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
investorrelationsoffice@medilines.com.ph	(+632)7747-1076/(+632)8519-2012	-

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
15	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
Maria Carmela D. Ochoa	investorrelationsoffice@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-C

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 **March 31, 2024**

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	**2,746,575,800**

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 Php246 million , based on the stock price of Medilines Distributors Incorporated as of March 2024.

MEDILINES DISTRIBUTORS INCORPORATED
UNAUDITED STATEMENTS OF FINANCIAL POSITION
(Amounts in Philippine Pesos)

	Notes	31-Mar 2024	31-Mar 2023	31-Dec 2023	31-Dec 2022
A S S E T S					
CURRENT ASSETS					
Cash	5	**P 168,972,811**	P 247,342,173	P 95,947,939	P 102,717,511
Trade and other receivables - net	6	**2,085,042,676**	1,660,595,516	1,905,781,372	1,766,169,848
Contract assets	13	**1,367,115,243**	1,720,902,700	1,411,783,578	1,768,036,154
Inventories - net	7	**159,521,317**	113,409,987	74,415,502	76,924,962
Prepayments and other current assets	8	**123,547,078**	135,813,647	133,457,250	109,120,442
Total Current Assets		**3,904,199,125**	3,878,064,023	3,621,385,641	3,822,968,917
NON-CURRENT ASSETS					
Property, plant and equipment - net	9	**191,025,624**	181,399,314	193,682,630	183,253,784
Deferred tax assets - net	18	**16,212,497**	17,464,463	16,212,497	17,464,463
Guarantee deposits	23	**2,366,122**	2,366,122	2,366,122	2,366,122
Total Non-current Assets		**209,604,243**	201,229,899	212,261,249	203,084,369
TOTAL ASSETS		**P 4,113,803,368**	P 4,079,293,922	P 3,833,646,890	P 4,026,053,286
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Trade and other payables	11	**P 1,635,958,516**	P 1,752,314,773	P 1,266,324,470	P 1,702,808,390
Notes payable	12	**300,000,000**	180,536,097	400,000,000	181,634,310
Income tax payable		**5,391,768**	31,260,120	15,086,807	31,260,120
Total Current Liabilities		**1,941,350,284**	1,964,110,990	1,681,411,277	1,915,702,820
NON-CURRENT LIABILITY					
Retirement benefit obligation	17	**1,764,322**	3,918,206	1,764,322	3,918,206
Total Liabilities		**1,943,114,606**	1,968,029,196	1,683,175,599	1,919,621,026
EQUITY					
Capital stock	20	**687,500,200**	687,500,200	687,500,200	687,500,200
Treasury shares	20	**(2,331,660)**	(1,651,240)	(2,331,660)	(813,240)
Additional paid-in capital	20	**1,084,071,109**	1,084,071,109	1,084,071,109	1,084,071,109
Revaluation reserves	17, 18	**(403,049)**	(2,294,559)	(403,049)	(2,294,559)
Retained earnings	20	**401,852,162**	343,639,216	381,634,691	337,968,750
Net Equity		**2,170,688,762**	2,111,264,726	2,150,471,291	2,106,432,260
TOTAL LIABILITIES AND EQUITY		**P 4,113,803,368**	P 4,079,293,922	P 3,833,646,890	P 4,026,053,286

See Notes to Financial Statements.

MEDILINES DISTRIBUTORS INCORPORATED
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Philippine Pesos)

	Notes	For the Three Months Ended March 31 2024	For the Three Months Ended March 31 2023	For the Year Ended December 31 2023	For the Year Ended December 31 2022	For the Year Ended December 31 2021
REVENUES	13	**P 510,027,089**	P 95,163,431	P 679,881,805	P 1,964,800,406	P 1,585,028,417
DIRECT COSTS	14	**443,621,496**	62,308,044	436,961,237	1,581,474,295	1,252,867,427
GROSS PROFIT		**66,405,593**	32,855,387	242,920,568	383,326,111	332,160,990
OPERATING EXPENSES - Net						
General and administrative expenses	14	**38,336,335**	29,067,199	138,063,928	123,602,114	107,773,710
Expected credit losses (recoveries) - net	6	**-**	450,001	(290,823)	1,199,886	18,350,560
		38,336,335	29,517,200	137,773,105	124,802,000	126,124,270
OPERATING PROFIT		**28,069,258**	3,338,187	105,147,463	258,524,111	206,036,720
OTHER INCOME (CHARGES) - Net	15	**(1,112,630)**	3,188,353	(7,651,278)	(1,623,721)	3,838,944
PROFIT BEFORE TAX		**26,956,628**	6,526,540	97,496,185	256,900,390	209,875,664
TAX EXPENSE	17	**6,739,157**	856,074	25,034,466	64,928,534	40,244,164
NET PROFIT		**20,217,471**	5,670,466	72,461,719	191,971,856	169,631,500
OTHER COMPREHENSIVE INCOME (LOSS)						
Item that will not be reclassified to profit or loss						
Remeasurement gains (losses) on						
post-employment defined benefit obligation	17	**-**	-	2,522,013	(79,066)	(2,112,049)
Tax income (expense)	17	**-**	-	(630,503)	19,767	484,598
		-	-	1,891,510	(59,299)	(1,627,451)
TOTAL COMPREHENSIVE INCOME		**P 20,217,471**	P 5,670,466	P 74,353,229	P 191,912,557	P 168,004,049
EARNINGS PER SHARE						
Basic and diluted	21	**P 0.01**	#DIV/0!	P 0.03	P 0.07	P 0.09
				P 7,246,171.90	**P 28,795,778.40**	

See Notes to Financial Statements.

MEDILINES DISTRIBUTORS INCORPORATED
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Philippine Pesos)

	Capital Stock (see Note 19)	Additional Paid in Capital	Treasury Shares (see Note 19)	Revaluation Reserves	Retained Earnings (see Note 19)	Total
Balance at January 1, 2024	P 687,500,200	P 1,084,071,109	(P 2,331,660)	(P 403,049)	P 381,634,691	P 2,150,471,291
Reacquisition of shares	-	-		-	-	-
Total comprehensive income for the year	-	-	-	-	20,217,471	20,217,471
Balance at March 31, 2024	**P 687,500,200**	**P 1,084,071,109**	**(P 2,331,660)**	**(P 403,049)**	**(P 401,852,162)**	**P 2,170,688,762**
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
Issuance of shares	-	-	-	-	-	-
Reacquisition of shares	-	-	(838,000)	-	-	(838,000)
Cash dividends	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	5,670,466	5,670,466
Balance at Quarter 1 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, 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
Issuance of shares	-	-	-			-
Reacquisition of shares	-	-	(1,518,420)	-	-	(1,518,420)
Cash dividends	-	-	-	-	(28,795,778)	(28,795,778)
Total comprehensive income for the year	-	-	-	1,891,510	72,461,719	74,353,229
Balance at December 31, 2023	**P 687,500,200**	**P 1,084,071,109**	**(P 2,331,660)**	**(P 403,049)**	**P 381,634,691**	**P 2,150,471,291**
Balance at January 1, 2022	P 687,500,200	P 1,084,071,109	-	(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 December 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

See Notes to Financial Statements.

MEDILINES DISTRIBUTORS INCORPORATED
UNAUDITED STATEMENTS OF CASH FLOWS
(Amounts in Philippine Pesos)

	Notes	For the Three Months Ended March 31 2024	2023	For the Year Ended December 31 2023	2022
CASH FLOWS FROM OPERATING ACTIVITES					
Profit before tax		**P 26,956,628**	P 6,526,540	P 97,496,185	P 256,900,390
Adjustments for:					
Interest expense	10, 12	**4,020,101**	(4,455,785)	13,523,959	9,209,726
Depreciation and amortization	9	**2,694,795**	2,554,191	12,852,020	9,553,745
Unrealized foreign exchange losses (gains) - net		**(96,272)**	3,070,463	(2,563,160)	22,828,782
Provision (reversal) for expected credit losses	6	**-**	450,001	(290,823)	1,199,886
Interest income	5	**(43)**	(28,522)	(103,536)	(245,858)
Gain on sale of property and quipment	9	**-**	-	-	(240,290)
Operating profit before working capital changes		**33,575,209**	8,116,888	120,914,645	299,206,381
Decrease (increase) in trade and other receivables		**(179,261,304)**	105,124,331	(139,320,701)	(290,063,010)
Decrease (increase) in contract assets		**44,668,335**	47,133,454	356,252,576	(572,772,839)
Decrease in inventories		**(85,105,815)**	(36,485,025)	2,509,460	43,496,907
Increase in prepayments and other current assets		**9,910,172**	(26,693,205)	(24,336,808)	(18,203,369)
Increase (decrease) in trade and other payables		**369,730,318**	53,962,168	(433,920,760)	311,613,588
Increase (decrease) in contract liabilities		**-**	-	-	(21,073,994)
Increase (decrease) in post-employment defined benefit obligation		**-**	-	368,129	(3,187,959)
Cash generated from (used in) operations		**193,516,915**	151,158,611	(117,533,459)	(250,984,295)
Income taxes paid		**(16,434,196)**	(856,074)	(40,565,609)	(38,891,637)
Interest paid		**(4,020,101)**	(3,070,463)	(13,523,959)	(9,195,718)
Interest received		**43**	28,522	82,829	196,686
Net Cash From (Used In) Operating Activities		**173,062,661**	147,260,596	(171,540,198)	(298,874,964)
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisitions of property and equipment	9	**(37,789)**	(699,721)	(23,280,866)	(36,468,240)
Proceeds from sale of property and equipment	9	**-**	-	-	514,994
Net Cash From (Used In) Investing Activities		**(37,789)**	(699,721)	(23,280,866)	(35,953,246)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from notes payable	12	**-**	-	297,792,558	477,792,558
Repayments of notes payable	12	**(100,000,000)**	(1,098,213)	(79,426,868)	(943,863,531)
Cash dividends paid	19	**-**	-	(28,795,778)	(25,444,725)
Purchase of treasury shares	19	**-**	(838,000)	(1,518,420)	(813,240)
Payments of lease liability		**-**	-	-	(1,356,000)
Net Cash From (Used In) Financing Activities		**(100,000,000)**	(1,936,213)	188,051,492	(493,684,938)
Effect of Exchange Rate Changes on Cash		**-**	-	-	419,435
NET INCREASE (DECREASE) IN CASH		**73,024,872**	144,624,662	(6,769,572)	(828,093,713)
CASH AT BEGINNING OF YEAR		**95,947,939**	102,717,511	102,717,511	930,811,224
CASH AT END OF YEAR		**P 168,972,811**	P 247,342,173	P 95,947,939	P 102,717,511

See Notes to Financial Statements.

MEDILINES DISTRIBUTORS INCORPORATED
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2024 AND DECEMBER 31, 2023
(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.

2. MATERIAL ACCOUNTING POLICY INFORMATION

The material accounting policy information 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 and Sustainability Reporting Standards Council (FSRSC) 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 2023 that are Relevant to the Company

The Company adopted for the first time the following amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2023:

PAS 1 and PFRS Practice Statement 2 (Amendments)	:	Presentation of Financial Statements – Disclosure of Accounting Policies
PAS 8 (Amendments)	:	Definition of Accounting Estimates
PAS 12 (Amendments)	:	Deferred Tax Related to Assets and Liabilities from a Single Transaction

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

(i) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies*. The amendments replaced the requirement for entities to disclose their significant accounting policies with the requirement to disclose their material accounting policy information. The amendments also include guidance to help entities apply the definition of material in making decisions about accounting policy disclosures.

The amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial, that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements and if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information. The application of these amendments is reflected in the Company's financial statements under Note 2.

(ii) PAS 8 (Amendments), *Definition of Accounting Estimates*. The amendments introduced a new definition of accounting estimate which is a monetary amount in the financial statements that are subject to measurement uncertainty. It also clarifies that a change in accounting estimate that results from new information or new developments is not a correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. The application of these amendments had no significant impact on the Company's financial statements.

(iii) PAS 12 (Amendments), *Deferred Tax Related to Assets and Liabilities from a Single Transaction*. The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense). Management assessed that the application of such amendments had no significant impact on the Company's financial statements.

(b) Effective in 2023 that is not Relevant to the Company

Among the amendments to PFRS, which are mandatorily effective for annual periods beginning on or after January 1, 2023, the amendments to PAS 12, *International Tax Reform – Pillar Two Model Rules*, are not relevant to the Company's financial statements.

(c) Effective Subsequent to 2023 but not Adopted Early

There are amendments to existing standards effective for annual periods subsequent to 2023, which are adopted by the FSRSC. 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, 2024)

(ii) PAS 1 (Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants* (effective from January 1, 2024)

(iii) PAS 7 (Amendments), *Cash Flow Statements* and PFRS 7 (Amendments), *Financial Instruments: Disclosures – Supplier Finance Arrangements* (effective from January 1, 2024)

(iv) PFRS 16 (Amendments), *Leases – Lease Liability in a Sale and Leaseback* (effective from January 1, 2024)

(v) PAS 21 (Amendments), *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability* (effective from January 1, 2025)

2.3 Financial Instruments

(a) Financial Assets

Regular purchases and sales of financial assets are recognized on their trade date (i.e., the date that the Company commits to purchase or sell the asset).

Classification, Measurement and Reclassification of Financial Assets

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

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.

(b) Financial Liabilities

Financial liabilities include notes payable, lease liability and trade and other payables (excluding tax-related payables).

2.4 Inventories

The cost of inventory is determined using the first-in, first-out method.

2.5 Property, Plant and Equipment

Following initial recognition at cost, items of property and equipment (except land) are stated at cost less accumulated depreciation and any impairment in value. Land is measured at cost less any accumulated impairment losses.

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 and dialysis machines	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.

2.6 Revenue and Expense Recognition

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

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.

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.

2.7 Leases

(a) Company as a Lessee

Subsequent to initial recognition, 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 2.8).

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.

(b) Company as a Lessor

The Company applies judgment in determining whether a lease contract is a finance or operating lease.

2.8 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.

2.9 Employee Benefits

The Company provides post-employment benefits to employees through a defined benefit plan and defined contribution plans, and other employee benefits.

The Company's defined benefit post-employment plan covers all regular full-time employees. The pension plan is non-contributory, administered by a trustee and shall be tax-qualified after the approval from the Bureau of Internal Revenue (BIR).

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

A defined contribution plan is a post-employment plan under which the Company pays fixed contributions into an independent entity such as Social Security System.

2.10 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.

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.

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. 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 2.6). 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, 2023 and 2022, 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, 2023 and 2022 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.

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 2023, 2022 and 2021.

(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., sale and installation of medical equipment, which caters to private and government customers. Revenues from certain government agencies, which are considered as major customers, exceed 10% of the Company's total revenues in the first quarter of 2024, 2023, 2022 and 2021 (see Note 14). The details of the revenues from these customers are as follows:

	March 2024	December 2023	December 2022	December 2021
Department of Health	**23,631,954**	236,319,545	-	556,945,259
Department of Budget and Management	-	-	1,091,648,306	277,239,852
	23,631,954	236,319,545	1,091,648,306	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 2024	Dec 2023
Cash on hand	**82,560**	82,560
Cash in banks	**168,890,251**	95,865,379
Total	**168,972,811**	95,947,939

Cash in banks generally earn interest based on daily bank deposit rates. Interest income earned amounted to P43 for the first quarter of 2024, P103,536, P245,858 and P159,603 in 2023, 2022 and 2021, 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:

	March 2024	Dec 2023
Trade receivables	**1,669,502,421**	1,446,189,427
Allowance for expected credit loss	**(33,926,215)**	(33,926,215)
	1,635,576,206	1,412,263,212
Non-trade receivables:		
Advances to suppliers	**450,504,789**	492,333,169
Advances to employees	**1,986,486**	-
Other receivables	**(3,024,805)**	1,184,991
	449,466,470	493,518,160
Total	**2,085,042,676**	1,905,781,372

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 March 31, 2024 and end of 2023 is shown below.

	March 2024	Dec 2023
Balance at beginning of year	**33,926,215**	34,217,038
Provision for ECL	**-**	(290,823)
Balance at end of year	**33,926,215**	33,926,215

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

7. INVENTORIES

The breakdown of inventories are as follows:

	March 2024	Dec 2023
Inventories	**168,032,850**	82,927,035
Allowance for inventory obsolescence	**(8,511,533)**	(8,511,533)
Total	**159,521,317**	74,415,502

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 the first quarter of 2024, 2023, 2022, and 2021. .

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 is shown below.

	March 2024	Dec 2023
Excess input tax	**111,210,419**	125,669,309
Bid and construction bonds	**3,424,484**	3,424,484
VAT withholding tax	**3,256,764**	-
Prepaid insurance	**1,540,083**	2,405,930
Rental and other deposits	**636,373**	636,373
Other prepayments	**3,478,955**	1,321,154
Total	**123,547,078**	133,457,250

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 March 31, 2024 and end of 2023 are shown below.

	Computer Equipment	Furnitures & Fixtures	Demo Unit	Leasehold Improvements	Transportation Equipment	Warehouse Tools And Equipment	Building - Warehouse	Land	Office Condominium Unit	Dialysis Machine & System	Total
March 31, 2024											
Cost	18,075,205	2,811,318	23,911,830	7,233,938	10,620,793	5,314,263	43,211,897	121,350,000	13,907,143	18,620,788	265,057,175
Accumulated Depreciation	(14,195,840)	(2,802,364)	(23,035,963)	(7,215,938)	(7,983,997)	(5,255,155)	(2,893,697)	-	(5,683,055)	(4,965,543)	(74,031,551)
Net carrying amount	**3,879,365**	**8,955**	**875,867**	**18,000**	**2,636,796**	**59,108**	**40,318,200**	**121,350,000**	**8,224,088**	**13,655,244**	**191,025,624**
December 31, 2023											
Cost	18,075,205	2,811,318	23,911,830	7,233,938	10,609,793	5,287,477	43,211,897	121,350,000	13,907,143	18,620,788	265,019,388
Accumulated Depreciation	(13,323,509)	(2,796,026)	(22,925,963)	(7,209,938)	(7,798,599)	(5,234,944)	(2,469,292)	-	(5,543,983)	(4,034,504)	(71,336,760)
Net carrying amount	**4,751,696**	**15,292**	**985,867**	**24,000**	**2,811,194**	**52,532**	**40,742,605**	**121,350,000**	**8,363,160**	**14,586,284**	**193,682,629**

A reconciliation of the carrying amounts of property and equipment at at March 31, 2024 and end of 2023 are shown below.

	Computer Equipment	Furnitures & Fixtures	Demo Unit	Leasehold Improvements	Transportation Equipment	Warehouse Tools And Equipment	Building - Warehouse	Land	Office Condominium Unit	Dialysis Machine & System	Total
Balance at January 1, 2024,											
net of accumulated depreciati	4,751,696	15,292	985,867	24,000	2,811,194	52,532	40,742,605	121,350,000	8,363,160	14,586,284	193,682,629
Additions			-		11,000	26,786		-	-		37,786
Depreciation charges for the year	(872,331)	(6,337)	(110,000)	(6,000)	(185,398)	(20,210)	(424,405)	-	(139,071)	(931,039)	(2,694,791)
Balance at March 31, 2024,											
net of accumulated depreciati	**3,879,365**	**8,955**	**875,867**	**18,000**	**2,636,796**	**59,108**	**40,318,200**	**121,350,000**	**8,224,088**	**13,655,244**	**191,025,624**
Balance at January 1, 2023,	-	-	-	-	-	-	-	-	-	-	-
net of accumulated depreciati	5,896,020	226,385	1,448,609	91,464	3,545,453	1,696,630	40,079,775	121,350,000	8,919,445	-	183,253,782
Additions	2,199,410	30,350	-	24,000	-	92,150	2,314,167	-	-	18,620,788	23,280,865
Depreciation charges for the year	(3,343,734)	(241,444)	(462,742)	(91,464)	(734,258)	(1,736,248)	(1,651,337)	-	(556,286)	(4,034,504)	(12,852,018)
Balance at December 31, 2023,											-
net of accumulated depreciati	4,751,696	15,292	985,867	24,000	2,811,194	52,532	40,742,605	121,350,000	8,363,160	14,586,284	193,682,629

Depreciation expense amounting to P12,852,020, P8,382,315 and P6,125,857 for 2023, 2022 and 2021, 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. There was no similar transaction in 2023.

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). There was no similar transaction in 2023.

As of December 31, 2023 and 2022, the Company's fully depreciated assets amounting to P51,731,817 and P46,141,843, 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 Lease Liability

There was no outstanding lease liability as of December 31, 2022 as the Company terminated the lease contract in June 2022. There was no similar transaction in 2023.

The movements of the Company's lease liability in 2022 are shown in Note 13.

10.2 Lease Payments not Recognized as Liabilities

The Company has elected not to recognize lease liability for short-term leases. Payments made under such leases are expensed on a straight-line basis. The total expenses recognized as of the first quarter of 2024, 2023, 2022 and 2021 amounted to P436,861, P2,053,845, P1,479,366 and P2,054,321, respectively, and is presented as Rent expense under Operating Expenses in the statements of comprehensive income (see Note 15).

11. TRADE AND OTHER PAYABLES

This account consists of:

	March 2024	Dec 2023
Trade payables	**1,458,347,522**	1,061,059,001
Deferred output VAT	**148,171,909**	152,957,802
Advances from a related party	**12,424,686**	39,859,541
Payable to government agencies	**5,409,231**	1,601,413
Accrued expenses	**11,605,168**	10,846,713
Total	**1,635,958,516**	1,266,324,470

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 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. NOTES PAYABLE

Notes Payable as of March 31, 2024, December 31, 2023 and 2022 amounted to P300,000,000, P400,000,000 and P181,634,310, respectively.

12.1 Notes Payable

Notes payable represent unsecured 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 of 6.75% in March 2024 6.75% in 2023 and 4.50% to 6.75% in 2022 per annum with terms ranging up to six months in both years. The Company's loan agreements do not contain covenant obligations.

12.2 Interest Expense and Bank Charges

Interest expense on notes payable amounting to P 4,020,101 , P13,523,959, P9,195,718 and P47,224,754 in the first quarter of 2024, full year 2023, 2022 and 2021, 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 notes payable amounted to P439,136 , P3,481,008, P3,071,683 and P7,549,984 in the first quarter of 2024, full year 2023, 2022 and 2021, 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. REVENUES

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, 2024			
Primary geographical markets			
Luzon	P 460,682,088	P -	P 460,682,088
Visayas	29,824,839	-	29,824,839
Mindanao	19,520,162	-	19,520,162
	P 510,027,089	**P -**	**P 510,027,089**

	Sale of Medical Equipment (point in time)	Installation (over time)	Total
December 31, 2023			
Primary geographical markets			
Luzon	P 528,611,466	P 17,972,935	P 546,584,401
Visayas	25,750,072	-	25,750,072
Mindanao	106,868,434	678,898	107,547,332
	P 661,229,972	P 18,651,833	P 679,881,805
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	P1,087,885,893	P 1,964,800,406

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, 2024			
Customers			
Private entities	P 4,650,325	P -	P 4,650,325
Government	505,376,764	-	505,376,764
	P 510,027,089	**P -**	**P 510,027,089**

December 31, 2023			
Customers			
Private entities	P 78,497,638	P -	P 78,497,638
Government	582,732,334	18,651,833	601,384,167
	P 661,229,972	**P 18,651,833**	**P 679,881,805**
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

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.

As of March 31, 2024, December 31, 2023 and 2022 the balance of contract assets amounted to P 1,367,115,243, P1,411,783,578 and P1,768,036,154, respectively.

Contract assets pertains to revenue recognized based on POC that is not yet billed nor collected as of March 31, 2024, December 31, 2023 and 2022. As of December 31, 2023 and 2022, there were no impairment of contract assets.

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

	March 2024	December 2023
Contract assets:		
Balance at beginning of year	**P 1,411,783,578**	P 1,768,036,154
Contract assets during the year	**-**	20,890,053
Transfers from contract assets recognized at the beginning of year to trade receivables	**(44,668,335)**	(377,142,629)
Balance at end of year	**P 1,367,115,243**	P 1,411,783,578
Contract liabilities:		
Balance at beginning of year	**P -**	P -
Revenue recognized that was included in contract liabilities at the beginning of 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.

	March 2024	December 2023
Change in inventories	**443,621,496**	436,961,237
Salaries and wages	**13,228,598**	45,093,601
Taxes and licenses	**1,353,691**	12,572,214
Professional fees	**2,980,404**	13,824,515
Provision for ECL	**-**	(290,823)
Depreciation and amortization	**2,694,792**	12,852,017
Rent Expense	**436,861**	2,053,845
Insurance	**1,546,041**	2,128,105
Freight and handling	**2,315,723**	5,946,414
Representation	**1,138,594**	5,508,631
Utilities and communication	**447,244**	2,649,304
Penalties	**320,996**	2,031,439
SSS, HDMF and PHIC	**604,694**	2,015,194
Travel and transportation	**4,036,416**	10,369,719
Meals	**557,088**	2,889,067
Repairs and maintenance	**1,366,701**	1,264,388
Advertising and Promo	**-**	277,506
Association dues	**35,237**	333,492
Bidding	**119,112**	911,888
Security and janitorial	**482,146**	2,042,799
Supplies	**165,251**	834,980
Accommodation	**1,180,665**	662,702
Training and seminars	**2,311,119**	4,364,202
Miscellaneous	**1,014,962**	7,437,906
Total	**481,957,831**	574,734,342

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

	March 2024	Dec 2023
Direct Cost	**443,621,496**	436,961,237
Operating expenses	**38,336,335**	137,773,105
	481,957,831	574,734,342

The details of direct costs are shown below.

	March 2024	Dec 2023
Inventories at beginning	**74,415,502**	76,924,962
Net Purchases	**528,727,311**	434,451,777
	603,142,813	511,376,739
Inventories at ending	**(159,521,317)**	(74,415,502)
	443,621,496	436,961,237

15. OTHER INCOME (CHARGES) – Net

The breakdown of this account follows:

	March 2024	Dec 2023
Other income	**3,235,989**	22,625,920
Finance Charge	**(4,459,237)**	(17,004,967)
Foreign exchanges loss	**110,575**	(13,375,767)
Interest Income	**43**	103,536
Total	**(1,112,630)**	(7,651,278)

15.1 Other Income

Other income includes the following:

	March 2024	Dec 2023
Distribution Income	**2,870,926**	21,165,670
Rent income	**365,063**	1,460,250
Total	**3,235,989**	22,625,920

15.2 Finance Charges

The breakdown of this account follows:

	March 2024	Dec 2023
Interest expense on borrowings	**4,020,101**	**13,523,959**
Bank charges	**439,136**	**3,481,008**
Total	**4,459,237**	**17,004,967**

16. EMPLOYEE BENEFITS

16.1 Salaries and Employee Benefits

Details of salaries and employee benefits are presented below.

	Notes	2023	2022	2021
Short-term employee benefits		**P 43,629,755**	P 41,133,739	P 28,737,644
Post-employment defined benefit	17.2	**731,923**	1,812,040	571,932
	15, 19.8	**P 44,361,678**	P 42,945,779	P 29,309,576

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*

All amounts presented in the succeeding pages are based on the actuarial valuation report obtained from an independent actuary in 2023. The amounts of post-employment defined benefit obligation recognized in the statements of financial position amounted to P1,764,322 and P3,918,206 as of December 31, 2023 and 2022, respectively.

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, 2023. 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.

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

	2023	2022
Present value of the obligation	**P 4,301,338**	P 8,839,139
Fair value of plan assets	**(2,537,016)**	(4,920,933)
	P 1,764,322	P 3,918,206

The movements in the present value of the post-employment defined benefit obligation recognized in the books is shown below:

	2023	2022
Balance at beginning of year	**P 8,839,139**	P 7,027,099
Current service cost	**441,581**	1,454,361
Interest expense	**449,912**	357,679
Transfer to the plan	**18,636**	-
Benefits paid	**(3,954,351)**	-
Actuarial gains arising from:		
Experience adjustments	**(1,259,345)**	-
Changes in financial assumptions	**(234,234)**	-
Balance at end of year	**P 4,301,338**	P 8,839,139

The movements in the fair value of the plan assets are shown below.

	2023	2022
Balance at beginning of year	**P 4,920,933**	P -
Benefits paid	**(3,571,921)**	-
Remeasurement gain (losses)	**1,028,434**	(79,067)
Interest income	**159,570**	-
Contributions to the plan	**-**	5,000,000
Balance at end of year	**P 2,537,016**	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 composition of the fair value of plan assets at the end of the reporting period is shown below.

	2023	2022
Unit Investment Trust Funds	**P 2,511,646**	P 4,871,724
Cash and cash equivalents	**25,370**	49,209
Balance at end of year	**P 2,537,016**	P 4,920,933

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:

	2023	2022	2021
Reported in profit or loss:			
Interest expense	**P 449,912**	P 357,679	P 171,987
Current service cost	**441,581**	1,454,361	399,945
Interest income	**(159,570)**	-	-
	P 731,923	P 1,812,040	P 571,932
Reported in other comprehensive loss (income):			
Actuarial losses (gains) arising from:			
Experience adjustments	**(P 1,259,345)**	P -	P 2,419,751
Remeasurement of plan asset	**(1,028,434)**	79,066	-
Changes in financial assumptions	**(234,234)**	-	(303,700)
Changes in demographic assumptions	**-**	-	(4,002)
	(P 2,522,013)	P 79,066	P 2,112,049

Current service cost and net 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:

	2023	2022	2021
Discount rates	**6.10%**	5.09%	5.09%
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 21.8 years, 21.7 years and 22.7 years in 2023, 2022 and 2021, 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 and in the succeeding page.

(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, 2023 and 2022:

	Impact on Retirement Benefit Obligation		
	Change in Assumption	Increase in Assumption	Decrease in Assumption
December 31, 2023			
Discount rate	**+/- 1.00%**	**(P 203,085)**	**P 231,753**
Salary growth rate	**+/- 1.00%**	**236,762**	**(210,711)**
December 31, 2022			
Discount rate	+/- 1.00%	(P 251,665)	P 324,583
Salary growth rate	+/- 1.00%	328,451	(258,355)

The sensitivity analysis, as presented in the previous page, 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, 2023 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, 2023 and 2022, the plan is underfunded by P1,764,322 and P3,918,206.

The Company expects to make contributions of P4,000,000 to the plan during the next reporting period.

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

	2023	2022	2021
More than one year to five years	**P 3,151,601**	P 6,803,232	P 6,354,803
More than five years	**1,231,373**	2,125,662	1,548,390
	P 4,382,974	P 8,928,894	P 7,903,193

The weighted average duration of the defined benefit obligation at the end of the reporting period is 5.1 years, 5.0 years and 3.6 years in 2023, 2022 and 2021, respectively.

17. CURRENT AND DEFERRED TAXES

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

	2023	2022	2021
Reported in profit or loss			
Current tax expense:			
Regular corporate income tax (RCIT) at 25%	**P 24,392,296**	P 70,151,757	P 46,315,610
Final tax at 20% and 15%	**20,707**	49,172	25,582
Effect of change in income tax rate	**-**	-	(3,788,827)
	24,413,003	70,200,929	42,552,365
Deferred tax expense (income) relating to:			
Origination and reversal of temporary differences	**621,463**	(5,272,395)	(3,828,037)
Effect of change in income tax rate	**-**	-	1,519,836
	621,463	(5,272,395)	(2,308,201)
	P 25,034,466	P 64,928,534	P 40,244,164
Reported in other comprehensive income (loss)			
Deferred tax expense (income) relating to:			
Origination and reversal of temporary differences	**P 630,503**	(P 19,767)	(P 528,012)
Effect of change in income tax rate	**-**	-	43,414
	P 630,503	(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:

	2023	2022	2021
Tax on pretax profit at 25%	P 24,374,046	P 64,225,098	P 52,468,916
Adjustment for income subjected to lower tax rates	(5,177)	(12,293)	(14,319)
Tax effects of:			
Non-deductible expenses	665,597	715,729	915,781
IPO expenses charged against APIC	-	-	(10,857,223)
Effect of change in income tax rate	-	-	(2,268,991)
Tax expense	P 25,034,466	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:

	2023	2022
Impairment losses on trade and other receivables	P 8,481,554	P 8,554,260
Unrealized foreign exchange loss – net	5,161,979	5,802,769
Post-employment benefit obligation	441,081	979,551
Provision for inventory obsolescence	2,127,883	2,127,883
	P 16,212,497	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		
	2023	2022	2021
Unrealized foreign exchange loss (gain) – net	P 640,790	(P 5,812,055)	P 1,046,400
Unamortized past service cost	(886,410)	886,410	-
Impairment losses on trade and other receivables	72,706	(299,972)	(3,854,310)
Post-employment benefit obligation	794,377	(89,419)	30,758
Right-of-use assets and lease liabilities – net	-	42,641	43,374
Provision for inventory obsolescence	-	-	425,577
Deferred tax expense (income)	P 621,463	(P 5,272,395)	(P 2,308,201)

	Other Comprehensive Loss (Income)		
	2023	2022	2021
Post-employment benefit obligation	P 630,503	(P 19,767)	(P 484,598)

The Company is subject to the minimum corporate income tax (MCIT), which is computed at a rate of 1.5% in 2023 and 1% in 2022 and 2021 of gross income net of allowable deductions, as defined under the tax regulations, or RCIT, whichever is higher. No MCIT was reported in 2023, 2022 and 2021 as the RCIT was higher than MCIT in those years.

In 2023, 2022 and 2021, 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	**2023**	2022	2021	**2023**	2022	2021
Related Parties under Common Ownership							
Advances to related parties	19.1	**(P210,509,381)**	P117,346,012	P117,346,012	**P -**	P 210,509,381	P 93,163,369
Advances from related parties	19.1	**201,573,415**	(53,926,946)	(53,926,946)	**(39,859,541)**	(241,432,956)	(187,506,010)
Distribution income	19.2	**21,165,670**	28,764,803	15,343,997	**-**	-	15,343,997
Sale of medical equipment	19.3	**2,494,138**	142,731	3,931,709	**-**	-	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	**4,700,901**	-	5,540,099	**-**	-	(5,540,099)
Management fee	19.7	**10,714,286**	12,500,000	12,500,000	**2,678,571**	-	-
Stockholders							
Cash dividends	20.2	**28,795,778**	25,444,725	255,000,000	**-**	-	-
Key Management Personnel							
Compensation	19.8	**17,091,633**	21,627,540	15,846,743	**-**	-	-
Retirement Benefit Plan	19.9	**(2,046,083)**	4,920,933	-	**2,537,016**	4,920,933	-

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 changes in advances to related parties are shown below:

	2023	2022
Balance at beginning of year	**P 210,509,381**	P 93,163,369
Additions	**28,844,267**	117,346,012
Offsetting	**(239,353,648)**	-
Balance at end of year	**P -**	P 210,509,381

The changes in advances from related parties are shown below:

	2023	2022
Balance at beginning of year	**(P 241,432,956)**	(P 187,506,010)
Offsetting	**239,353,648**	-
Additions	**(37,780,233)**	(53,926,946)
Balance at end of year	**(P 39,859,541)**	(P 241,432,956)

In 2023, as agreed by both parties, the advances to and from AMI are offset resulting to a net liability amounting to P39,859,541 presented as Advances from related parties under Trade and Other Payables as of December 31, 2023 in the statement of financial position (see Note 11). There was no similar transaction in 2022.

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 in 2024 and 2023. Distribution fee in 2022 and 2021 is 5% and 10% of net sales, respectively.

Distribution income is presented as part of Other income under Other Income (Charges) – net in the statements of comprehensive income (see Note 16.1). There was no outstanding balance arising from this transaction as of March 31, 2024, December 31, 2023 and 2022.

18.3 Sale of Medical Equipment

The Company has sold various medical equipment to AMI amounting to P2,494,138, P142,731, and P3,931,709 in 2023, 2022 and 2021, 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. There were no outstanding balances arising from this transaction as of December 31, 2023 and 2022.

18.4 Rent Income

The Company has a lease agreement with AMI for the rental of office space. The total rent income recognized amounted to P1,460,250 million in 2023, 2022 and 2021. 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). There was no outstanding balance as of December 31, 2023 and 2022.

18.5 Sale of Property and Equipment

In 2021, the Company sold a condominium unit to AMI with a total carrying value of P21,819,409. The gain on sale amounted to P28,894,879 and is presented as part of Other income under Other Income (Charges) – Net in the 2021 statement of comprehensive income. There are no outstanding receivables from AMI as of December 31, 2021 relating to this transaction. There were no similar transactions in 2023 and 2022, respectively.

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 in 2023 and 2021 (see Note 15). There was no similar transaction in 2022. The outstanding payables from these transactions as of December 31, 2023 are presented as part of Trade payables under Trade and Other Payables account in the 2023 statement of financial position (see Note 11). There was no outstanding payable as of December 31, 2022.

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 March 31, 2024, December 31, 2023, 2022 and 2021 is presented as part of Professional fees under Operating Expenses in the statements of comprehensive income (see Note 15). The outstanding payable is presented as part of Trade and Other Payables in the 2023 statement of financial position (see Note 11). There was no outstanding balance 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 statements of comprehensive income (see Notes 15 and 17), are broken down as follows:

	March 2023	December 2023	December 2022
Salaries and wages	**P 5,300,364**	P 16,584,983	P 19,126,683
13th month pay	**442,911**	1,771,644	1,311,188
Post-employment defined benefit expense (income)		(1,264,994)	1,189,669
	P 5,743,275	P 17,091,633	P 21,627,540

There is no outstanding payable relating to compensation as of December 31, 2023 and 2022.

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, 2023 and 2022 is disclosed under Note 17.2.

19. EQUITY

19.1 Capital Stock

Capital stock consists of:

	Shares			**Amount**		
	2024	2023	2022	**2024**	2023	2022
Common shares – P0.25 par value						
Authorized share capital	**4,000,000,000**	4,000,000,000	4,000,000,000	**P 1,000,000,000**	P 1,000,000,000	P 1,000,000,000
Issued and outstanding						
Balance at beginning of year	**2,750,000,800**	2,750,000,800	2,750,000,800	**687,500,200**	687,500,000	687,500,000
Increase in number of shares as a result of stock split	**-**	-	-	**-**	-	-
Issued during the year	**-**	-	-	**-**	-	-
	2,750,000,800	2,750,000,800	2,750,000,800	**P 687,500,200**	P 687,500,200	P 687,500,200

On July 16, 2018, the Company amended its Articles of Incorporation to increase its authorized capital stock from P50,000,000 divided into 50,000 shares with a par value of P1,000 per share to P400,000,000 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 March 31, 2024, December 31, 2023 and 2022, 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 P0.30, P0.33 and P0.69,respectively.

On June 30, 2023 and December 28, 2022, the Company reacquired 2,586,000 and 839,000 common shares from its stockholders for P1,518,420 and P813,240, respectively which are presented as Treasury Shares in the statements 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 July 18, 2023, the Company declared cash dividend amounting to P28,795,778 or P0.01048 per share in favor of all its stockholders of record date as of July 18, 2023. The cash dividends were paid on August 11, 2023.

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.

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 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.

20. EARNINGS PER SHARE

Earnings per share were computed as follows:

	March 2024	December 2023	December 2022
Net profit for the year	**P 72,461,719**	P 72,461,719	P 191,971,856
Divided by the weighted average number of outstanding common shares	**2,747,861,904**	2,747,861,904	2,749,993,904
Basic and diluted earnings per share	**P 0.01**	P 0.03	P 0.09

The Company has no potential dilutive common shares as of December 31, 2023, 2022 and 2021.

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 P1,349,793,134 and P1,642,030,062, as of December 31, 2023 and 2022, 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, 2023, 2022 and 2021, 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 USD-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 P8,610,394 and P5,219,694 as of December 31, 2023 and 2022, respectively. However, the management believes the related foreign currency risk exposure is not significant.

(b) Interest Rate Risk

As of December 31, 2023, 2022 and 2021, 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	**2023**	2022
Cash	5	**P 95,947,939**	P 102,717,511
Trade and other receivables – net	6	**1,446,189,427**	1,531,301,893
Contract assets	14.2	**1,411,783,578**	1,768,036,154
Bid and construction bonds	8	**3,424,484**	3,424,484
Guarantee deposits		**2,366,122**	2,366,122
Rental and other deposits	8	**636,373**	626,723
		P2,960,347,923	P3,408,472,887

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, 2023, 2022 and 2021 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 March 31, 2024 and December 31, 2023 was determined based on days past due for trade receivables as follows:

Days past due	Expected loss rate	Gross carrying amount	Loss allowance
March 31, 2024			
0 – 120	0.00%	P 850,728,994	P -
121 – 180	0.00%	149,253,516	-
181 – 365	0.00%	120,705,025	-
Above 365	11.63%	548,814,886	33,926,215
		P 1,669,502,421	**P 33,926,215**
December 31, 2023			
0 – 120	0.00%	P 780,891,158	P -
121 – 180	0.00%	114,628,993	-
181 – 365	0.00%	260,324,919	-
Above 365	11.63%	291,623,023	33,926,215
		P 1,447,468,093	P 33,926,215

With respect to trade receivables from NG amounting to P1,208,860,931 and P918,723,559 as of December 31, 2023 and 2022, respectively, and contracts assets amounting to P1,411,783,578 and P1,768,036,154 as of December 31, 2023 and 2022, 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 0.054%, 0.076% and 0.11% as of December 31, 2023, 2022 and 2021, respectively. Such rating resulted to a negligible loss allowance as of December 31, 2023, 2022 and 2021, 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 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. There were no outstanding advances to related parties as of December 31, 2023.

(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, 2023 and 2022, 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, 2023				
Notes payable	P 407,275,000	P -	P -	P -
Trade and other payables	-	1,111,765,255	-	-
	P 407,275,000	**P 1,111,765,255**	**P -**	**P -**
December 31, 2022				
Notes payable	P 188,377,008	P -	P -	P -
Trade and other payables	-	1,509,176,514	-	-
	P 188,377,008	P 1,509,176,514	P -	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 2.3 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 2023 and 2022 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, 2023 and 2022 .

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

The table below 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, 2023				
Financial assets:				
Cash	P 95,947,939	P -	P -	P 95,947,939
Trade and other receivables – net	-	-	1,413,448,203	1,413,448,203
Bid and construction bonds	-	-	3,424,484	3,424,484
Guarantee deposits	-	-	2,366,122	2,366,122
Rental and other deposits	-	-	636,373	636,373
	P 95,947,939	**P -**	**P 1,419,875,182**	**P 1,515,823,121**
Financial liabilities:				
Trade and other payables	P -	P -	P 1,111,765,255	P 1,111,765,255
Notes payable	-	-	400,000,000	400,000,000
	P -	**P -**	**P 1,511,765,255**	**P 1,511,765,255**
December 31, 2022				
Financial assets:				
Cash	P 102,717,511	P -	P -	P 102,717,511
Trade and other receivables – net	-	-	1,499,310,383	1,499,310,383
Bid and construction bonds	-	-	3,424,484	3,424,484
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 1,509,176,514	P 1,509,176,514
Notes payable	-	-	181,634,311	181,634,311
	P -	P -	P 1,690,810,825	P 1,690,810,825

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 below and 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 2023 are presented below:

	Tax Base	Output VAT
Vatable sales	P 131,546,892	P 15,785,627
Sale to Government	888,855,089	106,662,611
	P 1,020,401,981	**P 122,448,238**

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 2023 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 2023 statement of comprehensive income. Deferred output VAT for the year amounted to P152,957,802.

(b) Input VAT

The movements in input VAT in 2023 is summarized below.

Balance at beginning of year	P 103,267,862
Domestic purchase of service	18,901,772
Goods other than for resale or manufacture	89,115,127
Importation of goods other than capital goods	3,205,768
VAT withheld to Government	33,627,018
Applied against output VAT	(122,448,238)
Balance at end of year	**P 125,669,309**

The outstanding net input VAT amounting to P125,669,309 as of December 31, 2023 is presented as part of Prepayments and Other Assets in the 2023 statement of financial position.

(c) *Taxes on Importation*

In 2023, the total landed cost of the Company's imported inventory for use in business amounted to P26,714,738. This includes customs duties and tariff fees totaling P1,187,071.

(d) *Excise Tax*

The Company did not have any transaction in 2023 which is subject to excise tax.

(e) *Documentary Stamp Tax*

The Company incurred documentary stamp tax in 2023 broken down as follows:

On notes payable	P 2,062,635
Others	532,989
	P 2,595,624

(f) *Taxes and Licenses*

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

Permits and licenses	P 6,450,804
Documentary stamp tax	2,595,624
Real estate tax	1,265,549
Registration fee	577,297
IPO-related fees	280,000
Insurance	11,687
Others	1,391,253
	P 12,572,214

(g) *Withholding Taxes*

The details of total withholding taxes for the year ended December 31, 2023 are shown below.

Expanded	P 12,257,718
Compensation and employee benefits	5,033,048
	P 17,290,766

The Company has no income payments subject to final withholding tax in 2023.

(h) *Deficiency Tax Assessments and Tax Cases*

As of December 31, 2023, 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.

<u>Results of Operations</u>

Three months ended March 31, 2024 versus March 31, 2023

Revenues

For the three months ended March 31, 2024, Medilines Distributors, Incorporated (the "Company") recorded revenues of ₱510 million. There is a 435% increase from the same period last year due to the project-based nature or non-linear sales pattern of the Company. This year, most of the Company's projects are scheduled to be delivered and completed in the last quarter of the year.

Direct Cost

The Company's direct costs for the three months ended March 31, 2024 amounted to ₱443 million, equivalent to 87% of revenues, compared to 65% during the same period of the previous year. Direct cost ratio increased due to sales of high revenue imaging machines, which have higher costs.

Gross Profit

The Company's gross profit for the three months ended March 31, 2024 was ₱66 million. There is a 102% increase versus the same period last year due to one project with high gross profit in the current year.

Operating Expenses

The Company's operating expenses for the three months ended March 31, 2024 amounted to ₱38 million. This resulted to a 30% increase from the same period last year. This is due to the increase in marketing expenses on the high revenue imaging machines.

Operating Profit

The Company's operating profit for the three months ended March 31, 2024 increased to ₱38 million compared to ₱3 million in the same period of 2023, driven by the increase in sales between both years.

Net Profit (Loss)

As a result of the foregoing, the Company's net profit for the three months ended March 31, 2024 resulted to a net profit of ₱20 million versus the ₱5.6 million recorded during the previous year, a 741% increase.

<u>Key Performance Indicators</u>

The table below show the first three months of 2024 key performance indicators of the company, with comparative figures:

Key Financial Ratios	As of March 31, 2024 Unaudited	As of March 31, 2023 Unaudited
Current ratio	2.009	1.971
Debt to equity ratio	0.138	0.086
Gross profit margin	13%	35%
Operating profit margin	6%	4%
Net profit margin	4%	6%

As of the three months ending March 31, 2024, the Company has met its obligations with its lenders and has been operating with minimal debt. Medilines maintains its proper management of interest-bearing loans, resulting to a steady debt-equity ratio at healthy levels.

The increase in operating profit and net profit margin were mainly due to the increase in revenues for the three months of 2024 versus last year due to the mis-aligned timing of project completions between both years.

SIGNATURES

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

By:

MARIA CAMELA D. OCHOA
Chief Finance Officer

Date: May 5, 2024