022, the Company has no final deficiency tax assessment from the BIR nor does it have tax cases outstanding or pending in courts or bodies outside the BIR in any of the open taxable years.

26.2 Requirements Under RR No. 34-2020

RR No. 34-2020 prescribes the guidelines and procedures on the submission of BIR Form No. 1709, transfer pricing documentation and other supporting documents for related party transactions. The Company is not covered by these requirements as the Company did not fall in any of the categories identified under Section 2 of RR No. 34-2020.

Financial Highlights and Key Performance Indicators

The table below shows comparative consolidated balance sheet financial highlights of Medilines Distributors, Inc. for the three months ended March 31, 2023 and 2022, bot unaudited:

Balance Sheet Item	As of March 31, 2023 Unaudited	As of March 31, 2022 Unaudited	Change Amount	%
Total assets	P 4,079,293,922	P 3,320,398,174	758,895,748	22.86%
Current assets	3,878,064,023	3,149,953,640	728,110,383	23.11%
Trade receivables	1,660,595,516	1,707,682,251	(47,086,735)	-2.76%
Total liabilities	1,968,029,196	1,351,149,838	616,879,358	45.66%
Current liabilities	1,964,110,990	1,338,216,423	625,894,567	46.77%
Loans and other borrowings - total	180,536,097	5,906,316	174,629,781	2956.66%
Stockholders' equity	2,111,264,726	1,969,248,336	142,016,390	7.21%

The table below shows comparative statement of income financial highlights of Medilines Distributors, Inc. for the three months ended March 31, 2023 and 2022, both unaudited:

Statement of Income	As of March 31, 2023 Unaudited	As of March 31, 2022 Unaudited	Change Amount	%
Revenue	P 95,163,431	P 259,863,677	(164,700,246)	-63.38%
Gross profit	32,855,387	67,953,534	(35,098,147)	-51.65%
Operating expense	29,517,200	31,038,238	(1,521,038)	-4.90%
Operating profit	3,338,187	36,915,297	(33,577,110)	-90.96%
Net income before tax	6,526,540	37,960,890	(31,434,350)	-82.81%
Net income after tax	5,670,466	28,470,668	(22,800,202)	-80.08%

Table below show 1st quarter 2023 key performance indicators of the company, with comparative figures:

Key Financial Ratios	As of March 31, 2023 Unaudited	As of March 31, 2022 Unaudited
Current ratio	1.971	2.331
Book value per share	0.768	0.716
Debt to equity ratio	0.086	0.003
Net debt to equity ratio	(0.032)	(0.033)
Asset to equity ratio	1.932	1.686
Asset to debt ratio	22.595	562.178
Gross profit margin	35%	26%
Operating profit margin	4%	14%
Net profit margin	6%	11%

Results of Operations

Three months ended March 31, 2023 compared to three months ended march 31, 2022

Revenues

For the three months ended March 31, 2023, Medilines Distributors, Inc. (the "Company") recorded revenues of ₱95 million, a 63% decrease from revenue of ₱260 million recorded on the three months ended March 31, 2022. The decrease was mainly due to the recognition and completion of sales during the last quarter of 2022.

Direct Cost

The Company's direct costs for the three months ended March 31, 2023 was ₱62 million, a 68% decrease from direct costs of ₱192 million for the three months ended March 31, 2022. The decrease was mainly attributable to the decrease in sales.

Gross Profit

The Company's gross profit for the three months ended March 31, 2023 was ₱33 million, a 52% decrease from gross profit of ₱68 million for the three months ended March 31, 2022. The Company's gross profit margin for the three months ended March 31, 2023 was at 35% compared to the 26% recorded in the three months ended March 31, 2022. This was mainly attributable to the non-recognition of revenues, during the quarter for Linear Accelerator projects which accounts for an estimated 20% gross margin, and the contribution of dialysis consumables which accounts for approximately 35% to 40% gross margin.

Operating Expenses

The Company's operating expenses for the three months ended March 31, 2023 was ₱30 million, a 5% decrease from the operating expenses of ₱31 million for the three months ended March 31, 2022.

Operating Profit

The Company's operating profit for the three months ended march 31, 2023 was ₱3 million, a 91% decrease from the operating profit of ₱37 million for the three months ended March 31, 2022. This was mainly due to the revenue recognition of majority of the linear accelerator projects during the final quarter of the year 2022. The Company's operating margin for the three months ended March 31, 2023 is at 4% compared to the 14% recorded during the three months ended March 31, 2022.

Other income (charges) – net

The Company's other income – net for the three months ended March 31, 2023 was ₱3 million, an increase from ₱1 million other charges – net for the three months ended March 31, 2022.

Profit (loss) Before Tax

The Company's profit before tax for the three months ended March 31, 2023 was ₱7 million, an 83% decrease from ₱38 million profit before tax for the three months ended March 31, 2022.

Tax Expense

The Company's tax expense for the three months ended March 31, 2023 was ₱856 thousand, a 91% decrease from ₱9 million tax expense for the three months ended March 31, 2022. The decrease was mainly attributable to the decrease in profit before tax.

Net Profit (Loss)

As a result of the foregoing, the Company's net profit for the three months ended March 31, 2023 was ₱6 million, an 80% decrease from ₱9 million net profit for the three months ended March 31, 2022. The Company's net profit margin for the three months ended March 31, 2023 was at 6% compared to the net profit margin for the three months ended March 31, 2022 of 11%.

Financial Position

As at March 31, 2023 compared to as at March 31, 2022

Assets

Cash

The Company's cash was at ₱247 million as at March 31, 2023, a 251% increase from ₱70 million cash as at March 31, 2022. As at March 31, 2023, the Company's cash position resulted from the beginning cash for the period December 31, 2022 amounting to ₱103 million, the net cash from operating activities amounting to ₱ 147 million, use of cash in investing activities worth ₱700 thousand, and the use of cash in financing activities amounting to ₱2 million.

Trade and other receivables – net

The Company's trade and other receivables – net was ₱1,661 million as at March 31, 2023, a 3% decrease from ₱1,708 million trade and other receivables – net as at March 31, 2022. The decrease was mainly due to the continued efforts of the Company to improve its collection efficiency.

Contract assets

The Company's contract assets as at March 31, 2023 was ₱1,721 million as at March 31, 2023, an increase of 56% from ₱1,102 million contract assets as at March 31, 2022. The contract assets account was realized due to the adoption of PFRS 15 revenue recognition.

Inventories – net

The Company's inventories – net was ₱113 million as at march 31, 2023, a decrease of 29% from ₱159 million inventories – net as at March 31, 2022.

Prepayments and other current assets

The Company's prepayments and other current assets was ₱136 million, a 23% increase from prepayments and other current assets of ₱111 million as at March 31, 2022.

Property and equipment – net

The Company's property and equipment – net was ₱181 million as at March 31, 2023, an increase from property and equipment – net of ₱155 million as at March 31, 2022.

Right-of-use asset – net

The Company's right-of-use asset – net as at March 31, 2023 is nil compared to the right-of-use asset – net of ₱12 million as at March 31, 2022. The Company no longer leases the warehouse located in Pasig, which was the main contributor of this account.

Guarantee deposits

The Company's guarantee deposits are ₱2 million as at March 31, 2023 and as at March 31, 2022. Guarantee deposits are recognized due to the adoption of the PAS 32 criteria.

Deferred tax assets

The Company's deferred tax assets are ₱17 million as at March 31, 2023, from deferred tax assets of ₱1 million as at March 31, 2022.

Liabilities

Trade and other payables

The Company's trade and other payables as at March 31, 2023 was ₱1,752 million, an increase of 34% from trade and other payables as at march 31 ,2022 of ₱1,312 million.

Loans and other borrowings – current and noncurrent

The Company's loans and other borrowings as at March 31 ,2023 was ₱181 million, an increase of 2,916% from loans and other borrowings of ₱6 million as at March 31, 2022. This was mainly attributable to the Company's drawing of a RPNL with banks worth ₱180 million.

Lease liability – current and noncurrent

The Company's lease liability as at March 31, 2023 is nil compared to the lease liability as at March 31, 2022 of ₱654 thousand. This is due to the cancellation of the lease contract of the Company for leasing a warehouse with a floor area of 660 square meters.

Contract liabilities

The Company's contract liabilities as at March 31, 2023 are nil compared to contract liabilities of ₱21 million as at March 31, 2022.

Income Tax Payable

The Company's income tax payable as at March 31, 2023 is ₱31 million, an increase of 613% from ₱4 million income tax payable as at march 31, 2022.

Retirement benefit obligation

The Company recognized ₱4 million retirement benefit obligation as at March 31, 2023. There were no retirement benefit obligations as at March 31 ,2022

Equity

Capital Stock

The Company's capital stock is at ₱688 million as at March 31, 2022 and March 31, 2023.

Additional Paid-in Capital

The Company's additional paid-in capital increased to ₱1,084 million as at March 31, 2023 compared to ₱198 million as at March 31, 2022.

Retained earnings

The Company's retained earnings as at march 31, 2023 is ₱343,639 million.

Liquidity and Capital Resources

Cash flow from (used in) operating activities

The Company's cash flow from operating activities was at ₱151 million as at March 31, 2023 compared to cash flow used in operating activities of ₱216 million as at March 31, 2022. The increase is mainly attributable to the decrease in trade and other receivables.

Cash flow from (used in) financing activities

The Company's cash flow used in financing activities as at March 31, 2023 was at ₱2 million, compared to cash used in financing activities as at march 31, 2022 of ₱642 million. The movement was mainly caused by the purchase of treasury shares and the repayment of interest-bearing loans and borrowings.

Cash flow from (used in) investing activities

The Company's cash flow used in investing activities as at March 31, 2023 was at ₱700 thousand, compared to cash from investing activities used in investing activities of ₱1 million as at March 31, 2022. The movement was attributable to the acquisition of property and equipment.

OTHER INFORMATION

There are no material information to be reported by the Company aside from those reported in SEC 17C.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer: **Medilines Distributors Incorporated**

By:

MARIA CARMELA D. OCHOA
Chief Finance Officer

Date: May 15, 2023