# SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 17-Q

### QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended
   Sep 30, 2024
2. SEC Identification Number
   CS200251064
3. BIR Tax Identification No.
   219075614000
4. Exact name of issuer as specified in its charter
   Medilines Distributors, Incorporated
5. Province, country or other jurisdiction of incorporation or organization
   Metro Manila, Philippines
6. Industry Classification Code(SEC Use Only)

7. Address of principal office
   3rd Floor Vistamall Hub C.V. Starr Avenue, Pamplona Dos, Las Piñas City
   Postal Code
   1740
8. Issuer's telephone number, including area code
   +6377471076 / +6385192012
9. Former name or former address, and former fiscal year, if changed since last report
   N/A
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

| Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding |
|---|---|
| Common Shares | 2,746,575,800 |

11. Are any or all of registrant's securities listed on a Stock Exchange?
   ☑ Yes ☐ No
   If yes, state the name of such stock exchange and the classes of securities listed therein:
   The registrant's Common Shares are listed on the Philippine Stock Exchange
12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the

Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

☑ Yes ☐ No

(b) has been subject to such filing requirements for the past ninety (90) days

☑ Yes ☐ No



# Medilines Distributors Incorporated
# MEDIC

### PSE Disclosure Form 17-2 - Quarterly Report
***References: SRC Rule 17 and***
***Sections 17.2 and 17.8 of the Revised Disclosure Rules***

| | |
|---|---|
| **For the period ended** | Sep 30, 2024 |
| **Currency (indicate units, if applicable)** | Philippine Peso |

**Balance Sheet**

| | Period Ended | Fiscal Year Ended (Audited) |
|---|---|---|
| | Sep 30, 2024 | Dec 31, 2023 |
| **Current Assets** | 3,976,457,102 | 3,621,385,641 |
| **Total Assets** | 4,181,014,425 | 3,833,646,890 |
| **Current Liabilities** | 1,936,817,281 | 1,681,411,277 |
| **Total Liabilities** | 1,938,581,603 | 1,683,175,599 |
| **Retained Earnings/(Deficit)** | 473,596,222 | 381,634,691 |
| **Stockholders' Equity** | 2,242,432,822 | 2,150,471,291 |
| **Stockholders' Equity - Parent** | 2,242,432,822 | 2,150,471,291 |
| **Book Value per Share** | 0.82 | 0.78 |

**Income Statement**

| | Current Year<br>(3 Months) | Previous Year<br>(3 Months) | Current Year-To-Date | Previous Year-To-Date |
|---|---|---|---|---|
| **Gross Revenue** | 405,157,233 | 124,422,354 | 1,175,065,828 | 358,901,049 |
| **Gross Expense** | 501,669,225 | 107,037,679 | 1,061,320,943 | 338,830,029 |
| **Non-Operating Income** | 13,817,482 | 6,828,045 | 22,735,543 | 17,721,703 |
| **Non-Operating Expense** | 1,660,920 | 4,484,385 | 11,779,488 | 11,428,438 |
| **Income/(Loss) Before Tax** | -84,355,430 | 19,728,335 | 124,700,940 | 26,364,285 |
| **Income Tax Expense** | -19,524,690 | 1,760,108 | 32,739,403 | 3,419,096 |
| **Net Income/(Loss) After Tax** | -64,830,740 | 17,968,227 | 91,961,537 | 22,945,189 |
| **Net Income Attributable to<br>Parent Equity Holder** | -64,830,740 | 17,968,227 | 91,961,537 | 22,945,189 |
| **Earnings/(Loss) Per Share<br>(Basic)** | -0.02 | 0.01 | 0.03 | 0.01 |
| **Earnings/(Loss) Per Share<br>(Diluted)** | -0.02 | 0.01 | 0.03 | 0.01 |

| | Current Year (Trailing 12 months) | Previous Year (Trailing 12 months) |
|---|---|---|
| **Earnings/(Loss) Per Share (Basic)** | 0.03 | 0.01 |
| **Earnings/(Loss) Per Share (Diluted)** | 0.03 | 0.01 |

| **Other Relevant Information** |
|---|
| Attached is a copy of Quarter Reports for the 3rd quarter of 2024. |

**Filed on behalf by:**

| | |
|---|---|
| **Name** | Maria Carmela Ochoa |
| **Designation** | CFO |

# 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-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2) (b) THEREUNDER**

1. For the quarter period ended **30 September 2024**

2. Commission Identification Number **CS200251064**

3. BIR Tax Identification Number **219-075-614-00000**

4. Exact name of issuer as specified in its charter
**MEDILINES DISTRIBUTORS INCORPORATED**

5. Province, country or other jurisdiction of incorporation or organization
**Metro Manila, Philippines**

6. Industry Classification Code: _________ (SEC use only)

7. Address of registrant's principal office
**3rd Floor Vistamall Hub C.V. Starr Avenue, Pamplona Dos, Las Pinas City 1740**

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

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

10. Securities registered pursuant to Section 8 and 12 of the Code, or Sections 4 and 8 of the RSA

| Title of each class | Number of Shares of Common Stock and Amount of Debt Outstanding |
|---|---|
| Common Shares | 2,746,575,800 |

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

Yes [ X ]  No [ ]

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 there under or Sections 11 of the RSA and RSA Rule 11(a)-1 there under, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports).

Yes [ X ]  No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [ X ]  No [ ]

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

| | Notes | September 30 | | December 31 | |
|---|---|---|---|---|---|
| | | **2024** | **2023** | **2023** | **2022** |
| **ASSETS** | | | | | |
| **CURRENT ASSETS** | | | | | |
| Cash | 5 | 30,947,785 | 42,865,202 | 95,947,939 | 102,717,511 |
| Trade and other receivables - net | 6 | 2,442,271,741 | 1,877,330,805 | 1,905,781,372 | 1,766,169,848 |
| Contract assets | 13 | 1,277,655,514 | 1,541,575,087 | 1,411,783,578 | 1,768,036,154 |
| Inventories - net | 7 | 5,869,164 | 56,871,626 | 74,415,502 | 76,924,962 |
| Prepayments and other current assets | 8 | 219,712,898 | 240,566,441 | 133,457,250 | 109,120,442 |
| **Total Current Assets** | | **3,976,457,102** | **3,759,209,161** | **3,621,385,641** | **3,822,968,917** |
| **NON-CURRENT ASSETS** | | | | | |
| Property, plant and equipment - net | 9 | 185,978,704 | 177,802,448 | 193,682,630 | 183,253,784 |
| Deferred tax assets - net | 18 | 16,212,497 | 16,463,018 | 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** | | **204,557,323** | **196,631,588** | **212,261,249** | **203,084,369** |
| **TOTAL ASSETS** | | **4,181,014,425** | **3,955,840,749** | **3,833,646,890** | **4,026,053,286** |
| **LIABILITIES AND EQUITY** | | | | | |
| **CURRENT LIABILITIES** | | | | | |
| Trade and other payables | 11 | 1,656,544,900 | 1,653,250,561 | 1,266,324,470 | 1,702,808,390 |
| Notes payable | 12 | 280,000,000 | 200,000,000 | 400,000,000 | 181,634,310 |
| Income tax payable | | 272,381 | (355,359) | 15,086,807 | 31,260,120 |
| **Total Current Liabilities** | | **1,936,817,281** | **1,852,895,202** | **1,681,411,277** | **1,915,702,820** |
| **NON-CURRENT LIABILITIES** | | | | | |
| Retirement benefit obligation | 17 | 1,764,322 | 3,918,205 | 1,764,322 | 3,918,206 |
| **Total Non-Current Liabilities** | | **1,764,322** | **3,918,205** | **1,764,322** | **3,918,206** |
| **Total Liabilities** | | **1,938,581,603** | **1,856,813,407** | **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) | (2,331,660) | (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 | 473,596,222 | 332,082,252 | 381,634,691 | 337,968,750 |
| **Net Equity** | | **2,242,432,822** | **2,099,027,342** | **2,150,471,291** | **2,106,432,260** |
| **TOTAL LIABILITIES AND EQUITY** | | **4,181,014,425** | **3,955,840,749** | **3,833,646,890** | **4,026,053,286** |

***See Notes to Financial Statements.***

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

| | Notes | For the Nine Months ended September 30 2024 | For the Nine Months ended September 30 2023 | For the Three Months ended September 30 2024 | For the Three Months ended September 30 2023 | For the year ended December 31 2023 | For the year ended December 31 2022 |
|---|---|---|---|---|---|---|---|
| **REVENUES** | 13 | 1,175,065,828 | 358,901,049 | 405,157,233 | 124,422,354 | 679,881,805 | 1,964,800,406 |
| **DIRECT COSTS** | 14 | 943,445,184 | 246,110,986 | 470,346,220 | 72,814,389 | 436,961,237 | 1,581,474,295 |
| **GROSS PROFIT** | | **231,620,644** | **112,790,063** | **(65,188,987)** | **51,607,965** | **242,920,568** | **383,326,111** |
| **OPERATING EXPENSES** | | | | | | | |
| General and administrative expenses | 14 | 117,725,760 | 91,254,031 | 31,323,006 | 33,658,278 | 138,063,928 | 123,602,114 |
| Expected credit losses (recoveries) - net | 6 | 150,000 | 1,465,012 | - | 565,012 | (290,823) | 1,199,886 |
| | | 117,875,760 | 92,719,043 | 31,323,006 | 34,223,290 | 137,773,105 | 124,802,000 |
| **OPERATING PROFIT** | | **113,744,885** | **20,071,020** | **(96,511,992)** | **17,384,675** | **105,147,463** | **258,524,111** |
| **OTHER INCOME (CHARGES) - Net** | 15 | 10,956,055 | 6,293,265 | 12,156,562 | 2,343,660 | (7,651,278) | (1,623,721) |
| **PROFIT BEFORE TAX** | | 124,700,940 | 26,364,285 | (84,355,430) | 19,728,335 | 97,496,185 | 256,900,390 |
| **TAX EXPENSE** | 17 | 32,739,403 | 3,419,096 | (19,524,690) | 1,760,108 | 25,034,466 | 64,928,534 |
| **NET PROFIT** | | 91,961,537 | 22,945,189 | (64,830,740) | 17,968,227 | 72,461,719 | 191,971,856 |
| **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) |
| Tax income (expense) | 17 | - | - | - | - | (630,503) | 19,767 |
| | | - | - | - | - | 1,891,510 | (59,299) |
| **TOTAL COMPREHENSIVE INCOME** | | **91,961,537** | **22,945,189** | **(64,830,740)** | **17,968,227** | **74,353,229** | **191,912,557** |
| **EARNINGS PER SHARE** | | | | | | | |
| Basic and Diluted | | **0.03** | **0.01** | **(0.02)** | **0.01** | **0.03** | **0.07** |

***See Notes to Financial Statements.***

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

| | Capital Stock | Additional Paid-up Capital | Treasury Shares | Revaluation Reserves | Retained Earnings | Total |
|---|---|---|---|---|---|---|
| **For the Nine Months ended 30 September 2024** | | | | | | |
| Balance at 01 January 2024 | 687,500,200 | 1,084,071,109 | (2,331,660) | (403,049) | 381,634,685 | 2,150,471,285 |
| Total comprehensive income for the year | - | - | - | - | 91,961,537 | 91,961,537 |
| **Balance at 30 September 2024** | **687,500,200** | **1,084,071,109** | **(2,331,660)** | **(403,049)** | **473,596,222** | **2,242,432,822** |
| **For the Nine Months ended 30 September 2023** | | | | | | |
| Balance at 01 January 2023 | 687,500,200 | 1,084,071,109 | (813,240) | (2,294,559) | 327,105,290 | 2,095,568,800 |
| Issuance of shares | - | - | (1,518,420) | - | - | (1,518,420) |
| Total comprehensive income for the year | - | - | - | - | 4,976,962 | 4,976,962 |
| **Balance at 30 September 2023** | **687,500,200** | **1,084,071,109** | **(2,331,660)** | **(2,294,559)** | **332,082,252** | **2,099,027,342** |
| **For the Three Months ended 30 September 2024** | | | | | | |
| Balance at 01 July 2024 | 687,500,200 | 1,084,071,109 | (2,331,660) | (403,049) | 538,426,962 | 2,307,263,562 |
| Total comprehensive income for the year | - | - | - | - | (64,830,740) | (64,830,740) |
| **Balance at 30 September 2024** | **687,500,200** | **1,084,071,109** | **(2,331,660)** | **(403,049)** | **473,596,222** | **2,242,432,822** |
| **For the Three Months ended 30 September 2023** | | | | | | |
| Balance at 01 July 2023 | 687,500,200 | 1,084,071,109 | (2,331,660) | (2,294,559) | 314,114,025 | 2,081,059,115 |
| Total comprehensive income for the year | | | | | 17,968,227 | 17,968,227 |
| **Balance at 30 September 2023** | **687,500,200** | **1,084,071,109** | **(2,331,660)** | **(2,294,559)** | **332,082,252** | **2,099,027,342** |
| **For the Year ended 31 December 2024** | | | | | | |
| Balance at 01 January 2023 | 687,500,200 | 1,084,071,109 | (813,240) | (2,294,559) | 337,968,750 | 2,106,432,260 |
| 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 | 72,461,713 | 74,353,223 |
| **Balance at 31 December 2023** | **687,500,200** | **1,084,071,109** | **(2,331,660)** | **(403,049)** | **381,634,685** | **2,150,471,285** |
| **For the Year ended 31 December 2023** | | | | | | |
| Balance at 01 January 2022 | 687,500,200 | 1,084,071,109 | - | (2,235,260) | 171,441,619 | 1,940,777,668 |
| Issuance of shares | - | - | (813,240) | - | - | (813,240) |
| Reacquisition of shares | - | - | - | - | (25,444,725) | (25,444,725) |
| Total comprehensive income for the year | - | - | - | (59,299) | 191,971,856 | 191,912,557 |
| **Balance at 31 December 2022** | **687,500,200** | **1,084,071,109** | **(813,240)** | **(2,294,559)** | **337,968,750** | **2,106,432,260** |

***See Notes to Financial Statements.***

**MEDILINES DISTRIBUTORS INCORPORATED**
**UNAUDITED STATEMENT OF CASH FLOW**
***(Amounts in Philippine Pesos)***

| | Note | For the Nine Months ended September 30 | | For the Three Months ended September 30 | | For the year ended December 31 | |
|---|---|---|---|---|---|---|---|
| | | **2024** | **2023** | **2024** | **2023** | **2023** | **2022** |
| **CASH FLOWS FROM OPERATING ACTIVITES** | | | | | | | |
| Profit before tax | 10, 12 | 124,700,940 | 26,364,285 | (84,355,430) | 19,728,335 | 97,496,185 | 256,900,390 |
| Adjustments for: | 9 | | | | | | |
| Interest expense | | 10,462,304 | 1,496,096 | 1,291,186 | 1,496,096 | 13,523,959 | 9,209,726 |
| Depreciation and amortization | 6 | 8,665,456 | 6,948,448 | 3,130,307 | 1,336,231 | 12,852,020 | 9,553,745 |
| Unrealized foreign exchange losses (gains) - net | 5 | (2,614,190) | - | (2,575,269) | - | (2,563,160) | 22,828,782 |
| Provision (reversal) for expected credit losses | 9 | 150,000 | 1,350,001 | - | 450,000 | (290,823) | 1,199,886 |
| Interest income | 10 | (34,112) | - | (26,844) | - | (103,536) | (245,858) |
| Gain on sale of property and quipment | 7, 15 | - | - | - | - | - | (240,290) |
| Operating profit before working capital changes | | 141,330,398 | 36,158,830 | (82,536,050) | 23,010,662 | 120,914,645 | 299,206,381 |
| Decrease (increase) in trade and other receivables | | (536,640,369) | (112,510,958) | (146,098,646) | (104,250,013) | (139,320,701) | (290,063,010) |
| Decrease (increase) in contract assets | | 134,128,064 | 226,461,067 | (50,780,789) | 94,291,907 | 356,252,576 | (572,772,839) |
| Decrease (increase) in inventories | | 68,546,338 | 20,053,336 | 113,823,633 | 405,213,855 | 2,509,460 | 43,496,907 |
| Decrease (increase) in prepayments and other current assets | | (86,255,648) | (131,445,999) | (117,123,603) | (53,667,605) | (24,336,808) | (18,203,369) |
| Increase (decrease) in trade and other payables | | 392,834,620 | (49,557,829) | 392,795,699 | (555,212,598) | (433,920,760) | 311,613,588 |
| Increase (decrease) in contract liabilities | | - | - | (325,275,756) | - | - | (21,073,994) |
| Increase (decrease) in post-employment defined benefit obligation | | - | - | - | - | 368,129 | (3,187,959) |
| Cash generated from (used in) operations | | 113,943,404 | (10,841,553) | (215,195,511) | (190,613,792) | (117,533,459) | (250,984,295) |
| Income taxes paid | | (47,553,835) | (35,529,226) | (24,380,493) | (2,338,856) | (40,565,609) | (38,891,637) |
| Interest paid | | (10,462,304) | - | (1,291,186) | - | (13,523,959) | (9,195,718) |
| Interest received | | 34,112 | - | 26,844 | - | 82,829 | 196,686 |
| **Net Cash From (Used In) Operating Activities** | | **55,961,377** | **(46,370,779)** | **(240,840,346)** | **(192,952,648)** | **(171,540,198)** | **(298,874,964)** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | | | |
| Acquisitions of property and equipment | 9 | (961,530) | (1,497,112) | (50,270) | (718,053) | (23,280,866) | (36,468,240) |
| Proceeds from sale of property and equipment | 9 | - | - | - | - | - | 514,994 |
| **Net Cash From (Used In) Investing Activities** | | **(961,530)** | **(1,497,112)** | **(50,270)** | **(718,053)** | **(23,280,866)** | **(35,953,246)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | | | |
| Proceeds from notes payable | 12 | 430,000,000 | 200,000,000 | 430,000,000 | 381,634,311 | 297,792,558 | 477,792,558 |
| Repayments of notes payable | 12 | (550,000,000) | (181,634,311) | (250,000,000) | (181,634,311) | (79,426,868) | (943,863,531) |
| Cash dividends paid | 19 | - | (28,831,687) | - | (28,831,687) | (28,795,778) | (25,444,725) |
| Set up of Plan Asset | | - | - | - | - | - | - |
| Purchase of treasury shares | 19 | - | (1,518,420) | - | - | (1,518,420) | (813,240) |
| Payments of lease liability | | - | - | - | - | - | (1,356,000) |
| **Net Cash From (Used In) Financing Activities** | | **(120,000,000)** | **(11,984,418)** | **180,000,000** | **171,168,313** | **188,051,492** | **(493,684,938)** |
| Effect of Exchange Rate Changes on Cash | | - | - | - | - | - | 419,435 |
| **NET INCREASE (DECREASE) IN CASH** | | **(65,000,154)** | **(59,852,309)** | **(60,890,617)** | **(22,502,388)** | **(6,769,572)** | **(828,093,713)** |
| **CASH AT BEGINNING OF YEAR** | | **95,947,939** | **102,717,511** | **91,838,402** | **65,367,590** | **102,717,511** | **930,811,224** |
| **CASH AT END OF YEAR** | | **30,947,785** | **42,865,202** | **30,947,785** | **42,865,202** | **95,947,939** | **102,717,511** |

***See Notes to Financial Statements.***

**MEDILINES DISTRIBUTORS INCORPORATED**
**NOTES TO FINANCIAL STATEMENTS**
**SEPTEMBER 30, 2024 AND DECEMBER 31, 2023**
***(Amounts in Philippine Peso)***

## 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 12 July 2002. The Company's primary purpose is to establish, conduct and maintain business of trading and/or distribution by purchasing, importing, marketing, trading, distributing, selling, exporting or otherwise do business in all kinds of goods, products, merchandise, supplies, compounds, machinery, equipment, apparatus, appliances, instruments, or other lawful objects of radiological, scientific, therapeutic, cosmetic, general and miscellaneous purpose 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 07 December 2021 and were traded under the ticker MEDIC (see Note 19.1).

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, Laas 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 has been used in the preparation of these financial statements is summarized below and in the succeeding pages. These policies have been consistently applied to all the years present, unless otherwise stated.

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

*(a) Statements 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, P*resentation of Financial Statements*. The Company presented 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 make 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 peso, 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 01 January 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 these pronouncements.

(i) PAS 1 and PFRS Practice Statement 2 (Amendments), *Presentation of Financial Statements – Disclosure of Accounting Policies*. The amendments replaced the requirements for entities to disclose their significant accounting policies with the requirement to disclose 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 and if an entity discloses immaterial 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 estimates 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 judgment (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 an amendment 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 period beginning on or after 01 January 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 pronouncement 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 01 January 2024)

(ii) PAS 1 (Amendments), *Presentation of Financial Statements – Non-current Liabilities with Covenants* (effective from 01 January 2024)

(iii) PAS 7 (Amendment), *Cash Flow Statement* and PFRS 7 (Amendments), *Financial Instruments: Disclosure – Supplier Finance Arrangements* (effective from 01 January 2024)

(iv) PFRS 16 (Amendments), *Lease – Lease Liability in a Sale and Leaseback* (effective from 01 January 2024)

(v) PFRS 16 (Amendments), *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability* (effective 01 January 2025)

### *2.3. Financial Instruments*

*(a) Financial Assets*

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

<u>*Classification, Measurement and Reclassification of Financial Assets*</u>

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).

<u>*Impairment of Financial Assets*</u>

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 liabilities 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*

The 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 recognition 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 revenue is 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 borrowed 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-to-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-to-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-to-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 judgement 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 project 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 od 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 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 customer. 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 Obligations*

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 and 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.

Derails 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 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 obligation is 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 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 asset 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 Assets*

The Company estimates the useful lives of property and equipment, and right-of-use assets 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 and other limits on the use of the assets.

The carrying amounts of property and equipment and right-of-use assets are analyzed in Note 9 and 10, respectively. Based on management's assessment as of 31 December 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 I 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 31 December 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 assumption used I 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 carrying amount of the post-employment benefit obligation or asset in the next reporting period.

The amount of post-employment benefit obligation or asset and expense and an analysis of the movement I 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 third quarter of 2024, 2023 and 2022 (see Note 14). The details of the revenue from these customers are as follows:

| | Sep 30 | December 31 | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| Philippine Childrens Medical Center | 301,260,612 | - | - |
| University of the Philippines (Manila) - Philippine General Hospital | 276,405,000 | - | - |
| Department of Health | 118,159,772 | - | 556,945,259 |
| Department of Budget and Management | 125,214,748 | 1,091,648,306 | 277,239,852 |
| **Total** | **821,040,133** | **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:

| | Sep 2024 | Dec 2023 |
|---|---|---|
| Cash on Hand | 82,560 | 82,560 |
| Cash in Bank | 30,865,225 | 95,865,379 |
| **Total** | **30,947,785** | **95,947,939** |

Cash in bank generally ear interest based on daily bank deposit rates. Interest income earned amounting to P34,112 for the three 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 (Note 16).

## 6. TRADE AND OTHER RECEIVABLES

This account is composed of the following:

| | Sep 2024 | Dec 2023 |
|---|---|---|
| Trade Receivables | 2,055,915,341 | 1,446,161,831 |
| Allowance for Expected Credit Loss | (34,076,215) | (33,926,215) |
| Non-Trade Receivables | | |
| Advances to Suppliers | 396,158,259 | 492,333,169 |
| Advances to Employees | 4,990,770 | - |
| Other Receivables | 19,283,587 | 1,212,587 |
| **Total** | **2,442,271,741** | **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 30 September 2024 and end of 2023 is shown below:

| | Sep 2024 | Dec 2023 |
|---|---|---|
| Balance at the Beginning of the year | 33,926,215 | 34,217,038 |
| Provision for ECL | 150,000 | (290,823) |
| **Balance at the End of the Year** | **34,076,215** | **33,926,215** |

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

## 7. INVENTORIES

The breakdown of inventories are as follows:

| | Sep 2024 | Dec 2023 |
|---|---|---|
| Inventories | 5,869,164 | 82,927,035 |
| Allowance for Inventory Obsolescence | - | (8,511,533) |
| **Total** | **5,869,164** | **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 third quarter of 2024, 2023 and 2022.

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

## 8. PREPAYMENTS AND OTHER CURRENT ASSETS

The composition of this account is shown below:

| | Sep 2024 | Dec 2023 |
|---|---|---|
| Excess Input Tax | 185,745,597 | 125,669,309 |
| Bid and Construction Bonds | 3,424,484 | 3,424,484 |
| Creditable Withholding Tax | 4,656,242 | - |
| VAT Withholding Tax | 22,617,951 | - |
| Prepaid Insurance | 397,963 | 2,405,929 |
| Rental and Other Deposits | 595,700 | 295,700 |
| Other Prepayments | 2,274,961 | 1,661,828 |
| **Total** | **219,712,898** | **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 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 30 September 2024 and end of 2023 are shown below:

| | Computer Equipment | Furniture & Fixtures | Demo Units | Leasehold Improvements | Transportation Equipment | Warehouse Tools & Equipment | Building Warehouse | Land | Office Condominium Units | Dialysis Machine & System | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **30 September 2024** | | | | | | | | | | | |
| Cost | 18,758,412 | 2,811,318 | 23,911,830 | 7,233,938 | 10,620,793 | 5,395,942 | 43,370,754 | 121,350,000 | 13,907,143 | 18,620,788 | 265,980,918 |
| Accumulated Depreciation | (16,212,260) | (2,810,040) | (23,255,964) | (7,227,938) | (8,612,271) | (5,336,988) | (3,757,935) | - | (5,961,196) | (6,827,622) | (80,002,214) |
| **Net Carrying Amount** | **2,546,151** | **1,278** | **655,866** | **6,000** | **2,008,522** | **58,954** | **39,612,819** | **121,350,000** | **7,945,947** | **11,793,166** | **185,978,704** |
| **31 December 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 | 18,620,787 | 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) | (71,336,758) |
| **Net Carrying Amount** | **4,751,696** | **15,292** | **985,867** | **24,000** | **2,811,194** | **52,533** | **40,742,605** | **121,350,000** | **8,363,160** | **14,586,283** | **193,682,630** |

A reconciliation of the carrying amounts of property and equipment as at 30 September 2024 and end of 2023 are shown below:

| | Computer Equipment | Furniture & Fixtures | Demo Units | Leasehold Improvements | Transportation Equipment | Warehouse Tools & Equipment | Building Warehouse | Land | Office Condominium Units | Dialysis Machine & System | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Balance at 01 January 2024, Net of Accumulated Depreciation | 4,751,696 | 15,292 | 985,867 | 24,000 | 2,811,194 | 52,533 | 40,742,605 | 121,350,000 | 8,363,160 | 14,586,283 | 193,682,630 |
| Additions | 683,207 | - | - | - | 11,000 | 108,466 | 158,857 | - | - | - | 961,530 |
| Depreciation charges for the period | (2,888,751) | (14,013) | (330,000) | (18,000) | (813,673) | (102,044) | (1,288,643) | - | (417,214) | (2,793,118) | (8,665,456) |
| **Balance at 30 September 2024, Net of Accumulated Depreciation** | **2,546,151** | **1,279** | **655,867** | **6,000** | **2,008,521** | **58,955** | **39,612,819** | **121,350,000** | **7,945,946** | **11,793,165** | **185,978,704** |
| Balance at 01 January 2023, Net of Accumulated Depreciation | 5,896,000 | 226,385 | 1,448,609 | 91,464 | 3,545,453 | 1,696,630 | 40,079,775 | 121,350,000 | 8,919,445 | - | 183,253,761 |
| Additions | 2,199,410 | 30,350 | - | 24,000 | - | 92,150 | 2,314,167 | | - | 18,620,788 | 23,280,865 |
| Depreciation charges for the period | (3,343,714) | (241,443) | (462,742) | (91,464) | (734,259) | (1,736,247) | (1,651,337) | | (556,285) | (4,034,505) | (12,851,996) |
| **Balance at 31 December 2023, Net of Accumulated Depreciation** | **4,751,696** | **15,292** | **985,867** | **24,000** | **2,811,194** | **52,533** | **40,742,605** | **121,350,000** | **8,363,160** | **14,586,283** | **193,682,630** |

Depreciation expense amounting to P8,647,456, P12,852,020, P8,382.315 and P6125,857 for the three quarters of 2024 and end of 2023 and 2022, respectively, are presented as part of operating expenses in the statement 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 serval demo units to commercial stocks, which then went to the normal processing of invoicing of goods. The total net carrying value of property and equipment reclassified to inventories amounting 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 and 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 units 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 Note 16.1 and 19.5). There was no similar transaction in 2023.

As of 31 December 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 statement 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 assets 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. The leased contract provides a monthly rental payment of P182,474 for five years starting 01 January 2019 to 31 December 2023, renewable upon agreement by both parties.

On 11 February 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 16 April 2020 to 14 April 2022. The modification also includes an increase in monthly rental payment to P339,000 from P184,474. 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 15 June 2022, the Company terminated its lease contract with its lessor.

### *10.1. Lease Liability*

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

The movement of the Company's lease liability in 2022 is 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 expenses on a straight-line basis. The total expenses recognized as of the third quarter of 2024, 2023 and 2021 amounting to P846,553, P2,053,845 and P1,479,366, respectively, and is presented as Rent Expense under Operating Expenses in the statement of comprehensive income (see Note 15).

## 11. TRADE AND OTHER PAYABLES

This account consists of:

| | Sep 2024 | Dec 2023 |
|---|---|---|
| Trade Payables | 1,211,724,122 | 729,976,171 |
| Deferred Output VAT | 228,734,119 | 152,957,802 |
| Advances from a Related Party | (19,924,483) | 39,859,541 |
| Payable to Government Agencies | 3,780,596 | 1,601,413 |
| Accrued Expenses | 232,230,546 | 341,929,543 |
| **Total** | **1,656,544,900** | **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 vat recognized for transactions with the government under PFRTS 15 revenue recognition and output tax recognized based on collection which are already reported and paid to 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 30 September 2024, 31 December 2023 and 2022 amounted to P280,000,000, P100,000,00 and P181,634,310, respectively.

### *12.1. Notes Payable*

Noted 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 agreement do not contain covenant obligations.

### *12.2. Interest Expense and Bank Charges*

Interest expense on notes payable amounting to P10,462,304, P13,523,959 and P9,195,718 in the third quarter of 2024, full year 2023 and 2022, 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 P1,317,184, P3,481,008 and P7,549,984 in the third quarter of 2024, full year 2023 and 2022, respectively, and is presented as part of Finance Charges under Other Income (Charges) - Net in the statement of comprehensive income (see Note 16.2).

## 13. REVENUE

### *13.1. Disaggregation of Revenues*

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

| | Sales of Medical Equipment (Point in Time) | Intallation (Over Time) | Total |
|---|---|---|---|
| **30 September 2024** | | | |
| Primary Geographical Markets | | | |
| Luzon | 1,073,480,134 | - | 1,073,480,134 |
| Visayas | 20,021,123 | - | 20,021,123 |
| Mindanao | 81,564,571 | - | 81,564,571 |
| **Total** | **1,175,065,828** | **-** | **1,175,065,828** |
| **31 December 2023** | | | |
| Primary Geographical Markets | | | |
| Luzon | 528,611,466 | 17,972,935 | 546,584,401 |
| Visayas | 25,750,072 | - | 25,750,072 |
| Mindanao | 106,868,434 | 678,898 | 107,547,332 |
| **Total** | **661,229,972** | **18,651,833** | **679,881,805** |
| **31 December 2022** | | | |
| Primary Geographical Markets | | | |
| Luzon | 593,478,912 | 649,321,200 | 1,242,800,112 |
| Visayas | 100,478,669 | 26,169,625 | 126,648,294 |
| Mindanao | 182,956,932 | 412,395,068 | 595,352,000 |
| **Total** | **876,914,513** | **1,087,885,893** | **1,964,800,406** |

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

| | Sales of Medical Equipment (Point in Time) | Intallation (Over Time) | Total |
|---|---|---|---|
| **30 September 2024** | | | |
| Customer | | | |
| Private Entities | 97,748,155 | - | 97,748,155 |
| Government | 1,077,317,673 | - | 1,077,317,673 |
| **Total** | **1,175,065,828** | **-** | **1,175,065,828** |
| **31 December 2023** | | | |
| Customer | | | |
| Private Entities | 78,497,638 | - | 78,497,638 |
| Government | 582,732,334 | 18,651,833 | 601,384,167 |
| **Total** | **661,229,972** | **18,651,833** | **679,881,805** |
| **31 December 2022** | | | |
| Customer | | | |
| Private Entities | 140,106,119 | - | 140,106,119 |
| Government | 736,808,394 | 1,087,885,893 | 1,824,694,287 |
| **Total** | **876,914,513** | **1,087,885,893** | **1,964,800,406** |

### *13.2. Contract Balances*

The Company recognized contract assets, due to the 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 30 September 2024, 31 December 2023 and 2022 the balance of contract assets amounted to P1,277,655,514, P1,411,783,578 and P1,768,036,154, respectively.

Contract assets pertain to revenue recognition based on POC that is not yet billed nor collected as of 30 September 2024, 31 December 2023 and 2022. As of 31 December 2023 and 2022, there was no impairment of contract assets.

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

| | Sep 2024 | Dec 2023 |
|---|---|---|
| **Contract Assets:** | | |
| Balance at the beginning of the year | 1,411,783,578 | 1,768,036,154 |
| Contract Assets during the year | 50,780,789 | 20,890,053 |
| Transfer from Contract Assets recognized at the beginning of the year to Trade Receivables | (184,908,853) | (377,142,629) |
| **Balance at the end of the year** | **1,277,655,514** | **1,411,783,578** |
| **Contract Liabilities:** | | |
| Balance at the beginning of the year | - | - |
| Revenue Recogntion that was included in contract liabilities at the beginning of the year | - | - |
| **Balance at the end of the year** | **-** | **-** |

## 14. OPERATING EXPENSES BY NATURE

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

| | Sep 2024 | Dec 2023 |
|---|---|---|
| Change in Nature | 943,445,184 | 436,961,237 |
| Salaries and Wages | 38,578,273 | 50,381,054 |
| Taxes and Licenses | 4,877,178 | 11,714,917 |
| Professional Fees | 9,976,681 | 13,998,209 |
| Provision for ECL | 150,000 | (290,823) |
| Depreciation and Amortization | 8,665,456 | 12,852,017 |
| Rent Expense | 846,553 | 926,763 |
| Insurance | 3,970,638 | 2,128,105 |
| Freight and Handling | 11,151,716 | 5,923,263 |
| Representation | 1,957,820 | 1,818,623 |
| Utilities and Communication | 1,448,637 | 2,083,219 |
| Penalties | 7,377,865 | 2,031,439 |
| SSS. HDMF and PHIC | 2,050,438 | 2,015,194 |
| Travel and Transportation | 6,760,167 | 16,441,792 |
| Meals | 3,112,060 | 3,123,530 |
| Repairs and Maintenance | 1,854,186 | 1,019,728 |
| Advertising and Promo | 5,089,328 | 4,052,329 |
| Association Dues | 147,446 | 338,417 |
| Bidding | 462,712 | 911,888 |
| Security and Janitorial | 1,558,750 | 2,042,799 |
| Supplies | 522,661 | 834,980 |
| Accommodation | 553,472 | 764,637 |
| Training and Seminars | 1,937,212 | 1,036,675 |
| Miscellaneous | 4,826,511 | 1,624,350 |
| **Total** | **1,061,320,943** | **574,734,342** |

The expenses are classified In the statement of comprehensive income as follows:

| | Sep 2024 | Dec 2023 |
|---|---|---|
| Direct Cost | 943,445,184 | 436,961,237 |
| Operating Expenses | 117,875,760 | 137,773,105 |
| **Total** | **1,061,320,943** | **574,734,342** |

The details of Direct Cost are shown below:

| | Sep 2024 | Dec 2023 |
|---|---|---|
| Inventories at beginning | 74,415,502 | 76,924,962 |
| Net Purchases | 863,160,518 | 434,451,777 |
| Total | 937,576,020 | 511,376,739 |
| Inventories at ending | 5,869,164 | (74,415,502) |
| **Direct Cost** | **943,445,184** | **436,961,237** |

## 15. OTHER INCOME (CHARGES) - NET

The breakdown of this account follows:

| | Sep 2024 | Dec 2023 |
|---|---|---|
| Other Income | 20,090,351 | 22,625,920 |
| Finance Charge | (11,779,488) | (17,004,967) |
| Foreign Exchange Loss | 2,611,080 | (13,375,767) |
| Interest Income | 34,112 | 103,536 |
| **Total** | **10,956,055** | **(7,651,278)** |

### *15.1. Other Income*

Other Income includes the following:

| | Sep 2024 | Dec 2023 |
|---|---|---|
| Distribution Fees | 10,486,505 | 21,165,670 |
| Rental Fee | 1,092,175 | 1,460,250 |
| Other | 8,511,671 | - |
| **Total** | **20,090,351** | **22,625,920** |

### *15.2. Finance Charge*

The breakdown of this account follows:

| | Sep 2024 | Dec 2023 |
|---|---|---|
| Interest Expense on Borrowings | 10,462,304 | 13,523,959 |
| Bank Charges | 1,317,184 | 3,481,008 |
| **Total** | **11,779,488** | **17,004,967** |

## 16. EMPLOYEE BENEFITS

### *16.1. Salaries and Employee Benefits*

Details of salaries and employee benefits are presented below:

| | Note | 2023 | 2022 | 2021 |
|---|---|---|---|---|
| Short-term Employee Benefits | | 43,629,755 | 41,133,739 | 28,737,644 |
| Post-Employment Defined Benefits | 17.2 | 731,923 | 1,812,040 | 571,932 |
| **Total** | 15, 19.8 | **44,361,678** | **42,945,779** | **29,309,576** |

### *16.2. Post-employment Define 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 services 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 statement of financial position amounted to P1,764,322 and P3,918,206 as of 31 December 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 31 December 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 31 December 2021.

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

| | **2023** | **2022** |
|---|---|---|
| Present Value of the Obligation | 4,301,338 | 8,839,139 |
| Fair Value of Plan Assets | (2,537,016) | (4,920,933) |
| **Total** | **1,764,322** | **3,918,206** |

The movement 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 | 8,839,139 | 7,027,099 |
| Current Service Cost | 441,581 | 1,454,361 |
| Interest Expense | 449,912 | 357,679 |
| Transfer to the Plan | 18,636 | - |
| Benefit Paid | (3,954,351) | - |
| Actuarial Gains arising from: | | |
| Experience Adjustments | (1,259,345) | - |
| Changes in Financial Assumptions | (234,234) | - |
| **Balance at end of year** | **4,301,338** | **8,839,139** |

The movement in the fair value of the plan assets are shown below:

| | **2023** | **2022** |
|---|---|---|
| Balance at beginning of year | 4,920,933 | - |
| Benefits Paid | (3,571,921) | - |
| Remeasurement Gain (Loss) | 1,028,434 | (79,067) |
| Interest Income | 159,570 | - |
| Contribution to the plan | - | 5,000,000 |
| **Balance at end of year** | **2,537,016** | **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 | 2,511,646 | 4,871,724 |
| Cash and Cash Equivalent | 25,370 | 49,209 |
| **Balance at end of year** | **2,537,016** | **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 on 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 | 449,912 | 357,679 | 171,987 |
| Current Service Cost | 441,581 | 1,454,361 | 399,945 |
| Interest Income | (159,570) | - | - |
| **Total** | **731,923** | **1,812,040** | **571,932** |
| *Reported in Other Comprehensive Loss (Income):* | | | |
| Actuarial Losses (Gains) arising from: | | | |
| Experience Adjustments | (1,259,345) | - | 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) |
| **Total** | **(2,522,013)** | **79,066** | **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 of 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 effect of changes in the significant actuarial assumptions used in the determination of the defined benefit obligation as of 31 December 2023 and 2022:

| | **Impact on Retirement Benefit Obligation** | | |
|---|---|---|---|
| | **Change in Assumption** | **Increase in Assumption** | **Decreation in Assumption** |
| **31 December 2023** | | | |
| Discount Rate | +/- 1.00% | (203,085) | 231,753 |
| Salary Growth Rate | +/- 1.00% | 236,762 | (210,711) |
| **31 December 2022** | | | |
| Discount Rate | +/- 1.00% | (251,665) | 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 the applied in calculating the defined obligation recognized in the statement 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 bond) with maturities that match the benefit payments as they fall due and in appropriate currency. The Company actively monitors how the duration and the expected yield of the investments match the expected cash outflows arising from the retirement obligations.

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

A large portion of the plan assets as of 31 December 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 31 December 2023 and 2022, the plan is underfunded by P1,764,322 and P3,918,206.

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

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

| | **2023** | **2022** | **2021** |
|---|---|---|---|
| More than one year to 5 years | 3,151,601 | 6,803,232 | 6,354,803 |
| More than 5 years | 1,231,373 | 2,125,662 | 1,548,390 |
| **Total** | **4,382,974** | **8,928,894** | **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% | 24,392,296 | 70,151,757 | 46,315,610 |
| Final Tax at 20% and 15% | 20,707 | 48,172 | 25,582 |
| Effect of Change in Income TaxRate | - | - | (3,788,827) |
| **Total** | **24,413,003** | **70,199,929** | **42,552,365** |
| Deferred Tax Expense (Income) relating to: | | | |
| Origination and reversal of Temporary Difference | 621,463 | (5,272,395) | (3,828,037) |
| Effect of Change in Income Tax Rate | - | - | 1,519,836 |
| **Total** | **621,463** | **(5,272,395)** | **(2,308,201)** |
| **TOTAL** | **25,034,466** | **64,927,534** | **40,244,164** |
| *Reported in Other Comprehensive Income (Loss)* | | | |
| Deferred Tax Expense (Income) relating to: | | | |
| Origination and reversal of Temporary Differences | 630,503 | (19,767) | (528,012) |
| Effect of Change in Income Tax Rate | - | - | 43,414 |
| **Total** | **630,503** | **(19,767)** | **(484,598)** |

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

| | 2023 | 2022 | 2021 |
|---|---|---|---|
| Tax on Pretax Profit at 25% | 24,374,046 | 64,225,098 | 52,468,916 |
| Adjustment for Income subjected to lower tax rates | (5,177) | (12,293) | (14,319) |
| Tax Effect 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** | **25,034,466** | **64,928,534** | **40,244,164** |

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

| | 2023 | 2022 |
|---|---|---|
| Impairment Losses on Trade and Other Receivables | 8,481,554 | 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 |
| **Total** | **16,212,497** | **17,464,463** |

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

| | Profit or Loss | | |
|---|---|---|---|
| | 2023 | 2022 | 2021 |
| Unrealized Foreign Exchange Loss (Gain) - Net | 640,790 | (5,812,055) | 1,046,400 |
| Unamortized Past Service Cost | (886,410) | 886,410 | - |
| Impairment Losses on Trade and Other Receivales | 72,706 | (299,972) | (3,854,310) |
| Post-Empoyment 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)** | **621,463** | **(5,272,395)** | **(2,308,201)** |

| | Other Comprehensive Loss (Income) | | |
|---|---|---|---|
| | 2023 | 2022 | 2021 |
| Post-Employment Benefit Obligation | 630,503 | (19,767) | (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 | | | Oustanding Balances | | |
|---|---|---|---|---|---|---|---|
| | Notes | 2023 | 2022 | 2021 | 2023 | 2022 | 2021 |
| **Related Parties under Common Ownership** | | | | | | | |
| Advances to Related Parties | 19.1 | (210,509,391) | 117,346,012 | 117,346,012 | - | 210,509,381 | 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 |
| Sales 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 Parties*

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

The changes in advances from related parties are shown below:

| | 2023 | 2022 |
|---|---|---|
| Balance at beginning of year | (241,432,956) | (187,506,010) |
| Offsetting | 239,353,648 | - |
| Additions | (37,780,233) | (53,926,946) |
| **Balance at end of year** | **(39,859,541)** | **(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 31 December 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 a 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 Note16.1). There was no outstanding balance arising from this transaction as of 30 September 2024, 31 December 2023 and 2022.

### *18.3. Sale of Medical Equipment*

The Company 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 statement of comprehensive income. There were no outstanding balances arising from this transaction as of 31 December 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 in 2023, 2022 and 2021. The rent income is presented as part of Other Income under Other Income (Charges) - Net in the statement of comprehensive income (see Note 16.1). there was no outstanding balance as of 31 December 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 31 December 2021 relating to this transaction. There were no similar transactions in 2023 and 2022, respectively.

*18.6. Purchases*

The Company purchased 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 31 December 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 31 December 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 benefits the Company's current operations, future growth and expansion, and plans strategic financing methods, procedures and practices that would benefits 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 30 September 2024, 31 December 2023, 2022 and 2021 is presented as part of Professional Fees under Operating Expenses in the statement of comprehensive income (see Note 15). The outstanding payable is presented as part of Trade and Other Payables in the 2023 statement financial position (see Note 11). There was no outstanding balance as of 31 December 2022.

*18.8. Key Management Personnel Compensation*

The compensation of key management personnel, which is presented as part of salaries and wages under Operating Expenses in the statement of comprehensive income (see Note 15 and 17), are broken down as follows:

| | **2023** | **2022** |
|---|---|---|
| Salaries and Wages | 16,584,983 | 19,126,683 |
| 13th Month Pay | 1,771,644 | 1,311,188 |
| Post-Employment Benefit Expense (Income) | (1,264,994) | 1,189,669 |
| **Total** | **17,091,633** | **21,627,540** |

There is no outstanding payable relating to compensation as of 31 December 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 31 December 2023 and 2022 is disclosed under Note 17.2.

## 19. EQUITY

*19.1. Capital Stock*

Capital stock consists of:

| | Shares | | | Amount | | |
|---|---|---|---|---|---|---|
| | 2023 | 2022 | 2021 | 2023 | 2022 | 2021 |
| Common Shares - P0.25 par value | | | | | | |
| Authorized Share Capital | 4,000,000,000 | 4,000,000,000 | 4,000,000,000 | 1,000,000,000 | 1,000,000,000 | 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 | 687,500,200 | 687,500,200 |
| Increase in number of Shares as a result of stock split | - | - | - | - | - | - |
| Issued during the year | - | - | - | - | - | - |
| **Total** | **2,750,000,800** | **2,750,000,800** | **2,750,000,800** | **687,500,200** | **687,500,200** | **687,500,200** |

On 16 July 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 an increase in authorized capital stock was approved by the SEC on 22 January 2019.

On 02 July 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 14 July 2021 and has been approved and certified by SEC on 27 July 2021.

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

On 07 December 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 P14647,146 were charged to APIC and operating expenses, respectively.

As of 30 September 2024, 31 December 2023 and 2022, the Company's number of shares registered total 2,750,000,800 shares with par value of P0.25 per share and closed at a price of P0.36, P0.33 and P0.69, respectively.

On 30 June 2023 and 28 December 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 statement of financial position. The Company's retained earnings are restricted to the extent of the cost of the treasury shares as of the end of the reporting period.

### *19.2. Retained Earnings*

On 18 July 2023, the Company declared cash dividends amounting to P28,795,778 or P0.01048 per share in favor of all its stockholders of record date as of 18 July 2023. The cash dividends were paid on 11 August 2023.

On 17 August 2022, the Company declared cash dividends amounting to P8,481,575 or P0.0031 per share in favor of all its stockholders of record date as of 01 September 2022. The cash dividends were paid on 22 September 2022.

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

On 23 June 2021, the Company declared cash dividends amounting to P255,000,000 or P637.50 per share to stockholders of record date as of 30 June 2021. The cash dividends were paid on 18 August 2021 and 09 November 2021.

## 20. EARNINGS PER SHARE

Earnings per share were computed as follows:

| | September 2024 | December 2023 | December 2022 |
|---|---|---|---|
| Net Profit for the Year | 91,961,537 | 72,461,719 | 191,971,856 |
| Divided by the weighted average number of outstanding common shares | 2,747,861,904 | 2,747,861,904 | 2,747,861,904 |
| **Basic and Diluted Earnings per Share** | **0.03** | **0.03** | **0.07** |

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

## 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 31 December 2023 and 2022, respectively.

### *21.2. Others*

In the normal course of business, the Company makes various commitments and incurs certain continent liabilities that are not given recognition in the financial statements. As of 31 December 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 type 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 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 Peso, 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 Peso at the closing rate, amounting to P8,610,394 and P5,219,694 as of 31 December 2023 and 2022, respectively. However, the management believes that the related foreign currency risk exposure is not significant.

*(b) Interest Rate Risk*

As of 31 December 2023, 2022 and 2021, the Company is exposed to changes in market interest rates through its cash in bank, which are subject to variable interest rates. However, management believes that the related interest rate risk exposure is note significant. All other financial assets and financial liabilities are either noninterest-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 control. The Company's policy is to deal only with creditworthy counterparties.

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

| | **Note** | **2023** | **2022** |
|---|---|---|---|
| Cash | 5 | 95,947,939 | 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 | 636,373 |
| **Total** | | **2,960,347,923** | **3,408,482,537** |

None of the Company's financial assets re secured by collateral or other credit enhancements, except for cash in bank as described below:

*(a) Cash in Bank*

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 ion 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 contract 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 based on the payment profiles of sales over a period of 5 years before 31 December 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 30 September 2024 and 31 December 2023 was determined based on days past due for trade receivables as follows:

| Days Past Due | Expected Credit Loss | Gross Carrying Amount | Loss Allowance |
|---|---|---|---|
| **30 September 2024** | | | |
| 0 - 120 | 0.00% | 1,317,803,426 | - |
| 121 - 180 | 0.00% | 149,253,516 | - |
| 181 - 365 | 0.00% | 120,705,025 | - |
| Above 365 | 11.63% | 293,002,709 | 34,076,215 |
| **Total** | | **1,880,764,676** | **34,076,215** |
| **31 December 2023** | | | |
| 0 - 120 | 0.00% | 780,891,158 | - |
| 121 - 180 | 0.00% | 114,628,993 | - |
| 181 - 365 | 0.00% | 260,334,919 | - |
| Above 365 | 11.63% | 291,623,023 | 33,915,758 |
| **Total** | | **1,447,478,093** | **33,915,758** |

With respect to trade receivables from NG amounting to P1,208,860,931 and P918,723,559 as of 31 December 2023 and 2022, respectively, contract assets amounting to P1,411,783,578 and P1,768,036,154 as of 31 December 2023 and 2022, respectively, the Company assessed the ECL 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 31 December 2023, 2022 and 2021, respectively. Such ratings resulted to a negligible loss allowance as of 31 December 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 he counterparties.

Management assessed that the outstanding receivables from related parties as of 31 December 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 31 December 2022. There were no outstanding advances to related parties as of 31 December 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 a car lease 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 31 December 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 | |
|---|---|---|---|---|
| | **Withing 6 Months** | **6 to 12 Months** | **1 to 5 Years** | **More than 5 Years** |
| **31 December 2023** | | | | |
| Notes Payable | 407,275,000 | - | - | - |
| Trade and Other Payables | - | 1,111,765,255 | - | - |
| **Total** | **407,275,000** | **1,111,765,255** | **-** | **-** |
| **31 December 2022** | | | | |
| Notes Payable | 188,377,008 | - | - | - |
| Trade and Other Payables | - | 1,509,176,514 | - | - |
| **Total** | **188,377,008** | **1,509,176,514** | **-** | **-** |

The contractual maturity presented above reflects the gross cash flows, which may differ from the carrying values of the liability at the end of the reporting periods.

## 23. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

### *23.1. Carrying Amount and Fair Values by Category*

The Company's financial assets and financial liabilities carried at amortized cost as presented in the statement 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 Measurements*, 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.

The level within the asset or liability is classified if 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 liabilities measured at fair value as of 31 December 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 asses 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 |
|---|---|---|---|---|
| **31 December 2023** | | | | |
| *Financial Assets:* | | | | |
| Cash | 95,947,939 | - | - | 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 |
| **Total** | **95,947,939** | **-** | **1,419,875,182** | **1,515,823,121** |
| *Financial Liabilities:* | | | | |
| Trade and Other Payables | - | - | 1,111,765,255 | 1,111,765,255 |
| Notes Payable | - | - | 400,000,000 | 400,000,000 |
| **Total** | **-** | **-** | **1,511,765,255** | **1,511,765,255** |
| **31 December 2022** | | | | |
| *Financial Assets:* | | | | |
| Cash | 102,717,511 | - | - | 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 |
| **Total** | **102,717,511** | **-** | **1,505,727,712** | **1,608,445,223** |
| *Financial Liabilities:* | | | | |
| Trade and Other Payables | - | - | 1,509,176,514 | 1,509,176,514 |
| Notes Payable | - | - | 181,634,311 | 181,634,311 |
| **Total** | **-** | **-** | **1,690,810,825** | **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 financial 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 o 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 fee paid or accrued during the taxable year, which is required by the BIR under Revenue Regulation No. (RR) 15-2010 and RR 34-2020 to disclose as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

### *26.1. Requirement Under RR 15-2010*

The information on taxes, duties and licenses 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 | 131,546,892 | 15,785,627 |
| Sale to Government | 888,855,089 | 106,662,611 |
| **Total** | **1,020,401,981** | **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 receipt 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 movement in Input VAT in 2023 is summarized below:

| | |
|---|---|
| Balance at the beginning of the year | 103,267,862 |
| Domestic Purchase of Services | 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 the end of the year** | **125,669,309** |

The outstanding net Input VAT amounting to P125,669,309 as of 31 December 2023 is presented as part of Prepayment 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 tariffs fees totaing P1,187,071.

*(d) Excise Tax*

The Company did not have any transactions 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 | 2,062,635 |
| Others | 532,989 |
| **Total** | **2,595,624** |

*(f) Taxes and Licenses*

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

| | |
|---|---|
| Permits and Licenses | 6,450,804 |
| Documentary Stamp Tax | 2,595,624 |
| Real Estate Tax | 1,265,549 |
| Registration Fees | 577,297 |
| IPO-related Fees | 280,000 |
| Insurancle | 11,687 |
| Others | 1,391,253 |
| **Total** | **12,572,214** |

*(g) Withholding Taxes*

The details of total withholding taxes for the yar ended 31 December 2023 are shown below:

| | |
|---|---|
| Expanded | 12,257,718 |
| Compensation and Employee Benefits | 5,033,048 |
| **Total** | **17,290,766** |

*(h) Deficiency Tax Assessments and Tax Cases*

As of 31 December 2023, the Company has no final deficiency tax assessment from the BIR nor does it have tax cases outstanding in courts or bodies outside the BIR in any of the open taxable years.

***26.2. Requirement under RR 34-2020***

RR 34-2020 prescribes the guidelines and procedures on the submission of BIR Form No. 1709, transfer price 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 34-2020.

**RESULTS OF OPERATIONS**
***Nine months ended 30 September 2024 versus 30 September 2023***

1. *Revenues*

   For the nine months ended 30 September 2024, Medilines Distributors Incorporated (the "Company") recorded revenues of P1,175,065,828. There is a 227.41% increase from the same period last year due to project-based nature or non-linear sales patter 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.

2. *Direct Cost*

   The Company's direct costs for the nine months ended 30 September 2024 amounted to 843,445,184, equivalent to 80.29% of revenues, compared to 68.57% during the same period of the previous year.

3. *Gross Profit*

   The Company's gross profit for the nine months ended 30 September 2024 was P231,620,644. There is a 105.36% increase versus the same period last due to the increase in Revenue recorded for the current period.

4. *Operating Expenses*

   The Company's operating expenses for the nine months ended 30 September 2024 amounting to P117,875,760. This resulted to a 27.13% increase from the same period last year. This is due to the increase of various expenses such as freight and handling cost, insurance expense and advertising and Promotions.

5. *Operating Profit*

   The Company's operating profit for the nine months ended 30 September 2024 increased to P113,744,885 compared to P20,071,020 in the same period of 2023, driven by the increase in sales between both years.

6. *Net Profit (Loss)*

   As a result of the foregoing, the Company's net profit for the nine months ended 30 September 2024 resulted to a net profit of P91,961,537 versus the P22,945,189 recorded during the previous year, a 300.79% increase.

## KEY PERFORMANCE INDICATORS

The table below show the first nine months of 2024 key performance indicator of the Company, with comparative periods:

| Key Financial Ratios | UNAUDITED As of 30 September 2024 | UNAUDITED As of 30 September 2023 |
|---|---|---|
| Current Ratio | 2.0531 | 2.0288 |
| Book Value per Share | 0.8164 | 0.7633 |
| Debt to Equity Ratio | 0.1249 | 0.0953 |
| Net Debt to Equity Ratio | 0.1111 | 0.0749 |
| Asst to Equity Ratio | 1.8645 | 1.8846 |
| Asset to Debt Ratio | 14.9322 | 19.7792 |
| Gross Profit Margin | 19.7113% | 31.4265% |
| Operating Profit Margin | 9.6799% | 5.5924% |
| Net Profit Margin | 7.8261% | 6.3932% |

As of the nine months ending 30 September 2024, the Company has met its obligations with its lenders and has been operating with minimal debt. The Company maintains its proper management of interest-bearing loans, resulting to a steady debt-equity ratio at healthy levels.

The increase in gross profit was driven by the higher revenue contribution of imaging and dialysis machines during the period.

The increase in operating profit and net profit margins were mainly due to the increase in revenues for the nine months of 2024 versus last year due to revenue recognition of new imaging projects with Lung Center of the Philippines and Batanes General Hospital.

### SIGNATURE

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 CARMELA D. OCHOA**
Chief Finance Officer
Date: 13 November 2024