MEDICARD PHILIPPINES ANNUAL REPORT 2024

MANAGEMENT COMMITTEE

JULIAN MENGUAL
CHIEF EXECUTIVE OFFICER

DR. CATHERINE JIMENEZ
MEDICAL DIRECTOR

IRENE LABAO
HEAD OF OPERATIONS

RAYMUNDO MARRAS JR.
HEAD OF FINANCE TRANSFORMATION

ELIZABETH LAQUI
CONTROLLER

SAMSON RADOVAN
HEAD OF TRANSFORMATION

ATTY. LEA ROYALE KABANLIT
HEAD OF LEGAL, AND DEPUTY CORPORATE SECRETARY

JAKE ILAGAN
HEAD OF INFORMATION TECHNOLOGY

JOSE ROY HIPOLITO
HEAD OF RISK AND COMPLIANCE

JOAN SABATER
HEAD OF CORPORATE BUSINESS

LLOYD BALBA
HEAD OF RETAIL, PRODUCT, AND MARKETING

REYANN ALTOVEROS
HEAD OF AGENCY BUSINESS & SALES EXCELLENCE

FREDA BONGALON
HEAD OF HR SERVICE DELIVERY

ALLAHQUEENIE CO
HR BUSINESS PARTNER

JUAN PAOLO ARANETA
HEAD OF BROKER SALES

DR. MARGUERETTE FRANCINE MARIE BALBURIAS
HEAD OF DATA SCIENCE AND ANALYTICS

BOARD COMMITTEE

CORPORATE GOVERNANCE:

MS. MELISSA LIMCAOCO
CHAIRPERSON
INDEPENDENT DIRECTOR

DR. KENNETH HARTIGAN GO
INDEPENDENT DIRECTOR

MS. MELITA TEO MORE MAY
NON-EXECUTIVE DIRECTOR

BOARD RISK:

DR. CHI KEON (KELVIN) LOH
CHAIRPERSON
NON-EXECUTIVE DIRECTOR

DR. KENNETH HARTIGAN GO
INDEPENDENT DIRECTOR

MS. MELISSA LIMCAOCO
INDEPENDENT DIRECTOR

AUDIT AND RELATED PARTY TRANSACTIONS (RPT):

DR. KENNETH HARTIGAN GO
CHAIRPERSON
INDEPENDENT DIRECTOR

MS. MELISSA LIMCAOCO
INDEPENDENT DIRECTOR

MR. AXEL BAUR
NON-EXECUTIVE DIRECTOR

BOARD OF DIRECTORS

LEO MICHEL GREPIN
Non-Executive Director

Mr. Leo Grepin is the Regional Chief Executive and Group Chief Strategy Officer of the AIA Group, responsible for the Group's business operating in Australia, New Zealand, Indonesia and the Philippines as well as leading the Group's Strategy and Corporate Development functions. Mr. Grepin joined the AIA Group in January 2022.

Prior to joining the Group, Mr. Grepin was President of Sun Life, Asia. Before joining Sun Life, he was at Bridgewater Associates, a global hedge fund, where he led the team managing portfolio construction and trade generation. He also spent 15 years at McKinsey & Company and led the global client service teams serving several multinational insurers and asset managers as Senior Partner.

Mr. Grepin has a Master of Science in Aeronautics and Astronautics from the Massachusetts Institute of Technology and a Bachelor of Engineering in Mechanical Engineering (Hons) from McGill University.

MELITA TEO MORE MAY
Non-Executive Director

Prior to her appointment, Ms. Teo was Chief Customer and Digital Officer at AIA Singapore, where she was responsible for advancing the customer, brand, integrated health strategy and wealth propositions, accelerating the delivery of an integrated digital and analytics value creation for customers and distribution. She likewise previously served as Chief Operations Officer, Chief Corporate Solutions Officer, Chief Business Development Officer for Vitality and Head of Planning and Strategy. She was the driving and collaborative force behind the transformation of operations, digital and healthcare, introducing many policy controls and new growth initiatives and thought leadership, clearly differentiating AIA Singapore from the market. Under her leadership, AIA Singapore received many industry accolades in Digital, Healthcare and Customer Service Excellence.

Ms. Teo holds a degree in Bachelor of Commerce majoring in Economics and Finance from Curtin University of Technology – Western Australia.

JULIAN C. MENGUAL
Executive Director

Julian brings with him a total of twenty-five (25) years extensive knowledge and experience across a range of disciplines including general management, marketing, operations, change management, partnership development and distribution in the health care and financial industries.

Seventeen (17) of those years have been spent in Asia. During this period, he spent a total of twelve (12) years in Cigna and held various executive strategic leadership roles across the Asia Pacific Region – leading the Indonesian, Thai and Hong Kong businesses. His final role was as the Regional CEO for Southeast Asia & Health Solutions in which he led the health practice and was responsible for the Hong Kong, Thailand, Singapore, Indonesia and Australia businesses before he joined AIA Group. He also worked for Card Protection Plan (CPP) Group PLC for close to eight (8) years and was the Operations Director for Asia Pacific before he transitioned to Cigna. Prior to this, he was at Barclays for more than six (6) years performing various leadership roles.

Julian went to The Tuck School of Business at Dartmouth, as well as receiving a Financial Services degree from UMIST and a Joint Honours for Economics and Politics from the University of York.

AXEL FRITZ BAUR
Non-Executive Director
(since 28 February 2023)

Mr. Axel Fritz Baur was a senior partner of McKinsey, having served previously in Europe, Middle East, Japan and Hong Kong. He was the leader of McKinsey's Healthcare Practice in Asia, serving Pharmaceutical and Medical Product companies as well as Health Systems and Insurance companies.

Mr. Baur serves the broader healthcare industry, focusing on public and private health insurance and hospital operations. He advises top management in pharmaceutical and medical product companies along their entire value chain. Lately he has been dealing with the significant rise of HealthTech innovation and has been advising large incumbents on how to take advantage as well as protect existing business.

Mr. Baur has supported numerous Asian players in setting up global operating models; he helps large private insurance companies develop strategies to maximize the growing opportunities in Asia; and he guides large transformations in extracting synergies either from acquisitions or reduce significant amounts of the client's operating costs.

Mr. Baur is an expert in innovative care delivery models and is heavily involved in developing McKinsey's thinking on how healthcare systems can tackle future challenges.

DR. KELVIN LOH CHI-KEON
Non-Executive Director
(since July 12, 2023)

Dr. Kelvin Loh was appointed as Chief Group Healthcare Officer of AIA Group Limited effective 01 May 2023 and elected as a Director of MediCard effective July 12, 2023. Dr. Loh began his career as a physician in Singapore. He brings a wealth of experience backed by a strong track record of delivery in various leadership roles across both the public and private healthcare sectors over the last 26 years.

He was most recently Managing Director and CEO of IHH Healthcare Berhad, a leading global integrated healthcare provider operating more than eighty hospitals across ten markets, where he led the transformation into a fully integrated healthcare platform. Prior to this, he was Group CEO of the Columbia Asia Group, a private healthcare provider with operations across Asian markets including Malaysia, Indonesia, and Vietnam. Kelvin holds a Master of Business Administration as well as a Bachelor of Medicine and Bachelor of Surgery (MBBS) from the National University of Singapore. As mandated by the Insurance Commission, he attended the Corporate Governance and ESG Training last October 26, 2023.

DR. KENNETH Y. HARTIGAN-GO
Lead Independent Director
(since 28 February 2023)

Dr. Kenneth Hartigan-Go is a Non-Resident Research Fellow of the Ateneo Policy Center of the School of Government and an Adjunct Faculty at the Asian Institute of Management (January 2021 to June 2023), serving as School Head of the Stephen Zuellig School of Development Management of AIM (December 2016 to September 2020). He has been an Honorary

Visiting Associate Professor of the Saw Swee Hock School of Public Health, National University of Singapore since January 2022.

He has rendered service to the Philippine Government in various capacities: as the Undersecretary for the Department of Health (from 2015 to 2016); Director General of the Food and Drugs Administration (October 2012 to October 2014); and the Deputy Director of the Bureau of Food and Drugs (1999 to 2001).

He was the founding Executive Director of the Zuellig Foundation, holding the position from 2001 to 2009. He was a faculty member of the UP College of Medicine (1990 to 2006), Ateneo School of Medicine and Public Health (until 2010) and AIM (2010-2015).

He holds Doctor of Medicine degrees from the University of the Philippines College of Medicine (1985), and from Newcastle University UK (1998, Clinical Pharmacology). He is a Fellow of the Royal College of Physicians (Edinburgh), a Fellow of the American College of Physicians, Honorary Fellow of the Academy of Medicine, Singapore and Honorary Fellow of the Singapore College of Physician since 2017. From 2017 to 2018, he was the President of Philippine College of Physicians.

From 2013 to 2016, he advised the Chair of the APEC's Life Science Innovation Forum (LSIF) executive board. He served as member of the WHO Global Advisory Committee on Vaccine Safety and the WHO Advisory Committee on the Safety of Medicinal Products. He is a member of the Steering Committee of the NUS Initiative for Health in Asia (NIHA), and Expert Panel member of the Center for Regulatory Excellence based in Singapore.

In the mid-2000's he was also President of the Corporate Network for Disaster Response (CNDR) and a founding member of the Laban Konsyumer Inc, an NGO Consumer advocacy organization since 2016.

He sits as trustee in the Cullion Foundation Inc., and in the OML Center for Climate Change Adaptation, as independent director of Generika, CARD MRI BotiCARD Inc, and a member of the National Council of Biosafety Philippines. He sat previously as Board Member of ARISE Ph (UNDRR) (2020 to 2021), as independent director for Equicom Savings Bank (2011 to 2021), Maxicare Health Corporation (2017 to 2022), and MedGrocer (2020).

Dr. Hartigan-Go is the immediate past president of the International Society of Pharmacoeconomics and Outcome Research Philippine Chapter (2014 to 2021). He is a Fellow of the Institute of Corporate Directors, and is also a member of the Scientific Advisory Group for COVAX Facility No-fault Compensation program since April 2021. He currently sits as a member of the National Advisory Group for Philippine National Police Leadership Transformation and Development (27 Jan 2022).

MELLISSA LIMCAOCO
Independent Director
(since 28 February 2023)

Ms. Mellissa Limcaoco is the Chief Executive Officer of Amplifi Tech Corp. a marketing technology company. Amplifi leverage their proprietary technology and developed a platform that helps companies scale their online communities and increase their engagement and sales. The platform uses modern analytics and its unique conversational application, which uses functions to understand local vernacular, idioms and cultural nuances.

Prior to joining Amplifi in 2018, she was with ABS-CBN as Head of Digital Transformation and iWant TV from March 2016 to February 2018. She led the team that developed Digital, Mobile and TV Plus products, and headed iWant TV, online content, innovation, and partnerships for TV Plus, as well as initiated and led the partnership of Smart and ABSCBN which brought in PHP300 million in revenue to the company.

Ms. Limcaoco was also with Smart Communication from September 2011 to March 2016 as First Vice President, heading the Innovations and Product Development of the Consumer Wireless Division. In her stint in Smart, she led product development, strategic innovations, business solutions, VAS and load business, headed the Marketing Group of the Smart Brand - Prepaid, Postpaid and Broadband, and created and headed the Digital Media Unit of Smart - Digital Marketing, Social Media, Online store and Digital Assets.

She was the President and CEO of Tribal DDB Philippines, October 2010 to August 2011; Founder and Managing Director, Entertainment Gateway Group December 2000 to June 2010; Founder and Managing Director, Personalized Greetings, Inc., July 1991 to December 2000; and was accepted into the Management Trainee Program of Unilever Philippines assigned to Close-Up toothpaste and Superwheel detergent, the latter being the flagship brand of the company from June 1989 to June 1991.

ATTY. CARLA J. DOMINGO
Corporate Secretary

Atty. Carla currently holds the position of Corporate Secretary at MediCard. Her journey into this role began when she served as an assistant corporate secretary at Philam Life from 1995 to 1997, gaining valuable insight into the responsibilities inherent in the position. Subsequently, in 1998, she assumed the role of corporate secretary at Philam, marking the start of her extensive career in corporate governance.

Leveraging her considerable experience, Atty. Carla has since served as corporate secretary for notable companies such as BPI AIA Life Assurance Corporation and AIA Philippines Life General Insurance Co Inc. in 2009 and 2015, respectively. Prior to her corporate secretary roles, she worked as a paralegal at the Domingo and Dizon Law Office law office from 1991 to 1995 and was a consultant at the Philippine Senate from 1992 to 1995.

Additionally, Atty. Carla has actively pursued professional development, participating in various training programs, including those focusing on corporate governance. She completed her undergraduate studies in 1986, earning an A.B degree from University of the East, and went on to obtain her Bachelor of Laws degree from San Beda in 1991.

JOSE ROY R. HIPOLITO
Head of Risk and Compliance

Roy holds the pivotal role of Head of Risk and Compliance at MediCard, overseeing crucial Risk and Compliance operations of the company. His journey in Risk and Compliance commenced in 2010 as Department Manager for Audit and Compliance for Sunlife Grepa and later on moved to Sunlife and PRU Life. Progressing steadily, he held successive positions in AIA Philippines, including Head of Business Compliance (2019-2021), Head of Regulatory Compliance (2021-2022), and Associate Director for Compliance (2022-2023)

Roy's professional growth is augmented by a commitment to continuous learning, evidenced by his participation in various training programs, notably in corporate governance.

Roy's academic background includes a Bachelor of Science degree in Accountancy earned from the Baliuag University in 2005, laying a robust foundation for his contributions to MediCard's organization's risk and compliance landscape.

RIKKA C. PERALTA
Head of Internal Audit

In a testament to AIA's commitment to nurturing talent, Rikka has ascended to the leadership role within AIA Philippines' internal audit division, transitioning from her previous position as Deputy Head of Group of Internal Audit Philippines for AIA Philippines. With over 15 years of dedicated service to AIA Philippines, Rikka has been instrumental in orchestrating audit plans and activities, all while providing guidance and supervision to its team of internal auditors.

Rikka's academic foundation is rooted in excellence, having graduated with a Bachelor of Science in Accountancy degree from the University of St, La Salle in 1999. This educational background, coupled with her extensive professional experience, underscores her ability to drive excellence within MediCard's internal audit function.

CORPORATE GOVERNANCE

Corporate Governance Framework

The Company's policy on corporate governance assigns the Board the paramount duty of ensuring the organization's enduring success, including the regular fulfillment of strategic goals and adherence to legal and internal mandates. In meeting this obligation, the Board has embraced a strict policy of compliance with all applicable laws, rules, and regulatory standards. Furthermore, it requires all board members, executive leadership, and staff to commit to principles of exemplary conduct and to follow the organization's ethical guidelines. This framework highlights the company's unwavering dedication to exceptional corporate governance's core tenets and practices.

Role and Responsibilities of the Board

The corporation is steered by its Board of Directors, which holds supreme authority over the Board's activities and assets. This body operates independently from the organization's management and its major investors, ensuring it acts in the shareholders' best interests. It strives to maintain the pinnacle of governance in steering the company's strategy and business operations. The Board's Bylaws and Comprehensive Corporate Governance Guidelines meticulously outlined their roles and obligations. The Board conducts thorough evaluations of the company's key management systems through its specialized committees, ensuring robust operational, financial, and compliance controls are in place. These committees, along with the full Board, have affirmed their trust in the company's governance and risk management frameworks.

The Board of Directors is assisted by the Corporate Secretary and the Head of Risk and Compliance, who are both not members of the Board.

Board Independence and Diversity

A harmonious blend of executive and non-executive members characterizes the Board, preventing dominance by any single party. The Board assesses each director's independence based on impartiality and potential conflicts of interest. It champions diversity, recognizing that a board of varied perspectives and backgrounds is crucial for strategic advantage and informed decision-making.

Criteria such as age, gender, cultural and educational backgrounds, professional experience, and other unique attributes are considered in shaping the Board's composition. Moreover, it ensures that no director holds any relationship with the company that might compromise their independent decision-making. Board Process Regular Board meetings are convened quarterly, with additional meetings scheduled as needed for critical matters.

The Corporate Secretary documents minutes of these meetings, which are accessible to the Board and shareholders upon request. Preparatory documents are provided to the members well in advance of the meetings. Beyond these formal settings, directors engage in periodic informal gatherings to deliberate on strategic issues. Sessions exclusive to non-executive directors are also arranged to discuss company matters independently.

Board Process

Regular Board meetings are convened quarterly, with additional meetings scheduled as needed for critical matters. The Corporate Secretary documents the minutes of these meetings, which are accessible to the Board and shareholders upon request. Likewise, preparatory documents are provided to the members well in advance of the meetings. Beyond these formal settings, directors engage in periodic informal gatherings to deliberate on strategic issues. Sessions exclusive to non-executive directors are also arranged to discuss company matters independently.

Board and Senior Management Succession and Selection Process

The Board is committed to ensuring smooth leadership transitions for both the Board and executive team, focusing on maintaining a blend of essential skills and experience within the organization. The Corporate Governance Framework outlines a systematic, comprehensive, and transparent method for the nomination and selection of board members and top executives.

Appointments to leadership positions within MediCard are merit-based, following objective criteria defined in the Governance Framework. Rigorous evaluation processes are in place to confirm the suitability of potential board or senior management members.

The initiation of the nomination process for board members is strategically timed to facilitate seamless leadership transitions, allowing for phased retirements and replacements. The company leverages insights from its main shareholder and the Corporate Governance Committee (functioning as the Nomination and Compensation Committee as per IC Circular 2020-71) to review candidates' qualifications, considering the organization's strategic ambitions. The aim is to populate the Board and executive team with distinguished individuals who bring a variety of skills, experiences, and backgrounds, and who uphold a strong ethical standing.

The candidates' potential to significantly contribute to the strategic growth and achievement of the company's objectives is a pivotal aspect of the selection process. Independent third-party consulting firms are occasionally engaged to help identify and recruit suitable candidates for director and senior executive roles. In managing transitions within senior management, the Board supervises the annual Organization People Review conducted by the Human Resources department, ensuring talent retention and minimizing operational disruptions due to executive departures.

The Board succession and selection process ensures that:

(1) Board is composed of directors with collective working knowledge, experience or expertise that is relevant to the company's industry/sector;

(2) Board has an appropriate mix of competence and expertise; and

(3) directors are always qualified for their positions individually and collectively to enable them to fulfill their roles and responsibilities and respond to the needs of the organization.

Director Election Procedures

A transparent and rigorous process governs the election of directors, with candidate vetting performed at both the local level and within the AIA Group framework. The qualifications of directorial candidates are first reviewed by the Corporate Governance Committee, acting in its capacity as the Nomination and Compensation Committee, before the Board evaluates and deliberates on these recommendations. During the shareholders' meeting, the Corporate Secretary presents the qualified candidates, outlines the voting process, and explains the system for vote tallying. Shareholders vested with voting rights are allowed to accumulate their votes in accordance with legal stipulations. Once voting concludes, the Corporate Secretary is responsible for vote counting and announcing the newly elected Board members.

New Director Integration and Ongoing Board Development

Upon the induction of new directors, the Corporate Secretary orchestrates a detailed briefing covering the company's structure, governance documents, policies, and operational guidelines. Adhering to regulations set by the Insurance Commission (IC), MediCard ensures that all board members complete a Corporate Governance orientation and training facilitated by accredited providers. The Board encourages continuous professional growth, urging directors to participate in additional training programs and to share these experiences with the organization. MediCard allocates resources to foster the development and refreshment of its directors' expertise. Starting 2023, MediCard Directors joined AIA Philippines' four-hour Annual Board Training mandated by the IC, focusing on Corporate Governance with various subjects presented by esteemed experts. Directors are also motivated to enroll in professional development courses, like the Institute of Corporate Directors' Professional Directors' Program.

For 2024, Head of Risk and Compliance Mr. Jose Roy Hipolito and Corporate Secretary Atty. Carla J. Domingo complied with all IC-mandated trainings, including training on corporate governance.

Performance Evaluation

The Board has instituted its own evaluation framework aligned with the IC's guidelines on Corporate Governance. This involves an annual self-review by the Board and its committees, alongside an appraisal of the senior executives' performance, with findings reported to the Corporate Governance Committee and the Board of Directors.

During the Annual Board Performance Review, board members assess the effectiveness of the Chairman, CEO, the Board itself, and its committees using established criteria. These evaluations consider factors such as board composition suitability, directors' skills and contributions, and the synergy between the Board, the Chairman, and senior management. Ratings range from 'excellent' to 'needs major improvement,' with directors encouraged to suggest enhancements. Following the review, results are compiled by the Corporate Secretary and forwarded to the Governance Committee for approval, then to the Board for acknowledgment. In 2023, the Board's self-evaluation aimed to pinpoint areas for enhancement and ensure alignment of members' skills with the company's strategic direction.

2024 Board Meetings

Throughout 2024, to fulfill its governance responsibilities and oversight functions, the Board of Directors ensured it convened regularly as mandated by statutory requirements and the organizational By-Laws. The formation of a quorum for conducting official business mandates the presence of majority of directors, while a two-thirds majority is necessary for making board decisions, with the exception of officer elections, which necessitate a majority vote from all board members to be deemed a valid act.

The Corporate Secretary proactively schedules the annual calendar of board meetings before the commencement of the fiscal year, accommodating changes based on directors' availability and other pertinent factors. Meetings are typically planned on a quarterly basis, with additional sessions convened by the CEO or as outlined in the By-Laws. Meeting materials are distributed by the Corporate Secretary five days in advance, including minutes, management reports, financial summaries, and agenda items requiring board action.

In 2024, the Board convened regularly, achieving 100 percent attendance rate.

Date of Regular Board of Directors Meeting	Directors	Number of Absences
24 January 2024 16 April 2024 24 July 2024 24 October 2024	1. Leo Michel Grepin 2. Melita Teo 3. Julian Mengual 4. Axel Fritz Baur 5. Chi Keon (Kelvin) Loh 6. Kenneth Hartigan Go 7. Melissa Limcaoco	None None None None None None None

The Annual Stockholders' Meeting also achieved 100% attendance of all shareholders.

Date of Annual Stockholders' Meeting	Directors	Number of Absences
24 January 2024	1. Leo Michel Grepin 2. Melita Teo 3. Julian Mengual 4. Axel Fritz Baur 5. Chi Keon (Kelvin) Loh 6. Kenneth Hartigan Go 7. Melissa Limcaoco 8. AIA Philippines Life and General Insurance Company, Inc.	None None None None None None None

The Board Committee meetings also garnered 100% attendance.

Date of Corporate Governance Committee Meeting	Directors	Number of Absences
25 March 2024 21 June 2024 24 September 2024 17 December 2024	Ms. Melissa Limcaoco – Chairperson Independent Director	None
	Dr. Kenneth Hartigan Go - Independent Director	None
	Ms. Melita Teo More May – Non-executive Director	None

Date of Board Risk Committee Meeting	Directors	Number of Absences
26 March 2024 19 June 2024 7 October 2024 02 December 2024	Dr. Chi Keon (Kelvin) Loh – Chairperson Non-executive Director	None
	Dr. Kenneth Hartigan Go - Independent Director	None
	Ms. Melissa Limcaoco – Independent Director	None

Date of Audit and RRPT Committee Meeting	Directors	Number of Absences
24 January 2024 12 April 2024 24 July 2024 24 October 2024	Dr. Kenneth Hartigan Go - Chairperson Independent Director	None
	Ms. Melissa Limcaoco – Independent Director	None
	Mr. Axel Baur – Non-executive Director	None

Fee Structure and Remuneration of Directors and Key Management Personnel

Recognizing the vital contribution of its independent directors, who constitute half of the Board, AIA Philippines aligns their compensation with the commitment and independent oversight they provide. This compensation reflects their significant role, expertise, and the risk and responsibility they shoulder, especially given the stringent regulatory landscape. The compensation structure for independent directors considers various elements, such as qualifications, experience, industry benchmarks, market conditions, and regulatory standards.

The CEO's compensation package includes both fixed and performance-based components, aligning with the organization's reward strategy. This encompasses a base salary, allowances, and bonuses, alongside short-term incentives for achieving specific performance goals, and long-term incentives for sustained contributions. Compensation for independent directors is ratified by shareholders annually and consists of fixed fees for meeting attendance and an annual stipend.

For 2024, MediCard paid around **PHP 264,000** to its independent directors, Dr. Kenneth Y. Hartigan-Go and Mellissa Limcaoco, for attending the meetings. Additionally, they were paid the annual fees/stipend for 2024 at **PHP 600,000** per independent director. Both executive and non-executive directors do not receive remuneration for their roles within the AIA Group, including MediCard, emphasizing the structure's focus on performance and governance integrity.

	2024
Salaries and Wages	214,504,720.96
Short Term Employee Benefits	10,178,019.15
Post Employment Benefits	3,946,241.93
Other Long-Term Benefits	346,890.00
	228,975,872.04

Corporate Governance Manual, Board Charter and Board Committee Charters

In compliance with the requirements stipulated in IC CL No. 2020-71, the Board in its 28 February 2023 meeting approved a new Board Charter, Corporate Governance Manual, and Committee Charters, as well as passed several policies. Below are the highlights of the said manual and policies:

a. **Board Charter** details the structure, responsibilities, and operational guidelines for the Board of Directors of MediCard. It outlines the Board's overarching responsibility for the company's sustainable performance, corporate governance practices, and compliance with legal and regulatory obligations. The Board consists of at least seven members, including a majority of non-executive directors and at least three independent directors. It emphasizes the need for directors to possess qualifications that enable effective participation in deliberations. The charter also specifies meeting frequency, attendance expectations, and the conduct of meetings, including the need for directors to attend at least 75%

of meetings annually. It delineates the roles and responsibilities of the Board, CEO, and Corporate Secretary, ensuring clear governance structures and processes for effective oversight, strategic decision-making, and communication within the company and with external stakeholders.

b. **Corporate Governance Manual** serves as a comprehensive guide for the Board of Directors and the management of MediCard, reinforcing the company's commitment to high standards of corporate governance. The manual outlines key definitions, the roles and responsibilities of the board, management, and various committees, as well as the company's approach to risk management, stakeholder engagement, and disclosure practices. It emphasizes adherence to legal, moral, and ethical standards, aiming to ensure the company's long-term success and the creation of sustainable value for shareholders and stakeholders alike. The document is designed to work alongside applicable laws, regulations, and the company's charter and by-laws, and is subject to modifications by the board to adapt to evolving governance practices and responsibilities.

c. **Corporate Governance Committee Charter** establishes guidelines for the governance, nomination, and compensation practices within MediCard. It specifies the committee's composition, meeting frequency, and detailed responsibilities, including ensuring compliance with corporate governance principles, overseeing nomination and compensation policies, and conducting performance evaluations. The charter emphasizes the importance of independence in its members, aiming to uphold the integrity of corporate governance processes, and outlines procedures for meetings, reporting, and performance evaluation to ensure the committee effectively supports the Board of Directors in maintaining high governance standards.

d. **Board Risk Committee Charter (BRC)** outlines the constitution, objectives, membership criteria, meeting protocols, responsibilities, and performance evaluation standards for the BRC of MediCard. Established in March 2023, the BRC is tasked with non-executive oversight of financial, insurance, and non-financial risks, including operational and strategic risks. Comprising a majority of independent directors, the BRC meets quarterly to review MediCard's risk management framework and make recommendations on risk appetite and management policies. It has the authority to seek information from management, obtain external advice, and ensure that MediCard operates within its risk appetite, with a structured process for identifying, quantifying, and mitigating risks. The charter also emphasizes the committee's relationship with other board committees and outlines detailed reporting structures and performance evaluation mechanisms to maintain effective risk management practices.

e. **Audit and Related Party Transaction Committee Charter** establishes a governance structure for the Audit and Related Party Transactions (RPT) Committee, detailing its composition of non-executive directors, meeting frequency, and broad authority. It emphasizes the committee's roles in overseeing financial reporting, internal controls, compliance with legal standards, and the management of transactions with related parties. The charter ensures the integrity of financial practices and fosters transparency and fairness within the organization.

Related Party Transactions

The company's Related Party Transactions (RPTs) and other unusual or infrequently occurring transactions are disclosed by MediCard in its Audited Financial Statement (AFS). As disclosed under Note 21 of the MediCard's 2024 AFS, the company had transactions with its Ultimate Parent Company, Parent Company and its subsidiary.

The table below shows the complete list of related parties the MediCard transacted with in 2024. These transactions are done in the normal course of conducting its business regardless of whether a price is charged.

Related party	Relationship
AIA Group Limited (AIA GL)	Ultimate Parent Company
AIA Company Limited	Related party under common of the Ultimate Parent Company
AIA Philippines	Parent Company
AIA IT (M) SDN. BHD (AIA IT)	Related party under common of the Ultimate Parent Company
AIA Information Technology Philippines, Inc. (AIA IT PH)	Related party under common of the Ultimate Parent Company
BPI AIA Life Assurance Corporation (BPI AIA)	Related party under common of the Ultimate Parent Company
AIA Investment Management Trust Corporation (AIA IM)	Related party under common of the Ultimate Parent Company
CPPI	Subsidiary

** UROIC and Staffgap ceased as related parties after the acquisition of the Company in 2023 as these entities are managed by the previous owners.*

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0	0	0	0	1	3	7	3	4	9

COMPANY NAME

MEDICARD PHILIPPINES, INC.

PRINCIPAL OFFICE (No./Street/Barangay/City/Town/Province)

8TH FLOOR THE WORLD CENTER
BLDG. 330 SEN. GIL PUYAT AVE.
MAKATI CITY

Form Type	Department requiring the report	Secondary License Type, if applicable
AFS	NA	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number(s)	Mobile Number
medicardphils@medicardphils.com	8884-9999	+639088864671

No. of Stockholders	Annual Meeting (Month/Day)	Fiscal Year (Month/Day)
8	-	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
Elizabeth B. Laqui	elaqui@medicardphils.com	8867-8507	N/A

CONTACT PERSON' ADDRESS

8TH FLOOR THE WORLD CENTER BLDG. 330 SEN. GIL PUYAT AVE. MAKATI CITY

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

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

Medicard Philippines, Inc.
(A wholly-owned subsidiary of AIA Philippines Life and General Insurance Company Inc.)

Statements of Financial Position
As at December 31, 2024 and 2023
(All amounts in Philippine Peso)

	Notes	2024	December 31, 2023 (As restated)	January 1, 2023 (As restated)
Assets				
Current assets				
Cash and cash equivalents	2	2,069,527,872	2,928,212,242	1,262,603,747
Trade and other receivables, net	3	4,721,559,102	2,475,897,745	1,949,588,022
Investment securities, net	4	786,901,030	901,828,689	996,661,571
Prepayments and other current assets	5	806,456,553	536,756,225	386,793,109
Total current assets		8,384,444,557	6,842,694,901	4,595,646,449
Non-current assets				
Investment securities, net of current portion	4	1,288,502,986	982,456,390	2,159,140,262
Investment in a subsidiary	6	5,000,500	5,000,500	1,250,500
Property and equipment, net	7	823,015,139	802,937,231	787,739,199
Investment properties, net	8	16,861,080	16,325,094	16,325,094
Deferred income tax assets, net	20	126,319,817	211,936,114	149,178,849
Other non-current assets	9	157,655,969	146,292,504	128,326,981
Total non-current assets		2,417,355,491	2,164,947,833	3,241,960,885
Total assets		10,801,800,048	9,007,642,734	7,837,607,334
Liabilities and Equity				
Current liabilities				
Accounts payable and accrued expenses	10	2,594,781,153	1,682,791,910	883,465,847
Insurance contract reserves	10	1,679,067,877	1,035,223,108	1,169,804,930
Health fund	12	201,819,524	168,075,478	176,302,049
Lease liabilities	11	58,706,612	66,377,837	48,888,602
Unearned fees	13	3,725,124,588	3,094,878,270	2,821,589,196
Total current liabilities		8,259,499,754	6,047,346,603	5,100,050,624
Non-current liabilities				
Lease liabilities, net of current portion	11	191,337,889	238,995,357	72,227,631
Retirement benefit obligation	17	227,691,585	171,048,374	101,977,761
Refundable deposits		5,340,383	5,340,383	5,340,383
Fidelity bonds payable		569,228	3,064,402	3,938,935
Total non-current liabilities		424,939,085	418,448,516	183,484,710
Total liabilities		8,684,438,839	6,465,795,119	5,283,535,334
Equity				
Share capital	14	1,750,000,000	3,453,125,000	1,050,000,000
Share premium		1,034,484	1,034,484	1,034,484
Contingency surplus	14	1,703,125,000	-	-
Reserves	14	(172,075,377)	(251,651,141)	(243,020,805)
(Deficit) Retained earnings	14	(1,164,722,898)	(660,660,728)	1,746,058,321
Total equity		2,117,361,209	2,541,847,615	2,554,072,000
Total liabilities and equity		10,801,800,048	9,007,642,734	7,837,607,334

(The notes on pages 1 to 61 are integral part of these financial statements.)

Medicard Philippines, Inc.
(A wholly-owned subsidiary of AIA Philippines Life and General Insurance Company Inc.)

Statements of Comprehensive Income
For the years ended December 31, 2024 and 2023
(All amounts in Philippine Peso)

	Notes	2024	2023 (As restated)
Revenues	15	12,127,482,386	10,059,945,632
Cost of sales and services	16	10,635,751,826	10,148,037,630
Gross profit		1,491,730,560	(88,091,998)
Operating expenses	18	(2,126,088,698)	(2,460,903,175)
Loss from operations		(634,358,138)	(2,548,995,173)
Finance and other income, net	19	294,087,428	111,045,983
Loss before income tax		(340,270,710)	(2,437,949,190)
Income tax expense (benefit)	20	163,791,460	(31,397,520)
Net loss for the year		(504,062,170)	(2,406,551,670)
Other comprehensive (loss) income			
Items that will not be reclassified subsequently to profit or loss			
Remeasurement loss on retirement benefit obligation, net of tax	14	(34,768,030)	(34,437,115)
Fair value gains, net, on equity securities at fair value through other comprehensive income (FVOCI)	14	1,326,200	7,007,430
		(33,441,830)	(27,429,685)
Items that will be reclassified subsequently to profit or loss			
Fair value gain on property and equipment, net of tax	7	113,219,160	-
Fair value gains on disposal of debt securities at FVOCI	14	20,654	10,590,262
Fair value gains on debt securities at FVOCI	14	300,000	8,871,182
Reversal of impairment losses on debt securities at FVOCI	14	(522,220)	(662,095)
		113,017,594	18,799,349
Total other comprehensive income (loss)		79,575,764	(8,630,336)
Total comprehensive loss for the year		(424,486,406)	(2,415,182,006)

(The notes on pages 1 to 61 are integral part of these financial statements.)

Medicard Philippines, Inc.
(A wholly-owned subsidiary of AIA Philippines Life and General Insurance Company Inc.)

Statements of Changes in Equity
For the years ended December 31, 2024 and 2023
(All amounts in Philippine Peso)

	Share capital (Note 14)	Share premium	Contingency surplus (Note 14)	Reserves (Note 14)	Retained earnings (Note 14)			Total equity
					Unappropriated	Appropriated	Total	
Balances at January 1, 2023	1,050,000,000	1,034,484	-	(243,020,805)	635,455,615	1,100,000,000	1,735,455,615	2,543,469,294
Impact of change in accounting policy (Note 23)	-	-	-	-	10,602,706	-	10,602,706	10,602,706
Balances at January 1, 2023, as restated	1,050,000,000	1,034,484	-	(243,020,805)	646,058,321	1,100,000,000	1,746,058,321	2,554,072,000
Total comprehensive loss for the year								
Net loss for the year	-	-	-	-	(2,406,551,670)	-	(2,406,551,670)	(2,406,551,670)
Other comprehensive loss	-	-	-	(8,630,336)	-	-	-	(8,630,336)
	-	-	-	(8,630,336)	(2,406,551,670)	-	(2,406,551,670)	(2,415,182,006)
Transaction with owner								
Capital infusion	2,403,125,000	-	-	-	-	-	-	2,403,125,000
Other movement								
Realized loss on disposal of equity securities at FVOCI	-	-	-	-	(167,379)	-	(167,379)	(167,379)
Balances at December 31, 2023	3,453,125,000	1,034,484	-	(251,651,141)	(1,760,660,728)	1,100,000,000	(660,660,728)	2,541,847,615
Total comprehensive loss for the year								
Net loss for the year	-	-	-	-	(504,062,170)	-	(504,062,170)	(504,062,170)
Other comprehensive income	-	-	-	79,575,764	-	-	-	79,575,764
	-	-		79,575,764	(504,062,170)	-	(504,062,170)	(424,486,406)
Transaction with owner								
Redemption of preferred shares	(1,703,125,000)	-	1,703,125,000	-	-	-	-	-
Release of appropriation	-	-		-	1,100,000,000	(1,100,000,000)	-	-
	(1,703,125,000)	-	1,703,125,000	-	1,100,000,000	(1,100,000,000)	-	-
Balances at December 31, 2024	1,750,000,000	1,034,484	1,703,125,000	(172,075,377)	(1,164,722,898)	-	(1,164,722,898)	2,117,361,209

(The notes on pages 1 to 61 are integral part of these financial statements.)

Medicard Philippines, Inc.
(A wholly-owned subsidiary of AIA Philippines Life and General Insurance Company Inc.)

Statement of Cash Flows
For the year ended December 31, 2024 and 2023
(All amounts in Philippine Peso)

	Notes	2024	2023 (As restated)
Cash flows from operating activities			
Loss before income tax		(340,270,710)	(2,437,949,190)
Adjustments for:			
(Reversal of) provision for impairment losses	18	(169,410,110)	277,301,225
Depreciation	7	197,393,973	264,899,302
Increase in unearned fees		580,672,375	262,476,680
Retirement benefit expense - current service cost	17	47,517,632	46,449,252
Impairment of property and equipment	7	12,297,890	-
Fair value losses on financial assets at fair value through profit or loss (FVTPL)	4,19	(8,759,152)	675,595
Fair value gain on investment properties	8	(535,986)	-
Loss on disposals of:			
Financial assets at fair value through other comprehensive income (FVOCI)	4,19	317,410	10,590,262
Investment securities at amortized cost	19		26,455,312
Unrealized foreign exchange (gains) losses, net	24	(49,915,302)	9,765,008
Interest (income) expense on:			
Cash and cash equivalents	19	(116,405,934)	(25,784,447)
Investments in debt securities	19	(68,209,380)	(109,334,646)
Lease liabilities	11, 19	17,072,297	16,506,173
Retirement benefit obligation	17	9,617,456	6,691,286
Other financial assets	19	(591,187)	(1,230,159)
Dividend income	19	(71,660,631)	(46,507,338)
Change in claims reserves	16	643,844,769	(134,581,822)
Gain on rent concessions and lease modifications	11, 15	-	(2,459,581)
Write-off of property and equipment	7	-	40,902,820
Operating income (loss) before changes in operating assets and liabilities		682,975,410	(1,795,134,268)
Changes in operating assets and liabilities			
(Decrease) increase in:			
Trade and other receivables, net		(2,072,509,311)	(811,566,860)
Prepayments and other current assets		(269,700,328)	(20,026,261)
Other non-current assets		(11,363,465)	(17,965,523)
Increase (decrease) in:			
Accounts payable and accrued expenses		931,375,220	799,468,804
Health fund		33,744,046	10,812,394
Unearned fees		49,573,943	(8,226,571)
Fidelity bonds payable		(2,495,173)	(874,533)
Cash used in operations		(658,399,658)	(1,843,512,818)

(forward)

(continued)	Notes	2024	2023 (As restated)
Cash used in operations		(658,399,658)	(1,843,512,818)
Interest received		113,217,360	25,784,447
Interest paid		(17,072,297)	(16,506,173)
Contributions to the retirement fund	17	(50,000,000)	(235,948)
Income taxes paid		(104,325,540)	(149,817,562)
Net cash used in operating activities		(716,580,135)	(1,984,288,054)
Cash flows from investing activities			
Acquisitions of:			
Financial assets at FVTPL	4	(700,000)	(226,998,425)
Financial assets at FVOCI	4	(2,267,165,860)	(1,306,571,062)
Investment securities at amortized cost	4	(502,197,521)	-
Property and equipment	7	(71,811,864)	(98,184,315)
Proceeds from maturities and disposals of:			
Financial assets at FVTPL	4	120,968,564	43,641,280
Financial assets at FVOCI	4	2,182,546,293	1,631,184,385
Investment securities at amortized cost	4	320,970,431	1,114,057,951
Interest received		68,957,146	114,895,698
Dividends received		71,660,631	42,757,338
Net cash from investing activities		(76,772,180)	1,314,782,850
Cash flows from financing activities			
Payments of lease liabilities	11	(67,146,223)	(65,849,427)
Capital infusion from the Parent Company	14	-	2,403,125,000
Net cash (used in) from financing activities		(67,146,223)	2,337,275,573
Net (decrease) increase in cash and cash equivalents		(860,498,538)	(1,667,770,369)
Cash and cash equivalents			
At January 1		2,928,212,242	1,262,603,747
Effect of foreign exchange rate on cash and cash equivalents		1,814,168	(2,161,874)
At December 31	2	2,069,527,872	2,928,212,242

The notes on pages 1 to 61 are integral part of these financial statements.

(All amounts are in Philippine Peso, unless otherwise stated)

1 Corporate information

Medicard Philippines, Inc. (the "Company") was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on December 29, 1986. The Company is presently engaged in developing and promoting medical, health maintenance and related services. The Company provides comprehensive, systematic and prevention-oriented medical and health maintenance programs through the participation of hospitals and other medical institutions and accreditation and integration of a pool of licensed and competent medical specialist.

The Company was granted the authority to operate as a health maintenance organization company by the Insurance Commission (IC) to act as a Health Maintenance Organization (HMO), engaged in developing and promoting accessible and affordable comprehensive prepaid health care services, systematic and prevention-oriented medical and health maintenance programs to its members through a managed care approach through the participation of hospitals and other medical institutions and accreditation and integration of a pool of licensed and competent medical specialists to ensure quality care and cost-effective solutions to its members.

On February 28, 2023, AIA Philippines Life and General Insurance Company, Inc. ("AIA Philippines" or the "Parent Company"), an entity incorporated and domiciled in the Philippines, acquired 100% of the share capital of the Company from its previous owners.

The Parent Company is a wholly-owned subsidiary of AIA Company Limited ("AIA" or "Intermediate Parent Company"), whose ultimate holding company is AIA Group Limited ("AIAGL" or "Ultimate Parent Company"), a company listed in the Stock Exchange of Hong Kong. Both AIA and AIAGL are incorporated and domiciled in Hong Kong.

The registered office address of the Company, which is also its principal place of business is 8th Floor, The World Centre Building, 330 Senator Gil Puyat Avenue, Makati City.

As at December 31, 2024, the Company has 1,231 employees (2023 - 1,121 employees).

Approval of the financial statements

The accompanying financial statements of the Company were authorized for issue by the Company's Board of Directors (BOD) on May 30, 2025.

2 Cash and cash equivalents

The account as at December 31 consists of:

	2024	2023
Cash on hand	681,393	691,012
Cash in banks	852,645,495	852,589,752
Time deposits	1,216,200,984	2,074,931,478
	2,069,527,872	2,928,212,242

Cash in banks earns interest based on prevailing bank deposit rates.

Time deposits have maturities ranging from 30 to 90 days from the date of acquisition and bear annual interest rates from 5.00% to 6.00% as at December 31, 2024 (2023 - 5.00% to 6.50%).

Interest income earned amounts to P116,405,934 in 2024 (2023 - P25,784,447) (Note 19).

Net unrealized foreign exchange gains for the year ended December 31, 2024 amounts to P1,814,168 (2023 - P2,161,874).

3 Trade and other receivables, net

The account as at December 31 consists of:

	Notes	2024	2023
Receivables from members		4,255,910,631	2,672,589,946
Due from related parties	21	525,976,520	9,499,182
Rental receivables		23,660,282	25,412,448
Interest receivable	4	19,608,614	16,576,618
Advances to officers and employees		15,521,838	19,791,839
Advances to agents		1,335,484	4,189,594
Others		37,537,994	55,240,489
		4,879,551,363	2,803,300,116
Allowance for credit losses		(157,992,261)	(327,402,371)
		4,721,559,102	2,475,897,745

Receivables from members pertain to the fixed amount that the Company charges its clients for healthcare services, including fees for riders and supplementary contracts which have been accrued and uncollected as of the end of the period.

The details of interest receivable on financial assets as at December 31 follow:

	Note	2024	2023
Debt securities at AC		13,764,414	12,463,436
Time deposits		3,779,762	-
Fair value through other comprehensive income (FVOCI)		2,064,438	4,113,182
	4	19,608,614	16,576,618

Advances to officers and employees pertain to travel and business advances which are collected upon liquidation, and cash advances which are collected through salary deduction. These advances are non-interest-bearing.

The movement in the allowance for credit losses from receivable from members for the years ended December 31 follows:

	Note	2024	2023
At January 1		327,402,371	47,998,856
(Reversal of) provision for credit losses	18	(169,410,110)	279,403,515
At December 31		157,992,261	327,402,371

Critical estimate - Estimation of allowance for ECL

The measurement of the allowance for ECL on trade and other receivables is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of counterparties defaulting and the resulting losses).

The Company recognizes lifetime ECL for trade and other receivables. The Company uses a provision matrix to calculate ECL for trade and other receivables. The provision rates are based on months past due for groupings of various client segments that have similar loss patterns (i.e., by geography, product type, and customer type). 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).

A reversal in allowance for credit losses was recognized amounting to P169,410,110 in 2024 (2023 - nil) with no additional provisions assessed and recognized (2023 - P279,403,515).

As at December 31, 2024, if the Company's expected loss rates increased/decreased by 10% while holding all other assumptions constant, the Company's allowance for credit losses and profit before income tax would be lower/higher by P15,644,947 (2023 - P8,824,581).

4 Investment securities

The account as at December 31 consists of:

	2024			2023		
	Current	Non-current	Total	Current	Non-current	Total
FVTPL	172,182,374	-	172,182,374	274,922,598	-	274,922,598
FVOCI	377,537,739	142,924,224	520,461,963	280,885,563	150,867,293	431,752,856
AC	237,180,917	1,145,578,762	1,382,759,679	346,020,528	831,589,097	1,177,609,625
	786,901,030	1,288,502,986	2,075,404,016	901,828,689	982,456,390	1,884,285,079

Financial assets at FVTPL

The account as at December 31 consists of:

	2024	2023
Unit investment trust funds (UITFs) and mutual funds	123,820,229	210,032,053
Equity securities - quoted	48,362,145	64,890,545
	172,182,374	274,922,598

Movements in financial assets at FVTPL as at and for the years ended December 31 follow:

	Note	2024	2023
At January 1		274,922,598	92,304,176
Additions		700,000	226,998,425
Redemptions and disposals		(112,428,575)	(43,641,280)
Fair value gains (losses), net	19	8,759,152	(675,595)
Foreign exchange gains (losses), net		229,199	(63,128)
At December 31		172,182,374	274,922,598

The breakdown of fair value gains (losses), net, on financial assets at FVTPL for the years ended December 31 follows:

	Note	2024	2023
Unrealized fair value gains (losses), net		219,163	(6,556,140)
Realized fair value gains, net		8,539,989	5,880,545
	19	8,759,152	(675,595)

Financial assets at FVOCI

The account as at December 31 consists of:

	2024	2023
Debt securities - at fair value		
Government bonds	437,995,074	264,973,068
Corporate bonds	15,282,029	91,465,303
Equity securities		
Quoted - at fair value	53,961,360	62,090,985
Unquoted - at cost	13,223,500	13,223,500
	520,461,963	431,752,856

Movements in financial assets at FVOCI as at and for the years ended December 31 follow:

	Note	2024	2023
At January 1		431,752,856	739,411,991
Additions		2,267,165,860	1,306,571,062
Maturities and disposals		(2,182,863,703)	(1,631,351,765)
Amortization of discount		1,499,004	2,900,299
Fair value gains, net	14	1,626,200	15,878,612
Foreign exchange gains (losses), net		1,281,746	(1,657,343)
At December 31		520,461,963	431,752,856

The movement in allowance for impairment losses on financial assets at FVOCI as at December 31, which is recognized as part of reserves, follows:

	Note	2024	2023
At January 1		654,759	1,316,854
Reversal of impairment losses	14	(522,220)	(662,095)
At December 31		132,539	654,759

In 2024, the Company recognized realized losses on disposals of equity securities classified as financial assets at FVOCI amounting to P317,410 (2023 - P10,590,262 realized losses on disposals of debt securities) which are reclassified to gains (losses) on disposals of investment securities, net, under finance and other income, net, in the statement of comprehensive income (Note 19).

Proceeds from sale and maturities of financial assets at FVOCI for the year ended December 31, 2024 amounted to P2,182,546,293 (2023 - P1,631,184,385).

Government debt securities earn interest at annual rates ranging from 3.63% to 7.00% as at December 31, 2024 (2023 - 4.20% to 8.00%). Interest income earned from debt securities, including the amortization of discount amounted to P17,157,273 (2023 - P30,817,990), is presented as part of interest income on investments in debt securities, net, under finance and other income, net, in the statement of comprehensive income (Note 19). The related accrued interest as at December 31, 2024 amounting to P2,064,438 (2023 - P4,113,183) is presented as part of interest receivable under trade and other receivables, net, in the statement of financial position (Note 3).

Investment securities at AC

The account as at December 31 consists of:

	2024	2023
Corporate debt securities	511,024,108	660,630,401
Government debt securities	873,101,242	514,051,282
Time deposits	532,900	4,303,543
	1,384,658,250	1,178,985,226
Allowance for credit losses	(1,898,571)	(1,375,601)
	1,382,759,679	1,177,609,625

Movements in investment securities at AC as at and for the years ended December 31 follow:

	Note	2024	2023
At January 1		1,177,609,625	2,324,085,666
Additions		502,197,521	-
Maturities		(320,970,431)	(1,140,513,264)
Amortization of discount (premium)		21,134,226	(1,377,570)
Foreign exchange gains (losses), net		3,311,708	(6,025,402)
(Provision for) reversal of credit losses	18	(522,970)	1,440,195
At December 31		1,382,759,679	1,177,609,625

The movement in allowance for impairment losses on investment securities at AC for the years ended December 31 follows:

	Note	2024	2023
At January 1		1,375,601	2,815,796
Provision for (reversal of) impairment losses	18	522,970	(1,440,195)
At December 31		1,898,571	1,375,601

Time deposits with maturities of more than 90 days but less than one (1) year from the date of acquisition is presented as part of Investment securities at AC.

Interest rates on investment at amortized cost range from 0.25% to 7.25% in 2024 and 0.13% to 7.25% in 2023. Interest income earned, including amortization of discount, amounts to P51,052,107 (2023 - P78,516,656) (Note 19).

The related accrued interest as at December 31, 2024 amounting to P13,764,414 (2023 - P12,463,436) is presented as part of interest receivable under trade and other receivables, net, in the statement of financial position (Note 3).

Dividend income earned from all equity securities amounts to P6,860,631 in 2024 (2023 - P8,634,205) is presented under finance and other income, net, in the statement of comprehensive income (Note 19).

Proceeds from maturities of financial assets at AC for the year ended December 31, 2024, amount to P320,970,431 (2023 - P1,140,513,264).

Critical estimate - Estimation of allowance for ECL

The measurement of the allowance for ECL on financial assets at FVOCI and AC is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of counterparties defaulting and the resulting losses).

The Company uses the general approach to calculate ECL for debt securities at FVOCI and at AC. The allowance for impairment is based on the ECLs associated with the probability of default of a financial instrument in the next 12 months, unless there has been a significant increase in credit risk since origination of the financial instrument, in such case, a lifetime ECL for the instrument is recognized.

A reversal in allowance for impairment losses was recognized on debt securities at FVOCI amounting to P522,220 in 2024 (2023 - 662,095). No additional provisions were recognized in 2024 and 2023.

An additional provision for impairment losses was recognized on debt securities at AC amounting to P522,970 in 2024 (2023 - nil). A reversal of allowance for impairment losses was recognized in 2023 amounting to P1,440,195.

Sensitivity analysis

As at December 31, 2024, if the Company's expected loss rates increased/decreased by 10% while holding all other assumptions constant, the Company's allowance for credit losses would be lower/higher by P203,111 (2023 – P203,036) and profit before income tax would be higher/lower by the similar amount.

5 Prepayments and other current assets

The account as at December 31 consists of:

	2024	2023
Income tax credit	474,339,924	358,666,806
Prepaid expenses	110,454,238	95,574,150
Creditable withholding tax	112,501,915	55,515,278
Deferred acquisition cost	73,695,773	-
Inventories, net, at cost	28,993,590	20,545,127
Others	6,471,113	6,454,864
	806,456,553	536,756,225

Prepaid expenses include prepaid advertising with certain publishing and broadcasting companies for advertising expenses, and prepayments to lessors and suppliers.

No provision for inventory obsolescence was recognized in 2024 and 2023.

6 Investment in a subsidiary

Investment in a subsidiary represents 100% ownership in Claims Pro Philippines, Inc. (CPPI), a domestic corporation engaged in processing, translating and storing medical information availed of in clinics, hospitals and other institutions that may require similar services.

On April 13, 2023, CPPI declared cash dividends amounting to P37,873,133 (Note 19) or P378.73 per share, wherein P3,750,000 of which was applied to the subscription payable. The remaining P34,123,133 was received in cash on May 16, 2023.

On April 1, 2024, CPPI declared cash dividends amounting to P64,800,000 (Note 19) or P648 per share, which was received in cash on June 25, 2024.

Following the application of payment, the carrying amount of the Company's investment in a subsidiary as at December 31, 2023 amounts to P5,000,500.

In 2023, CPPI declared stock dividends, amounting to P5,000,000, divided into 5,000 common shares with a par value of P100 per share to be issued out of the unsubscribed portion of the authorized share capital to the shareholder of record as of April 13, 2023.

In the same meeting, CPPI increased its authorized share capital of P10,000,000 to P15,000,000, and the declaration of stock dividends, out of its unrestricted and unappropriated retained earnings, in the total amount of P1,250,000 to be issued out of the increase in authorized share capital of the Company.

The summary of the audited financial information on CPPI as at December 31 follows:

	2024	2023
Current	45,751,495	91,362,126
Non-current	8,836,313	10,041,925
Total assets	54,587,808	101,404,051
Current	8,038,540	13,032,861
Non-current	2,061,308	1,264,733
Total liabilities	10,099,848	14,297,594
Total net assets	44,487,960	87,106,457
Revenues	131,754,008	179,758,314
Expenses	109,572,505	115,151,857
Net income	22,181,503	64,606,457

7 Property and equipment, net

Details of and movements in property and equipment as at and for the years ended December 31 are shown below:

	Right-of-use assets (ROU) (Note 11)	Office condominium	Equipment, furniture, and fixtures	Medical, dental, and laboratory equipment	Leasehold improvements	Building	Construction and equipment development -in-progress	Total
Cost								
As at January 1, 2023	262,810,131	103,414,268	677,422,856	355,891,030	296,072,234	255,552,393	331,822,756	2,282,985,668
Additions	226,354,910	-	20,973,274	11,479,702	-	-	62,192,268	321,000,154
Reclassifications	-	-	46,638,738	-	124,685,833	76,963,516	(248,288,087)	-
Write-off	-	-	-	-	-	-	(40,902,820)	(40,902,820)
Lease termination	(53,555,475)	-	-	-	-	-	-	(53,555,475)
As at December 31, 2023	435,609,566	103,414,268	745,034,868	367,370,732	420,758,067	332,515,909	104,824,117	2,509,527,527
Additions	11,817,530	-	42,750,680	10,416,254	5,945,672	825,450	11,873,807	83,629,393
Revaluation gain (Note 19)	-	-	-	-	-	150,958,880	-	150,958,880
Impairment loss (Note 18)	-	-	-	-	-	(12,297,890)	-	(12,297,890)
Reclassifications	-	(102,861,294)	1,915,000	-	33,745,912	125,859,026	(58,658,644)	-
Disposal	-	-	(138,733,931)		(29,887,840)		(106,500)	(168,728,271)
Lease termination	(10,371,932)	-	-	-	-	-	-	(10,371,932)
As at December 31, 2024	437,055,164	552,974	650,966,617	377,786,986	430,561,811	597,861,375	57,932,780	2,552,717,707
Accumulated depreciation								
As at January 1, 2023	112,453,100	103,396,773	585,721,215	276,476,946	245,492,261	171,706,174	-	1,495,246,469
Depreciation during the year	98,756,285	9,922	59,366,516	28,052,208	46,128,306	32,586,065	-	264,899,302
Lease termination	(53,555,475)	-	-	-	-	-	-	(53,555,475)
As at December 31, 2023	157,653,910	103,406,695	645,087,731	304,529,154	291,620,567	204,292,239	-	1,706,590,296
Depreciation during the year	57,111,001	7,572	51,338,069	21,057,050	45,699,925	22,180,356	-	197,393,973
Reclassification	-	(102,861,293)	-	-	-	102,861,293	-	-
Disposal	-	-	(135,608,780)	-	(28,300,989)	-	-	(163,909,769)
Lease termination	(10,371,932)	-	-	-	-	-	-	(10,371,932)
As at December 31, 2024	204,392,979	552,974	560,817,020	325,586,204	309,019,503	329,333,888	-	1,729,702,568
Net book values								
As at December 31, 2023	277,955,656	7,573	99,947,137	62,841,578	129,137,500	128,223,670	104,824,117	802,937,231
As at December 31, 2024	232,662,185	-	90,149,597	52,200,782	121,542,308	268,527,487	57,932,780	823,015,139

In 2024, the Company sold certain fully depreciated property and equipment for P52,000 resulting in a loss on sale of P768 which is recognized as part of other revenues under revenues in the statement of comprehensive income (Note 15).

In 2023, certain construction and equipment development-in-progress from 2014 to 2015 were written-off with a total cost of P40,902,820 as management assessed that this has no economic value. This is included in operating expenses in the statement of comprehensive income (Note 18).

Depreciation and amortization charges for the year ended December 31 is allocated between cost of sales and services and operating expenses as follows:

	Notes	2024	2023
Cost of sales and services	16	181,198,705	179,114,385
Operating expenses	18	16,195,268	85,784,917
		197,393,973	264,899,302

Details of movement in the reserve for revaluation of property and equipment recognized in OCI as at December 31, 2024 follows:

	Notes	Amount
At beginning of year		-
Fair value gains during the year		150,958,880
Deferred income tax effect	20	(37,739,720)
At end of year	14	113,219,160

Critical accounting estimate - Determination of estimated useful lives of property and equipment

The Company's management determines the estimated useful lives for its property and equipment based on the period over which the assets are expected to be available for use. Management believes that the estimated useful lives of its property and equipment approximate the periods by which the actual economic benefits of the assets will be realized. The information on estimated useful lives of the Company's property and equipment is disclosed in Note 28.6.

The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and legal or other limits on the use of these assets. Management will increase the depreciation where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete assets that have been abandoned or sold.

It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A change in the estimated useful life of any item of property and equipment would impact the recorded operating expenses and decrease total assets.

Due to the number of items of property and equipment, the Company considers it impracticable to disclose with sufficient reliability the possible effects of sensitivities surrounding the estimates due to varying asset utilization, internal technical evaluation, and anticipated use of each item of property and equipment.

8 Investment properties

The details of and movement in the account as at and for the years ended December 31 follow:

	Note	Buildings
Cost		
As at January 1, 2023		16,325,094
Fair value gain		-
As at December 31, 2023		16,325,094
Fair value gain	19	535,986
As at December 31, 2024		16,861,080

A four-storey building was constructed in Sta. Rosa, Laguna, where the Company opened its clinic, Humana Wellness Center, which exclusively offers primary multi-specialty consultations and other laboratory and diagnostics services. The Company occupies only a portion of the building, while the rest of the space is being commercially leased out.

A three-storey wellness center in Makati City houses the Company's clinic and office, with a portion being occupied by tenants.

Rental income from buildings amounts to P14,561,419 for the year ended December 31, 2024
(2023 - P14,531,122) (Note 15).

Critical judgment - Distinction between investment properties and owner-occupied properties

The Company determines whether or not a property qualifies as an investment property. In making its judgment, the Company considers whether the property generated cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the operations Company.

Certain properties comprise a portion that is held to earn rentals and another portion that is held-for-use in the supply of services or for administrative purposes. If these portions cannot be sold separately as at reporting date, the property is accounted for as an investment property only if an insignificant portion is held-for-use in the supply of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Company considers each property separately in making its judgment.

9 Other non-current assets

The account as at December 31 consists of:

	2024	2023
Hospital guarantee deposits	103,248,394	91,566,360
Rental and other deposits	54,407,575	54,726,144
	157,655,969	146,292,504

Hospital guarantee deposits are revolving funds of the Company maintained in different hospitals, where the medical services billed by the hospitals to the Company are charged against the said fund. This fund shall be replenished by the Company upon reaching a certain level based on each hospital agreement.

Rental and other deposits pertain to Company’s deposits to lessors as part of the lease contracts.

10 Accounts payable and accrued expenses; Insurance contract reserves

The account as at December 31 consists of:

	Note	2024	2023
Accounts payable		1,118,808,723	612,256,415
Accrued expenses		924,328,097	561,766,043
Government remittances and payable		411,438,041	502,336,532
Intercompany payables	21	133,928,250	-
Others		6,278,042	6,432,920
		2,594,781,153	1,682,791,910

Accounts payable pertains mostly to unpaid billings from hospitals for medical expenses, medicines and other professional fees.

Accrued expenses mainly includes accruals for salaries, manpower services and other expenses.

Government remittances and payable include withholding taxes, value-added taxes (VAT) and contributions payable to Social Security System (SSS), Home Development Mutual Fund (HDMF) and Philippine Health Insurance Corporation (PHIC).

Insurance contract reserves as at December 31 consists of:

	2024	2023
Incurred but not reported (IBNR) claims	812,280,482	575,562,280
In course of settlement	408,888,255	150,536,614
Due and unpaid	286,024,831	203,398,347
Claims handling expense (CHE) reserve	137,090,754	73,295,517
Margin for adverse deviation (MfAD)	34,783,555	32,430,350
	1,679,067,877	1,035,223,108

Changes in insurance contract reserves of P643,844,769 in 2024 (2023 - P134,581,822 income) is presented as part of Cost of sales and services (Note 16).

Critical accounting estimate - Valuation of claims reserves arising from insurance contracts

IBNR claims costs are actuarially calculated to determine future payments on claims that have been incurred but have not been reported to estimate the liability for healthcare services that have been rendered to its members, which is estimated using the Chain Ladder Method, a standard actuarial methodology. The actuarial model considers the lag time factor or the difference between the date of service and claim receipt. The process is based on the principle that factors affecting payment progression for a given claim are modeled by an assumed pattern.

IBNR claims are sensitive to the key assumptions pertaining to certain utilization patterns such as preference for hospitals, medical inflation, and morbidity trends of some viral infections. Furthermore, because of delays that arise between occurrence of a claim and its subsequent notification and eventual settlement, the outstanding estimated claims are not known with certainty as at the reporting date. Consequently, the ultimate liabilities will vary as a result of subsequent developments. Differences resulting from reassessment of the ultimate liabilities are recognized in the subsequent periods. The ultimate loss ratio derived using the actual pattern of claims experience are developed within 36 months.

Claims handling expense pertains to the estimated amount of expenses for settling all claims incurred, both reported and unreported, outstanding as at the reporting date. The estimate is based on claims handling factors determined using the standard unit costs of adjudicating and settling the various types of claims. MfAD is estimated using MACK method to bring the actuarial best estimate of the HMO Agreement liabilities at the 75th percentile level of sufficiency.

The Company’s valuation methodologies for claims reserves are calculated in accordance with IC circular letter no. 2020-22, *Valuation Standards for Health Maintenance Organization Agreement Liabilities* issued last March 24, 2020. This was superseded by IC circular letter no. 2022-49, *Revised Implementation Requirements for the Valuation Standards For Health Maintenance Organization (HMO) Agreement Liabilities And Annual Reporting For HMOs,* issued last November 21, 2022.

Under the revised circular, IC has provided regulatory leeway for HMOs to MfAD for the following valuation years: 0% for 2021-2022, 50% for 2023-2024, 75% for 2025-2026, and 100% for 2027 onwards. The purpose is to allow for inherent uncertainty of the best estimate of the HMO Agreement reserves and to consider the variability of claims experience in the best estimate.

Sensitivity analysis

The Company's insurance contract liabilities are sensitive to the key factors such as medical inflation, claims experience, and operating expenses.

The analysis below is performed for reasonably possible movements in the key assumptions with all other assumptions held constant, showing impact on the Company's income before income tax as at December 31.

		2024		2023	
		Increase	Decrease	Increase	Decrease
Membership fee reserve	Medical Inflation (+/-1%)	34,894,233	(19,406,358)	29,641,976	(29,641,976)
Claims reserve	Medical Inflation (+/-1%)	9,275,133	(9,275,133)	6,520,480	(6,520,480)
Membership fee reserve	Utilization (+/-1%)	34,894,233	(19,406,358)	29,641,976	(29,641,976)
Claims reserve	Utilization (+/-1%)	9,275,133	(9,275,133)	6,520,480	(6,520,480)
Membership fee reserve	OPEX (+/-1%)	4,142,892	(4,142,892)	3,038,895	(3,038,895)
Claims reserve	OPEX (+/-1%)	1,399,908	(1,399,908)	756,659	(756,659)

There has been no change to the Company's exposure to health care risk or the manner in which it manages and measure health risk.

11 Leases

The Company leases office spaces for its head office, branches and clinics. Terms of the lease agreements range from two (2) to 10 years and include escalation clauses ranging from five percent (5%) to 10%.

Lease terms are negotiated either on a collective or individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets cannot not be used as security for borrowing purposes.

Movements in ROU assets and lease liabilities are as follows:

	ROU assets	Lease liabilities
At January 1, 2024	277,955,656	305,373,194
Additions during the year	11,817,530	11,817,530
Depreciation	(57,111,001)	
Interest expense	-	17,072,297
Cash outflow for lease payments	-	(84,218,520)
At December 31, 2024	232,662,185	250,044,501

	ROU assets	Lease liabilities
At January 1, 2023	150,357,031	150,866,363
Additions during the year	226,354,910	222,815,839
Depreciation	(98,756,285)	-
Interest expense	-	16,506,173
Rent concessions and lease modifications	-	(2,459,581)
Cash outflow for lease payments	-	(82,355,600)
At December 31, 2023	277,955,656	305,373,194

The Company availed of the exemptions allowed under PFRS 16 for short-term leases.

Short-term and variable leases and low value assets amount to P66,915,789 in 2024 (2023 - P61,627,798) is included as part of operating expenses in the statement of comprehensive income (Note 18).

The maturity profile of the Company’s lease liabilities as at December 31 is as follows:

	2024	2023
Current	58,706,612	66,377,837
Non-current	191,337,889	238,995,357
	250,044,501	305,373,194

There are no gain on rent concessions in 2024. In 2023, gain on rent concessions amounting to P2,459,581 is recognized as part of other revenues under revenues account in the statement of comprehensive income (Note 15).

Critical judgment - Determination of lease term

Renewal and extension options are included in a number of leases of the Company. These are used to maximize operational flexibility in terms of managing the assets used in the Company’s operations. The majority of extension options held are exercisable by the Company.

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 and the renewal of the contract is not subject to mutual agreement of both parties. The Company used the discount rates prescribed by the IC in determining the lease liability.

The Company considers the factors below as the most relevant in assessing the options:

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

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

Critical accounting estimate - Determination of the incremental borrowing rate for leases

The lease payments for the Company’s lease agreements are discounted using the interest rate implicit in the lease, or if not available, the Company’s incremental borrowing rate (IBR), being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment with similar terms, security and conditions.

The Company uses the risk-free discount rates prescribed by the Insurance Commission in calculating the present value of the lease liabilities. The Company has no third-party financing that can be used to determine the discount rate to be used for the calculation of lease liabilities.

The Company uses the risk-free discount rates prescribed by the Insurance Commission in calculating the present value of the lease liabilities. The Company has no third-party financing that can be used to determine the discount rate to be used for the calculation of lease liabilities.

As at December 31, 2024, the discount rate for lease contracts ranges from 5.80% to 6.45% (2023 - 6.02% to 6.10%).

As at December 31, 2024, if the Company's incremental borrowing rate increased/decreased by 10% while holding all other assumptions constant, the Company's lease liabilities would be lower/higher by P8,154,639 and P8,473,237, respectively, (2023 - P6,234,915 and P6,483,633, respectively) and profit before income tax would be higher/lower by P191,943 and P197,509, respectively (2023 - P354,355 and P399,285, respectively).

12 Health fund

The Company maintains a non-interest bearing, cost-plus account for members who cannot afford regular health plans. Based on the health agreement, members of cost-plus plans should maintain a health fund as security deposits which will be returned to these members upon termination of the agreement.

Movements in the account as at December 31 is as follows:

	2024	2023
At January 1	168,075,478	176,302,049
Additions	1,839,661,249	832,337,057
Utilizations	(1,805,917,203)	(840,563,628)
At December 31	201,819,524	168,075,478

13 Unearned fees

Unearned fees pertain to the unexpired portion of plans administered and sold by the Company as at period end. These shall be utilized exclusively on health benefits of members and the Company's administrative service fee.

Included in the unearned fees are non-interest bearing deposits collected from members and awaiting application of payments of the HMO contract amounting to P139,158,061 (2023 - P89,584,118).

Movements in the account as at December 31 is as follows:

	Note	2024	2023
At January 1		3,094,878,270	2,821,589,196
Additions		11,829,172,049	9,652,030,024
Earned portion included in fees on plans sold	15	(11,198,925,731)	(9,378,740,950)
At December 31		3,725,124,588	3,094,878,270

Critical accounting estimate - Calculation of unearned membership fee reserves (UMFR)

The Company's UMFR refers to all future claim payments and related expenses for contract maintenance and claims settlement after the reporting date arising from the future events for which the Company may be liable under its HMO contract. UMFR is computed as the higher of the unearned fees attributable to the HMO contracts and the unexpired risk reserves (URR).

URR represents the best estimate of future claims and expenses to be incurred during the remaining period of the HMO agreement and after the reporting date. This is calculated as the unearned fees attributable to the HMO contracts with adjustments for the expected ultimate loss ratio, MfAD, project maintenance expenses and CHE.

In 2024, the Company's UMFR has been assessed to be the URR, which is higher than the unearned fees for HMO contracts by P156,462,261 (2023 - 262,476,680). This is recognized as a Provision for URR under cost of sales and services (Note 16) in the statement of comprehensive income.

14 Equity

(a) Share capital

	Shares		Amount	
	2024	2023	2024	2023
Share capital - P100 par value				
Authorized shares:				
Common	17,500,000	17,500,000	1,750,000,000	1,750,000,000
Redeemable preferred, cumulative	32,500,000	32,500,000	3,250,000,000	3,250,000,000
	50,000,000	50,000,000	5,000,000,000	5,000,000,000
Issued and subscribed:				
Balance at January 1	34,531,250	10,500,000	3,453,125,000	1,050,000,000
Issuance of shares	-	24,031,250	-	2,403,125,000
Redemption of preferred shares	(17,031,250)	-	(1,703,125,000)	-
Balance at December 31	17,500,000	34,531,250	1,750,000,000	3,453,125,000

Increase in authorized share capital

On September 22, 2023, the BOD approved an increase in the authorized share capital from P1.75 billion to P5 billion, consisting of common shares of P17.50 billion and redeemable preferred shares of P32.50 billion with a par value of P100 per share. The increase in authorized share capital was approved by the SEC on December 15, 2023.

Capital infusion from the Parent Company

On September 22, 2023, the Parent Company infused capital of P700 million to support its working capital requirements. Following the application for increase in authorized share capital to P5 billion, on the same date, the Parent Company infused an additional P203.13 million to comply to the minimum paid-up capital requirement of the SEC.

On December 22, 2023, the Parent Company infused an additional capital of 15 million redeemable shares with a par value of P100 per share or P1.50 billion for working capital requirements.

Redemption of preferred shares by the Parent Company

On October 4, 2024, the BOD of the Company approved the redemption of 17,031,250 preferred shares with a par value of P100 per share or P1.7 billion. On the same date, the Parent Company intends to reinvest the same to the Company in a form of contingency surplus under equity.

Subsequent event

On April 11, 2025, the Company requested the approval from the IC to reclassify the redemption of preferred shares to Contingency surplus, in accordance with Section 2.7(d) of Circular Letter No. 2025-11. Subsequently, on April 23, 2025, the IC approved said reclassification. The IC will closely monitor the reclassification and presentation of contingency surplus in the financial statements as at and for the year ended December 31, 2024..

(b) Retained earnings

On June 30, 2014, the BOD approved the appropriation of P350 million retained earnings to finance the possible acquisition of a lot in Makati Central Business District (MCBD) for the future location of the Company's corporate headquarters.

On September 26, 2016, the BOD approved the appropriation of P250 million retained earnings to finance the acquisition and development of Unified Medicard System, which is expected to be used in the next 10 years.

On December 9, 2019, the BOD approved the appropriation of P200 retained earnings for the acquisition of a lot in MCBD and extending the related target completion date of the appropriation up to December 31, 2023. Moreover, the BOD approved the appropriation of P100 million retained earnings for the construction of additional clinics in Davao and Manila business districts, which is expected to be completed in the next two (2) years. The construction of Davao clinic was already completed in 2021 and the Company is continuously looking for the next possible locations where it can construct additional clinics.

On July 12, 2021, the BOD approved the appropriation of P200 retained earnings to finance the acquisition and development of certain capital assets, P50.0 million of which was earmarked for various dental, optical, laboratory and other medical equipment for planned clinic expansions, particularly on the eye center and dental facilities. The remaining P150.0 million was earmarked for various IT application system and infrastructure projects to be completed in 2023.

On April 16, 2024, the BOD approved the release of the appropriated retained earnings of P1.1 billion following the negative results of operations in 2023.

Reserves

Details of and movements in reserves account follows:

	Financial assets at FVOCI (Note 4)	Retirement benefit obligation (Note 17)	Property and equipment, net	Total
As at January 1, 2024	3,624,192	(255,275,333)	-	(251,651,141)
Movements for the year:				
Fluctuations of financial assets at FVOCI				
Net fair value changes from:				
Debt securities	300,000	-	-	300,000
Equity securities	1,326,200	-	-	1,326,200
Fair value gains on disposal of debt securities reclassified to profit or loss	20,654	-	-	20,654
Reversal of impairment losses on debt securities	(522,220)	-	-	(522,220)
Fair value gain on property and equipment, net of tax	-	-	113,219,160	113,219,160
Remeasurement of retirement benefit obligation, net of tax	-	(34,768,030)	-	(34,768,030)
As at December 31, 2024	4,748,826	(290,043,363)	113,219,160	(172,075,377)

	Financial assets at FVOCI (Note 4)	Retirement benefit obligation (Note 17)	Property and equipment, net	Total
As at January 1, 2023	(22,182,587)	(220,838,218)	-	(243,020,805)
Movements for the year:				
Fluctuations of financial assets at FVOCI				
Net fair value changes from:				
Debt securities	8,871,182	-	-	8,871,182
Equity securities	7,007,430	-	-	7,007,430
Fair value gains on disposal of debt securities reclassified to profit or loss	10,590,262	-	-	10,590,262
Reversal of impairment losses on debt securities	(662,095)	-	-	(662,095)
Remeasurement of retirement benefit obligation, net of tax	-	(34,437,115)	-	(34,437,115)
As at December 31, 2023	3,624,192	(255,275,333)	-	(251,651,141)

15 Revenues

The account for the years ended December 31 consists of:

	2024	2023
Fees on plans sold	11,390,520,705	9,462,349,177
Other revenues	736,961,681	597,596,455
	12,127,482,386	10,059,945,632

Fees on plans sold for the years ended December 31 consists of:

	Note	2024	2023
Membership fees on plans sold			
HMO contracts, net		11,173,126,780	9,355,767,301
Other membership fees		25,798,951	22,973,649
	13	11,198,925,731	9,378,740,950
Income from cost-plus		191,594,974	83,608,227
		11,390,520,705	9,462,349,177

Other membership fees include other fee income earned from plans offered by the company not exposed to insurance risk.

Income from cost-plus pertains to Company-administered health care program comparable to typical HMO programs, except that the Company is not the provider of the health care program but rather a third-party administrator of medical services. The Company derives revenue from this plan by charging a fixed percentage of the actual hospital billings.

Other revenues for the years ended December 31 consists of:

	Notes	2024	2023
Professional fees		426,128,990	338,187,796
Medical services		129,733,262	123,593,183
Sale of pharmaceutical products		87,640,503	43,768,201
Processing fees		59,686,911	30,806,808
Rental income	8	14,561,419	14,531,122
Loss on sale of property and equipment	7	(768)	-
Gain on rent concessions	11	-	2,459,581
Miscellaneous income		19,211,364	44,249,764
		736,961,681	597,596,455

Revenues from professional fees include retainer fees for medical professionals employed by the Company outsourced to other clinics and hospitals.

Medical services pertain to services offered in the free standing clinics of the Company

Critical judgment - Accounting for revenue from contracts with clients

The Company assesses on a product-by-product basis if a contract with a client shall be accounted for under PFRS 15, *Revenue from Contracts with Customers*, or PFRS 4, *Insurance Contracts*.

The Company identifies if the HMO agreement contract requires the Company to accept a significant insurance risk to compensate the contracting party if an uncertain future event occurs, adversely affecting the party. In measuring the significance of insurance risk, the Company compares the benefits paid with benefits payable if the insured event did not occur. If such risk exists in the contract, then the Company shall account the contract under PFRS 4. Otherwise, the requirements of PFRS 15 applies. Details of the Company's revenue recognition policies are disclosed in Note 28.10.

16 Cost of sales and services

The account for the years ended December 31 consists of:

	Notes	2024	2023
Cost of services			
Medical services		4,930,073,882	5,097,068,176
Hospitalization		1,831,317,045	1,880,884,710
Professional fees		1,753,237,200	1,898,915,239
Changes in insurance contract reserves	10	643,844,769	(134,581,822)
Commission		702,543,351	558,323,900
Depreciation	7	181,198,705	179,114,385
Provision for URR	13	156,462,261	262,476,680
Processing fees		129,023,874	175,608,423
Reimbursement claims		99,746,873	92,117,302
Salaries and employee benefits	17	56,800,796	60,026,972
Other direct costs		88,985,362	42,272,633
		10,573,234,118	10,112,226,598
Cost of sales		62,517,708	35,811,032
		10,635,751,826	10,148,037,630

Medical services are expenses on annual physical examination of the employees of various clients availing HMO health plans.

Professional fees are retainer fees of medical personnels.

Hospitalization fees are expenses on health care plan coverages.

Processing fees are costs for medical information and claims processing services of CPPI.

Cost of sales pertains to changes in finished goods inventories relating to medicines sold to Company's pharmacies.

17 Employee benefits

Salaries and employee benefits expenses

	2024	2023
Salaries and wages	924,193,240	762,560,974
Retirement benefit expense	47,517,632	46,449,252
Social security system and other contributions	46,495,925	37,102,948
Others	25,089,375	21,300,292
	1,043,296,172	867,413,466

The salaries and employee benefits for the years ended December 31 are allocated as follows:

	Notes	2024	2023
Operating expenses	18	986,495,376	807,386,494
Cost of services	16	56,800,796	60,026,972
		1,043,296,172	867,413,466

Included in salaries and employee benefit expenses are the salaries and other remuneration paid to the Company's key management personnel amounting to P228,975,872 in 2024 (2023 - P241,253,271) (Note 21).

Retirement plan

The Company maintains a tax-qualified, non-contributory retirement plan that is being administered by a trustee covering all regular employees. Actuarial valuations are made annually to update the retirement benefit costs and the amount of contribution and is estimated by an independent actuary as at December 31, 2024 and 2023.

The normal retirement age is 55 with a minimum of five years of credited service. Normal compulsory retirement benefit is an amount equivalent to 200% of final monthly salary per year of credited services. Optional retirement benefit is an amount equivalent to a certain percentage ranging from 10% to 160% of final monthly basic salary per year of credited service. Death and disability are also covered by the plan; benefits of which are equal to the compulsory retirement benefit computed as of the date of death and total and permanent disability.

The retirement benefit obligation recognized in the statement of financial position as at December 31 follows:

	2024	2023
Fair value of plan assets	404,532,128	430,466,164
Present value of retirement benefit obligation	(632,223,713)	(601,514,538)
	(227,691,585)	(171,048,374)

The movements in present value of the retirement benefit obligation as at and for the years ended December 31 are as follows:

	2024	2023
At January 1	601,514,538	622,672,401
Current service cost	47,517,632	46,449,252
Interest cost	37,247,577	36,504,411
Transfers from the Parent Company	3,150,749	-
Remeasurements arising from:		
Changes in financial assumptions	41,646,125	38,602,180
Deviations of experience from assumptions	5,478,722	9,976,018
Changes in demographic assumptions	-	114,194
Benefits paid	(104,331,630)	(152,803,918)
At December 31	632,223,713	601,514,538

The movements in the fair value of plan assets for the year ended December 31 are as follows:

	2024	2023
At January 1	430,466,164	550,444,770
Contributions to the fund	50,000,000	235,948
Benefits paid	(104,331,630)	(152,803,918)
Interest income	27,630,121	29,813,125
Remeasurement gain on plan assets	767,473	2,776,239
At December 31	404,532,128	430,466,164

The composition of the fair value of plan assets as at December 31 follows:

	2024	2023
Cash and cash equivalents	15,476,526	31,676,423
Investment in debt securities	389,055,602	398,789,741
Balance at end of year	404,532,128	430,466,164

The fair values of the above debt securities are determined based on quoted market prices in active markets and are classified as Level 1 fair value.

The amounts recognized in the statement of comprehensive income for the year ended December 31 follows:

	Notes	2024	2023
Recognized in profit or loss			
Current service cost		47,517,632	46,449,252
Net interest expense, net	19	9,617,456	6,691,286
		57,135,088	53,140,538
Recognized in OCI			
Remeasurements on:			
Retirement benefit obligation		47,124,847	48,692,392
Plan assets		(767,473)	(2,776,239)
		46,357,374	45,916,153
Deferred income tax effect		(11,589,344)	(11,479,038)
	14	34,768,030	34,437,115

In determining the retirement benefit obligation, the following actuarial assumptions were used as at December 31:

	2024	2023
Discount rates	5.75%	6.75%
Salary growth rate	6.00%	6.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The average remaining working lives of an individual retiring at the age of 55 is 22 for both males and females. 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 to the terms of the retirement obligation. Other assumptions are based on current actuarial benchmarks and management's historical experience.

Investment and interest rate risks

The present value of the defined benefit obligation is calculated using a discount rate determined by reference to market yields of high-quality corporate bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan. Currently, the plan is mainly composed of cash and cash equivalents and debt securities.

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 during 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.

(i) 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 benefit obligation by investing in long-term fixed interest securities (i.e., government or corporate debt securities) with maturities that match the benefit payments as these fall due and in the appropriate currency. The Company and the trustee banks actively monitor how the duration and the expected yield of the investments are matching the expected cash outflows arising from the retirement obligations. In view of this, investments are made in reasonably diversified portfolio, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of assets as at December 31, 2024 and 2023 consists of government and corporate debt securities. The Company believes that debt securities offer the best returns over the long-term with an acceptable level of risk. There has been no change in the Company's strategies to manage its risks.

(ii) Funding arrangements and expected contribution

The plan is currently underfunded by P227,691,585 (2023 - P171,048,374) as at December 31, 2024. While there is no minimum funding requirement in the country, there is a cash flow risk in about 10 years' time when a significant number of employees is expected to retire.

The Company expects to make contribution to the plan amounting to P50,000,000 in 2025.

The maturity profile of undiscounted expected benefits payments from the plan for the next 10 years as at December 31, 2024 follows:

	2024	2023
Within one (1) year	33,461,444	99,397,152
More than 1 year to five (5) years	270,460,714	234,039,523
More than 5 years to 10 years	537,849,522	495,913,440
	841,771,680	829,350,115

The weighted average duration of the defined benefit obligation at the end of the reporting period is 6.62 years (2023 - 7 years).

Critical accounting estimate - Valuation of retirement benefit obligation

The determination of the Company's obligation and cost of post-employment benefit and other retirement benefits is dependent on the selection of certain assumptions used by an independent actuary in calculating such amounts. Those assumptions include, among others, discount rate and salary increase rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense, other comprehensive income or loss and the carrying amount of the post-employment benefit obligation in the next reporting period.

Sensitivity analysis

The following table summarizes the effects of changes in the significant actuarial assumptions used in the determination of the retirement benefit obligation, net:

	Change assumption	Increase in assumption	Decrease in assumption
December 31, 2024			
Discount rate	+/-0.25	(10,884,190)	11,221,248
Salary growth rate	+/-0.25	11,172,674	(10,888,905)
December 31, 2023			
Discount rate	+/-0.25	(9,157,507)	9,431,672
Salary growth rate	+/-0.25	9,481,405	(9,247,227)

The sensitivity analysis 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 above analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the retirement benefit asset (liability) recognized in the statement of financial position.

18 Operating expenses

The account for the years ended December 31 consists of:

	Notes	2024	2023
Salaries and employee benefits	17	986,495,376	807,386,494
Membership dues		394,380,419	231,050,053
Communication, light and water		157,766,305	111,270,355
Outside services		141,592,894	78,584,426
Supplies		102,320,745	98,563,766
Taxes and licenses		86,837,341	110,314,226
Rental	11	66,915,789	61,627,798
Professional fees		44,575,833	33,132,012
Repairs and maintenance		26,250,471	13,890,542
Depreciation	7	16,195,268	85,784,917
Advertising		15,661,319	35,841,357
Impairment loss on property and equipment	7	12,297,890	-
Transportation and travel		9,297,027	10,036,409
Insurance		4,880,900	2,574,351
Representation and entertainment		2,795,043	6,954,634
(Reversal of) provision for impairment losses, net		(169,409,360)	277,301,225
Write-off of property and equipment, net	7	-	40,902,820
Others		227,235,438	455,687,790
		2,126,088,698	2,460,903,175

Details of the Company's provision for impairment losses, net, for the year ended December 31 follows:

	Notes	2024	2023
Provision for impairment loss on trade and other receivables, net	3	(169,410,110)	279,403,515
Reversal of impairment loss on financial assets at FVOCI	4	(522,220)	(662,095)
Reversal of impairment loss on financial assets at AC	4	522,970	(1,440,195)
		(169,409,360)	277,301,225

Membership dues pertains to subscriptions to cloud, system licenses, professional organizations and other related expenses.

Other expenses mainly include bank charges, awards and prizes, medicare refunds, laundry, meal allowances, photocopying charges, expenditures on official events of the Company and miscellaneous expenses.

19 Finance and other income, net

The account for the years ended December 31 consists of:

	Notes	2024	2023
Interest income on:			
Cash and cash equivalents	2	116,405,934	25,784,447
Investments in debt securities, net	4	68,209,380	109,334,646
Others		591,187	1,230,159
		185,206,501	136,349,252
Interest expense on:			
Lease liabilities	11	(17,072,297)	(16,506,173)
Retirement benefit obligation	17	(9,617,456)	(6,691,286)
		(26,689,753)	(23,197,459)
Dividend income from:			
CPPI	6	64,800,000	37,873,133
Equity securities	4	6,860,631	8,634,205
		71,660,631	46,507,338
Foreign exchange gains (losses), net	24	54,297,501	(10,852,143)
Fair value gains (losses) on FVTPL, net	4	8,759,152	(675,595)
Fair value gain on investment properties	8	535,986	-
Gains (losses) on disposals of investment securities, net	4	317,410	(37,045,574)
Others		-	(39,836)
		294,087,428	111,045,983

Details of the gains on disposals of investment securities, net, for the years ended December 31 follows:

	Note	2024	2023
Realized gain on disposals of FVOCI securities	4	317,410	10,590,262
Realized losses on disposals of AC securities	4	-	26,455,312
		317,410	37,045,574

20 Taxes

The income tax expense (benefits) for the years ended December 31 consists of:

	2024	2023
Current income tax	75,253,919	19,880,707
Income tax assessments	29,071,621	-
Deferred income tax (DIT)	59,465,920	(51,418,140)
	163,791,460	(31,537,433)

Details of the Company's DIT assets (liabilities) as at December 31 are as follows:

	2024	2023
DIT assets		
Impairment loss on financial assets	39,420,972	81,324,810
Retirement benefit obligation	56,135,209	42,762,093
Health fund	42,018,869	42,018,869
Claims reserves	29,036,552	29,036,552
Unamortized past service cost	11,527,630	14,638,860
Allowance for impairment losses on inventories	13,479,147	10,404,674
Leases - PFRS 16	4,924,008	7,340,744
Minimum corporate income tax (MCIT)	-	4,804,249
Others	757,530	232,820
	197,299,917	232,563,671
DIT liabilities		
Unrealized foreign exchange gains, net	(29,432,235)	(16,953,409)
Revaluation reserves on own-use property	(37,739,720)	-
Net fair value movement of investment properties	(3,808,145)	(3,674,148)
	(70,980,100)	(20,627,557)
DIT assets, net	126,319,817	211,936,114

The movements in deferred income tax assets, net, for the years ended December 31 are as follows:

	2024	2023
At January 1	211,936,114	149,178,849
(Credited) charged to profit or loss	(59,465,920)	51,418,140
(Charged) credited to OCI	(26,150,377)	11,339,125
At December 31	126,319,817	211,936,114

The reconciliation between the income tax expenses at the statutory income tax rates to the actual income tax expense for the years ended December 31 follows:

	2024	2023
Statutory income tax at 25%	(85,067,677)	(609,627,210)
Add (deduct):		
Income subject to lower tax rates	(48,362,177)	(14,206,606)
(Utilized) unrecognized net operating loss carry-over (NOLCO)	(27,162,721)	428,210,538
Unrecognized DTA from excess MCIT during the year	45,700,098	-
Derecognized DTA from excess MCIT from prior year	4,804,249	-
Non-deductible expenses	291,794,846	179,502,763
Non-taxable income	(17,915,158)	(15,416,918)
Income tax expense	163,791,460	(31,537,433)

Details of the unrecognized NOLCO as at December 31 follows:

Year of incurrence	Year of expiration	2024	2023
2023	2026	1,712,842,150	1,712,842,150
2022	2025	1,015,660,824	1,015,660,824
		2,728,502,974	2,728,502,974
Utilized		(108,650,883)	-
		2,619,852,091	2,728,502,974
Tax rate		25%	25%
		654,963,023	682,125,744

Details of unrecognized MCIT as at December 31, 2024 follows:

Year of origin	Year of expiration	Amount
2024	2027	45,700,098
2022	2025	4,804,249
		50,504,347

The MCIT recognized in taxable year 2022 was derecognized in 2024, hence considered as unrecognized MCIT as at December 31, 2024.

Bureau of Internal Revenue (BIR) Ruling and Revenue Memorandum Circular (RMC)

On December 15, 2008, the Company obtained BIR Ruling No. DA (VAT-054) 529-2008 which indicates that since the Company, being an intermediary between the purchaser of health care services and the health care providers, does not exercise any beneficial ownership of the amount transferred and earmarked for medical utilization and which amount does not redound to the benefit of the Company, the same shall be excluded from its gross receipts for purposes of value-added tax (VAT). Only gross receipts constituting part of gross income of the recipient shall be subject to VAT. However, this BIR Ruling No. DA (VAT-054) 529-2008, together with the same ruling obtained by other HMOs, were subsequently revoked by BIR RMC No. 6-2009.

Critical judgment - Recognition of DIT assets

The Company reviews its DTA 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 of part of the DTA to be utilized.

As at December 31, 2024 and 2023, management reassessed the recoverability of its DIT assets and recognized DIT assets and concluded that the amounts are fully recoverable and realizable as at the reporting date. Due to the Company's limited capacity to earn sufficient taxable income in the foreseeable future, the Company did not recognize DIT assets arising from NOLCO and excess MCIT.

21 Related party transactions

In addition to the Ultimate Parent Company, Parent Company and its subsidiary (Note 6), the Company transacts with the following related parties in the normal course of conducting its business regardless of whether a price is charged:

Related party	Relationship
AIA Group Limited (AIA GL)	Ultimate Parent Company
AIA Company Limited	Related party under common of the Ultimate Parent Company
AIA Philippines	Parent Company
AIA IT (M) SDN. BHD (AIA IT)	Related party under common of the Ultimate Parent Company
AIA Information Technology Philippines, Inc. (AIA IT PH)	Related party under common of the Ultimate Parent Company
BPI AIA Life Assurance Corporation (BPI AIA)	Related party under common of the Ultimate Parent Company
AIA Investment Management Trust Corporation (AIA IM)	Related party under common of the Ultimate Parent Company
CPPI	Subsidiary

** UROIC and Staffgap ceased as related parties after the acquisition of the Company in 2023 as these entities are managed by the previous owners.*

The Company’s related party under common management ceased to be a related party beginning March 1, 2023 following the acquisition of the Company from its previous owners.
A summary of the Company's transactions and outstanding balances with its related parties as of and for the years ended December 31 are shown below.

		2024		2023	
	Notes	Amount of transaction	Outstanding receivable (payable)	Amount of transaction	Outstanding receivable (payable)
Ultimate Parent Company					
Shared expenses	10	53,286,506	(103,055,721)	46,137,334	(46,137,334)
Parent Company					
Health fund	3	122,503,928	122,503,928	17,920,000	17,920,000
Medical services		619,812	-	134,000	115,000
Shared expenses	10	29,893,088	(29,893,088)	-	-
HMO health plans		-	-	588,700	588,700
			92,610,840		18,623,700
Subsidiary					
Claims processing services	10,16	129,023,874	(5,773,358)	175,679,833	(12,921,373)
Lease - Company as a lessor:	15				
Rental income		6,115,388	-	4,799,334	-
Common usage service area and utilities		1,712,710	267,926	686,640	-
Rental deposits		-	(50,000)	-	(50,000)
HMO health plans	3,15	3,559,260	3,307,526	4,107,392	(451,698)
Dividend income	6,19	64,800,000	-	37,873,133	-
Advances	3	-	(2,306,457)	-	-
			(4,554,363)		(13,423,071)
Related party under common control of the Ultimate Parent Company					
HMO health plans	15	28,616	28,616	1,128,400	1,263,808
Health fund		401,955,697	401,955,697	22,400,000	22,400,000
Medical services	16	678,215	1,199,020	(33,800)	22,400
Advances		-	289,259	-	-
	3		403,472,592		23,686,208
Shared expenses	10	11,084,229	(979,440)	3,733,288	(3,733,288)
Related parties under common management:					
Health fund		-	-	50,373,583	-
Manpower services	10,16,18	-	-	101,942,504	(10,356,320)
Leases - Company as a lessee:	3,16				
Right-of-use-assets		-	-	138,803,128	-
Lease liabilities		-	-	(160,485,619)	-
Donations from:					
Company	3,18	-	-	-	-
Company's employees		-	-	157,397	(59,917)
HMO health plans:	3,15				
Staffgap		-	-	(1,363,383)	162,445
UROIC		-	-	(642,554)	(910,526)
			-		(11,164,318)
Key management personnel:					
Compensation	17	228,975,872	-	241,253,271	-
Advances	3	-	-	-	3,675,186
		228,975,872	-	241,253,271	3,675,186

Related party receivables and payables are unsecured, noninterest-bearing and collectible and payable on demand either through payment of cash at gross.

As at December 31, 2024 and 2023, certain receivables from related parties under common management are already impaired. Accordingly, full allowance for impairment losses amounting to P9,499,182 (2023 - P9,499,182) both as at December 31, 2024 and 2023 are already recognized on these receivables (Note 3).

Claims processing services

The Company utilizes the medical information and claims processing services of CPPI. Expenses incurred arising from these transactions are recognized as part of processing fees under cost of sales and services in the statement of comprehensive income (Note 16) and the outstanding balance is presented as part of accrued expenses under Accounts payable and accrued expenses (Note 10).

Medical services; Health fund

The Company provides Third Party Administration (TPA) or Administrative Services Only (ASO) corporate health program to AIA Philippines and BPI AIA. The outstanding balance is presented as part of trade and other receivables, net (Note 3).

Lease - Company as a lessor

The Company sub-leases one of its rented office premises to CPPI for an indefinite period with proportional escalation on rental rate based on the lease agreement.

The Company, likewise, charges CPPI for common usage service area and utilities. Income arising from these transactions is presented as part of other revenues under Revenues account in the statement of comprehensive income (Note 15). As at December 31, 2024, outstanding balance is presented as part of rental receivables under trade and other receivables, net (Note 3) (2023 - nil).

Refundable deposit from this lease of office space is recognized as part of refundable deposits in the statement of financial position (Note 22).

Dividend income

Cash dividend earned and received by the Company from CPPI is presented as dividend income in the statement of comprehensive income (Note 19).

HMO Health Plans

The Company provides HMO health plans to employees of its subsidiary and related parties under common control of the Ultimate Parent Company. Revenues earned from these transactions are recognized as part of fees on plans sold under revenues in the statement of comprehensive income (Note 15). The related outstanding receivables are recognized as part of receivables from members under trade and other receivables in the statement of financial position (Note 3).

Shared expenses

In 2023, the Company is charged with shared services costs for IT, cybersecurity, legal and healthcare by the AIAGL, AIA IT, AIA IT PH and AIA Philippines.

Donations

On a yearly basis, the Company donates P1,000,000 and shoulders certain expenses of, a related party under common management, such as utilities and manpower services, at no cost. Expenses incurred from these transactions are recognized as part of others under operating expenses account in the statement of comprehensive income (Note 18). There are no outstanding payables arising from these transactions as at December 31, 2024 and 2023.

The Company's employees, through salary deductions, also donates to MFI, which is subsequently remitted by the Company after every payroll cut-off. The outstanding balance arising from these transactions are recognized as part of advances to affiliates under trade and other receivables account in the statement of financial position (Note 3).

Leases - Company as a lessee

The Company leases two parcel of land owned by Symon Siblings Holdings, Inc., a related party under common management, under operating lease agreements. The outstanding liabilities as at December 31, 2024 and 2023 are recognized as part of lease liabilities in the statement of financial position (Note 11), while the corresponding interest expense is recognized as part of interest expense on lease liabilities under finance and other income, net, in the statement of comprehensive income (Note 19). Meanwhile, the related right-of-use assets are recognized as part of property and equipment in the statement of financial position (Note 7), net of depreciation charges and is recognized as part of operating expenses account in the statement of comprehensive income (Note 18).

In 2024 and 2023, the Company’s total rental payments pertaining to these lease transactions amounted to nil and P18,500,086, respectively.

Transaction with retirement fund

The Company maintains a tax-qualified, noncontributory retirement plan that is being administered by a trustee covering all regular full-time employees. The Company has no other transaction with its retirement fund in 2024 and 2023 except for its contribution in both years. The components of plan assets are shown in Note 17.

Transaction with key management personnel

(a) Salaries and other remuneration paid to key management personnel are as follows:

	Notes	2024	2023
Short-term employee benefits		224,682,740	237,529,606
Post-employment benefits		3,946,242	3,517,205
Other long-term benefits		346,890	206,460
	17	228,975,872	241,253,271

(b) Advances to key management personnel as of December 31, 2024 and 2023 are presented as part of advances to officers under the trade and other receivables account in the statement of financial position (Note 3).

22 Commitment and contingencies

On January 27, 2009, the BIR issued RMC No. 6-2009 clarifying that HMOs' revenues are subject to VAT and revoked all previously issued rulings obtained by the HMOs including that of the Company (Note 29). This RMC No. 6-2009 further provides that BIR Ruling 018-98 is still controlling, which states that HMOs' revenues are subject to VAT and the basis for computing the VAT shall be the membership fees received from the members undiminished by any amount paid or payable to owners/operators of hospitals, clinics and medical and dental practitioners.

The Company, together with the other HMOs, filed a protest on RMC No. 6-2009 on the basis that HMOs, as intermediaries between the purchaser of health care services and the health care providers, do not exercise any beneficial ownership of the amount earmarked for medical utilization as these are intended to defray or reimburse the members' cost of medical and hospital expenses, which will eventually be paid to hospitals, clinics, doctors, dentists and other medical practitioners who are charged for the delivery of medical services and which amount does not redound to the benefit of an HMO. Currently, the HMOs, including the Company, are still negotiating with the BIR on this matter, which these believe could be resolved favorably.

Also, there are other contingencies that arise in the normal course of business which are not reflected in the financial statements. Management is of the opinion that losses, if any, from these contingencies will not have material effects on the Company's financial statements in 2024 and 2023.

Critical judgment - Recognition of provisions and contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provisions and contingencies are discussed in Note 28.20.

23 Change in accounting policy

The Company restated its financial statements as at and for the year ended December 31, 2023 and as at January 1, 2023 due to the voluntary change in accounting policy on the measurement of investment properties from cost model to fair value model. The Company believes that the shift to fair value model best reflects the true measure of economic benefits arising from the asset.

Details of the impact of the restatement on the Company's financial statements are as follows:

Statement of financial position

As at December 31, 2023	As previously presented	Increase (Decrease)	As restated
Investment properties	1,628,501	14,696,593	16,325,094
Deferred income tax assets, net	215,610,262	(3,674,148)	211,936,114
Total assets	8,996,620,290	11,022,444	9,007,642,734
Deficit	(671,683,172)	11,022,444	(660,660,728)
Total equity	2,530,825,171	11,022,444	2,541,847,615
As at January 1, 2023	**As previously presented**	**Increase (Decrease)**	**As restated**
Investment properties	2,188,153	14,136,941	16,325,094
Deferred income tax assets, net	152,713,084	(3,534,235)	149,178,849
Total assets	7,827,004,628	10,602,706	7,837,607,334
Retained earnings	1,735,455,615	10,602,706	1,746,058,321
Total equity	2,543,469,294	10,602,706	2,554,072,000

Statement of comprehensive income

For the year ended December 31, 2023	As previously Presented	Decrease	As restated
Depreciation and amortization	265,458,953	(559,651)	264,899,302
Operating expenses	2,461,462,826	(559,651)	2,460,903,175
Fair value gain on investment properties	-	-	-
Finance and other income, net	111,045,983	-	111,045,983
Income tax benefit	31,537,433	(139,913)	31,397,520
Net loss for the year	2,406,971,408	(419,738)	2,406,551,670

Statement of cash flows

For the year ended December 31, 2023	As previously presented	Decrease	As restated
Cash flows from operating activities			
Depreciation and amortization	265,458,953	(559,651)	264,899,302
Fair value gain on investment properties	-	-	-

24 Risk management objectives and policies

The Company is exposed to certain financial risks which result from both its operating and investing. The Company's risk management is coordinated with the BOD and focuses on actively securing the Company's short-term to medium-term cash flows by minimizing the exposure to financial markets.

The Company does not engage in the trading of financial assets for speculative purposes nor does it write options. The following are the most significant financial risks to which the Company is exposed.

24.1 Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to both transactional and translational fluctuations in the value of its monetary assets and liabilities due to exchange rate movements of foreign currencies.

Most of the Company's transactions are carried out in Philippine pesos, its functional currency. Exposures to exchange rates arise from the Company's investments, cash deposits and short-term placements.

To mitigate the Company's exposure, foreign currency-denominated financial instruments are monitored and are translated at the closing rates as at December 31, are as follows:

	2024		2023	
	USD	PHP	USD	PHP
Cash and cash equivalents	183,648	10,623,118	837,693	46,383,050
Financial assets at FVTPL	180,491	10,440,521	171,169	9,477,606
Financial assets FVOCI	6,085,792	352,032,650	3,695,127	204,599,200
Financial assets at AC	7,624,412	441,034,108	10,631,035	588,640,401
	14,074,343	814,130,397	15,335,024	849,100,257
Accounts payable and accrued expenses	(1,798,516)	(104,035,161)	(894,379)	(49,521,768)
	12,275,827	710,095,236	14,440,645	799,578,489

Details of foreign exchange (gains) losses, net, (Note 19) for the years ended December 31 follows:

	2024	2023
Unrealized foreign exchange (gains) losses, net	(49,915,302)	9,765,008
Realized foreign exchange (gains) losses, net	(4,382,199)	1,087,135
	(54,297,501)	10,852,143

The analysis below is performed for reasonable possible movements of USD-PHP exchange rates as projected by the Company based on average fluctuations during the year, with all other variables held constant, showing the impact on net income after income tax and equity (due to changes in fair value of currency-sensitive monetary assets and liabilities). The rates used are based on average fluctuations for the years ended December 31.

	2024		2023	
	Shift in US dollar-Philippine peso rates	Impact on net income	Shift in US dollar-Philippine peso rates	Impact on net income
Increase/decrease	+/- 2.90%	+/- 20,071,961	+/- 0.69%	+/- 5,517,092

Exposures to foreign exchange rates vary during the year depending on the volume of foreign currency transactions. Nonetheless, the analysis above is considered to be representative of the Company's exposure to currency risk.

24.2 Interest rate risk

The main risk that the Company faces due to the nature of its investments and liabilities is interest rate risk. Interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating-rate instruments expose the Company to cash flow interest risk, whereas fixed interest rate instruments expose the Company to fair value interest rate risk. The Company's exposure to interest rate risk relates to its interest-bearing financial assets and liabilities which relates primarily to cash and cash equivalents, debt securities at FVOCI and lease liabilities.

The Company has no significant exposure to cash flow and fair value interest rate risk on cash and cash equivalents as these are subject to fixed interest rates and measured at amortized cost. Also, the Company's incremental borrowing rate used to discount its lease liabilities is based on average fixed interest rate. Accordingly, the Company is not significantly exposed to cash flow and fair value interest rate risk on these financial instruments.

The Company's fixed-rate debt securities at FVOCI, are exposed to fair value interest rate risk.

The Company's exposure to fair value interest rate risk primarily arises from debt securities classified as financial assets at FVOCI as shown below:

	Shift in prices	Impact in equity
December 31, 2024		
Government debt securities	+/- 1.50%	+/- 6,560,926
Corporate debt securities	+/- 2.77%	+/- 423,312
December 31, 2023		
Government debt securities	+/- 4.98%	+/- 13,195,659
Corporate debt securities	+/- 4.42%	+/- 4,042,766

24.3 Credit risk

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

The Company is exposed to this risk for various financial instruments arising from selling plans to related party and third-party customers, placing deposits with banks, granting advances, and investing in debt securities that are carried at amortized cost and at FVOCI.

The Company continuously monitors defaults of clients and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties. In addition, for a significant proportion of sale of services, advance payments are received to mitigate credit risk.

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

	Notes	2024	2023
Cash and cash equivalents	2	2,069,527,872	2,928,212,242
Trade and other receivables*	3	4,864,029,525	2,783,508,277
Financial assets at FVOCI - debt securities	4	453,277,103	356,438,371
Financial assets at AC**	4	1,384,658,250	1,178,985,226
Rental and other deposits	9	54,407,575	54,726,144
		8,825,900,325	7,301,870,260

**Excludes advances to officers and employees and gross of allowance*
***Gross of allowance*

None of the Company's financial assets are secured by collateral or other credit enhancements.

Credit quality of the financial assets

(a) Cash and cash equivalents and time deposits classified as investment securities at AC (Notes 2 and 4)

The credit risk for cash and cash equivalents and time deposits classified as investment securities at AC is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Cash in banks and short-term placements, which are included as part of cash and cash equivalents, as well as long-term time deposits 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, net (Note 3)

The Company applies the simplified approach in measuring ECL which uses a lifetime expected loss allowance for all trade and other receivables.

In measuring the ECL, trade and other receivables are grouped based on shared credit risk characteristics and the months past due (age buckets). Other receivables relate to receivables from both third and related parties other than trade receivables and have substantially the same risk characteristics as the trade receivables. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for other receivables.

The expected loss rates are calculated based on the payment profiles of sale of services over a period of 60 months before December 31, 2024 and 2023, 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 the ability of the customers to settle the receivables.

On that basis, the loss allowance was determined based on months past due, as follows for both trade and other receivables:

	Current	Not more than 3 months	More than 3 months but not more than 1 year	More than 1 year	Total
December 31, 2024					
Expected loss rate	0.00%	0.04%	2.14%	22.42%	3.24%
Gross carrying amount	1,940,559,751	1,356,753,656	963,269,151	603,446,967	4,864,029,525
Loss allowance	-	563,805	20,643,330	136,785,127	157,992,262
December 31, 2023					
Expected loss rate	0.80%	2.44%	30.28%	63.07%	11.76%
Gross carrying amount	1,376,605,473	831,317,931	202,824,680	372,760,193	2,783,508,277
Loss allowance	10,973,955	20,246,366	61,048,323	235,133,727	327,402,371

The Company recognized a reversal of provision for expected credit losses amounting to P169,410,110 for the year ended December 31, 2024 (2023 - P279,403,515).

(c) Debt securities classified as financial assets at FVOCI and investment securities at amortized cost

Debt securities measured at amortized cost and at FVOCI are considered to have low credit risk, and therefore, the loss allowance during the period is determined to be equivalent to 12 months ECL Management considers "low credit risk' for listed bonds to be an investment grade credit rating with at least one major rating agency.

The Company used the credit ratings published by reputable external rating agency (such as Standard & Poor's and Phil Ratings). Other instruments are considered to be low credit risk when they have a low risk of default and the issuer has a Strong capacity to meet its contractual cash flow obligations in the near term.

A reconciliation of the closing loss allowance for financial assets at FVOCI and investment securities at amortized cost as of December 31, 2024 and 2023 to the opening loss allowance is presented in Note 4.

The loss allowance provided is as follows:

	External credit rating	ECL rate	Estimated gross carrying amount	Loss allowance
December 31, 2024				
Financial assets at FVOCI:				
Performing	AAA	0.00%	387,008,709	-
Underperforming	BBB	0.20%	66,268,394	132,539
			453,277,103	132,539
Investment securities at amortized cost:				
Performing	AAA	0.00%	438,736,733	-
Underperforming	BBB	0.20%	919,408,682	1,838,817
	BBB-	0.23%	25,979,935	59,754
			1,384,125,350	1,898,571

	External credit rating	ECL rate	Estimated gross carrying amount	Loss allowance
December 31, 2023				
Financial assets at FVOCI:				
Performing	AAA	0.00%	71,760,963	-
Underperforming	BBB-	0.23%	284,677,408	654,759
			356,438,371	654,759
Investment securities at amortized cost:				
Performing	AAA	0.00%	577,031,5074	-
Underperforming	BBB	0.20%	29,640,394	59,281
	BBB-	0.23%	572,313,326	1,316,320
			6,372,268,794	1,375,601

(d) Rental deposits under other non-current assets (Note 9)

The credit risk for rental deposits is considered negligible as the Company has ongoing agreements with the counterparties and the latter are considered to be with sound financial condition.

24.4 Liquidity risk

The Company is exposed to liquidity risk. It aims to maintain flexibility in funding its operations by realizing income from investments, collecting efficiently from its project proponents and maintaining sufficient and available cash.

The Company's financial liabilities have contractual maturities which are presented below.

	Notes	Within 1 year	Beyond 1 year	Total
December 31, 2024				
Accounts payable and accrued expenses*	10	2,183,343,112	-	2,183,343,112
Insurance contract reserves	10	1,507,193,568	-	1,507,193,568
Refundable deposits	22	-	5,340,383	5,340,383
Fidelity bonds payable		-	569,228	569,228
Lease liabilities	11	72,125,024	321,789,418	393,914,442
		3,762,661,704	327,699,029	4,090,360,733
December 31, 2023				
Accounts payable and accrued expenses*	10	1,180,455,378	-	1,180,455,378
Insurance contract reserves	10	929,497,241	-	929,497,241
Refundable deposits	22	-	5,340,383	5,340,383
Fidelity bonds payable		-	3,064,401	3,064,401
Lease liabilities		84,732,058	299,331,469	384,063,527
		2,194,684,677	307,736,253	2,502,420,930

**Excludes Government remittances and payable*

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

Liquidity requirements

All HMOs shall at all times maintain an acid test ratio (ATR) of at least 1.0. ATR shall be defined as current assets over current liabilities.

As at December 31, 2024, the Company's ATRs is 1.02 (2023 - 1.13), respectively.

24.5 Price risks

The Company's market price risk arises from its equity securities carried at fair value and classified as financial assets at FVTPL and FVOCI. The Company manages its risk arising from changes in market price by monitoring the changes in the market price of these investments.

The observed volatility of the fair values of the Company's investments held at fair value and their impact on the Company's equity are summarized below.

	Shift in prices	Impact in equity
December 31, 2024		
Equity securities	+/- 15.11%	+/- 17,459,152
UITFs and mutual funds	+/- 1.43%	+/- 1,770,629
December 31, 2023		
Equity securities	+/- 82.17%	+/- 115,206,473
UITFs and mutual funds	+/- 3.38%	+/- 7,099,083

The Company is not exposed to commodity price risk in 2024 and 2023.

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 entry and to provide an adequate return to its shareholders by pricing products and services commensurately with the level of risk.

The Company monitors capital on the basis of the carrying amount of equity as presented in the statement of financial position.

The Company sets the amount of capital in proportion to its overall financing structure, (i.e., equity and liabilities). The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

25.1 Minimum capitalization

IC CL No. 2016-41 mandates minimum capitalization and financial capacity requirements for HMOs. All existing domestic HMOs must have a minimum paid-up capital of at least P10,000,000 and must have a net worth which should be not less than its paid-in capital.

As at December 31, 2024 and 2023, the Company's paid-in capital is compliant with the minimum paid-up capital requirement. However, due to the negative retained earnings as at December 31, 2024 and 2023, the Company is not compliant with the net worth requirements.

In a letter to the IC dated January 23, 2024, the Company requested a regulatory relief for the net worth deficiency following the negative result of its operations. To remedy this, the Parent Company redeemed its preferred shares and intended to reinvest the same in a form of contingency surplus under equity.

25.2 Risk-based capital requirements

The HMO's maximum risk on membership fees shall be determined by the following:

Paid-Up Capital (PUC)	Maximum Gross Membership Fees
Up to 50M	5 times of PUC
More than 50M up to 75M	10 times of PUC
More than 75M up to 200M	15 times of PUC
More than 200M up to 300M	25 times of PUC
More than 300M up to 400M	30 times of PUC
More than 400M up to 500M	50 times of PUC
More than 500M	No limit

Gross membership fees pertain to the total annual fees arising from healthcare agreements of pre-agreed set of health services.

As at December 31, 2024 and 2023, the Company's paid-in capital amounted to P1,750,000,000 and P3,453,125,000, respectively; hence, there is no more limit on gross membership fees.

25.3 Security deposit requirements

The Company must, at all times, ensure compliance with the deposit requirements for HMOs as prescribed by the IC under Circular Letter (CL) No. 2016-41, Minimum Capitalization and Financial Capacity requirements for HMOs, as amended by CL No. 2019-74, Guidelines on Security Deposit Requirements.

IC CL No. 2016-41, as amended by IC CL No. 2019-74, requires HMOs to deposit with the IC or, at the discretion of the Commissioner, trustee bank acceptable to the Commissioner through which a custodial account is bonds or other instruments of debt of the Government of the Philippines or its political subdivisions or instrumentalities, or of government-owned-or-controlled corporations and entities, including the Bangko Sentral ng Pilipinas. The security deposits shall, at all times, be at least 25% of the HMO's actual paid-in capital or P5.0 million, whichever is higher.

The security deposit shall be invested only in bonds or other debt instruments of the government of the Philippines, its political subdivisions or instrumentalities, or government-owned or controlled corporations and entities, including the Bangko Sentral ng Pilipinas, with a maturity of at least one (1) year from the date of transfer to the IC.

The investment shall, at all times, maintained free from any lien or encumbrance.

The deposit shall be considered an asset of the HMOs in the determination of its unimpaired paid-up capital and or net worth.

As at December 31, 2024, the Company is compliant with the minimum security deposit requirements by acquiring government debt securities with carrying value of P873,355,040. As at December 31, 2023, the Company is not compliant with the minimum security deposit requirement acquiring government debt securities with carrying value of P440,401,994. To address the security deposit deficiency, the Company lodged additional security deposits amounting to P430,000,000 on February 16, 2024.

The government debt securities are presented as part of investment securities at AC (Note 4) in 2024 and 2023.

26 Fair value measurement and disclosures

26.1 Fair value hierarchy

Due to the short-term nature of cash and cash equivalents, trade and other receivables (except advances to officers and employees), rental security deposits, accounts payable and accrued expenses, fidelity bonds payable, and refundable deposits, their carrying values approximate their fair values as at December 31, 2024 and 2023.

The fair value of financial instruments under financial assets at FVTPL and FVOCI that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For units in unit investment trust funds ("UITF") and mutual funds, fair value is by reference to published net asset value per unit ("NAVPU").

When the fair value of financial assets at FVOCI cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost.

The fair value gain of investment properties and own-use properties are determined using a combination of Market Approach and Income Approach as disclosed in Note 27 (c).

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

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

26.2 Fair value measurements

The tables below show the fair value hierarchy of the Company's assets measured at fair value in the statement of financial position on a recurring basis as of December 31. The different levels are defined in Note 28.16.

	Note	Level 1	Level 2	Level 3	Total
2024					
Financial assets at FVTPL	4				
UITFs and mutual funds		-	123,820,229	-	123,820,229
Equity securities - quoted		48,362,145	-	-	48,362,145
Financial assets at FVOCI	4				
Government debt securities		437,995,074	-	-	437,995,074
Corporate debt securities		15,282,029	-	-	15,282,029
Equity securities - quoted		53,961,360	-	-	53,961,360
Equity securities - unquoted		-	-	13,223,500	13,223,500
Property and equipment	7	-	-	268,527,487	268,527,487
Investment properties	8	-	-	16,861,080	16,861,080
		555,600,608	123,820,229	298,612,067	978,032,904

2023					
Financial assets at FVTPL	4				
UITFs and mutual funds		-	210,032,053	-	210,032,053
Equity securities - quoted		64,890,545	-	-	64,890,545
Financial assets at FVOCI	4				
Government debt securities		264,973,068	-	-	264,973,068
Corporate debt securities		91,465,303	-	-	91,465,303
Equity securities - quoted		62,090,985	-	-	62,090,985
Equity securities - unquoted		-	-	13,223,500	13,223,500
Property and equipment	7	-	-	128,223,670	128,223,670
Investment properties	8	-	-	16,325,094	16,325,094
		483,419,901	210,032,053	157,772,264	851,224,218

The Company has no financial liabilities measured at fair value as at December 31, 2024 and 2023, and there were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

(a) Equity securities

Quoted equity securities classified as financial assets at FVTPL and financial assets at FVOCI have fair values that are determined based on their closing prices as published by Philippine Stock Exchange. These instruments are included in Level 1.

For unquoted equity securities classified as financial assets at FVOCI, the fair values are determined based on their discounted amount of estimated future cash flows expected to be received or paid, or based on their cost which management estimates to approximate their fair values. These instruments are included in Level 3.

(b) Debt securities

The fair values of government debt securities issued by the Philippine government, which is categorized within Level 1, are determined based on the reference price per BVAL. These BVAL reference rates are computed based on the weighted price derived using an approach based on a combined sequence of proprietary BVAL algorithms of direct observations or observed comparable.

For other quoted debt securities, fait values are determined by reference to quoted bid price in active market at the end of the reporting period and is categorized within Level 1.

(c) UITFs and mutual funds

The fair value of UITFs and mutual funds are derived using the net asset value per unit (computed by dividing the net asset value of the fund by the number of outstanding units at the end of the reporting period). These instruments are included in Level 2.

(d) Building under property and equipment and investment properties

The Company’s investment properties and own-use properties are all classified under Level 3 instruments as at December 31, 2024 and 2023.

The table below shows the valuation techniques and applicable unobservable inputs used to measure the Company's Level 3 financial and non-financial instruments as at December 31:

Description	2024	2023	Valuation technique	Significant unobservable input
Equity investments	13,223,500	13,223,500	Discounted cash flows	Cash flows
Investment properties	16,861,080	16,325,094	Income (70%) and Market (30%) approaches	Rental value, growth rate and discount rate; rent and sales comparable
Property and equipment	268,527,485	128,223,670	Income (70%) and Market (30%) approaches	Rental value, growth rate and discount rate; rent and sales comparable
	298,612,065	157,772,264		

Given the significant unobservable inputs, the higher the rental value and growth rate, the higher the fair value.

A significant increase (decrease) in any of the unobservable input may result in a significantly (higher) lower fair value measurement.

The Company applies the policy to recognize the transfers into and transfer out of the levels of fair value hierarchy as of the end of the year during which the event or change in circumstances has caused the transfer. There were no transfers in and out of the fair value levels 1, 2 and 3 as at and for years ended December 31, 2024 and 2023.

The Company has the valuation policies, procedures and analyses in place to govern the valuation of financial assets required for financial reporting purposes, including Level 3 fair values.

27 Significant accounting judgments and estimates

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) Evaluation of business model applied in managing financial instruments

The Company developed business models which reflect how it manages its portfolio of financial instruments. The Company's business models need not be assessed at entity level or as a whole but shall be applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Company) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument). In determining the classification of a financial instrument under PFRS 9, the Company evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Company (e.g., held-for-trading, generating accrual income, direct matching to a specific liability) as those relate to the Company's investment and trading strategies.

(b) Testing the cash flow characteristics of financial assets and continuing evaluation of the business model

In determining the classification of financial assets, the Company assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk) does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Company assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the value of money element was not modified (the benchmark cash flows).

If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Company considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

In addition, PFRS 9 emphasizes that if more than an infrequent sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Company considers certain circumstances documented in its business model manual to assess that an increase in the frequency Of value of sales of financial instruments in a particular period is not necessary inconsistent with a held-to-collect business model if the Company can explain the reasons for those sales and why those sales do not reflect a change in the Company's objective for the business model.

(c) Distinction between investment properties and owner-occupied properties (Note 8)
(d) Determination of lease term (Note 11)
(e) Recognition of DIT assets (Note 20)
(f) Recognition of provisions and contingencies (Note 22)

(g) Impairment of non-financial assets

The Company assesses impairment on non-financial assets (investment in a subsidiary, property and equipment, creditable withholding taxes, income tax credit and inventories) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Company considers important which could trigger an impairment review include significant underperformance relative to expected historical or projected future operating results; significant changes in the manner of use of the acquired assets or the strategy for overall business; and significant negative industry or economic trends. The Company recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is estimated for an individual asset or, if it is not possible, for the cash generating unit (CGU) to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and its value in use, determined on an individual asset (or CGU) basis, unless the individual asset (or CGU) does not generate cash flows that are largely independent from those of other assets or group of assets (or group of CGU).

For purposes of impairment testing of the Company’s investment in a subsidiary, the recoverable amount for the Company has been determined based on the fair value less cost to sell. This calculation requires the determination of the subsidiary’s net asset value as at reporting date.

There are no impairment indicators identified for all non-financial assets.

As at December 31, the net carrying values of the Company's non-financial assets are as follows:

	2024	2023
Investments in a subsidiary	5,000,500	5,000,500
Property and equipment	823,015,139	802,937,231
Income tax credit	474,339,924	358,666,806
Creditable withholding taxes	112,501,915	55,515,278

Allowance for inventory obsolescence is maintained at a level considered adequate to provide for potential loss on inventory items. The level of allowance is based on management's estimate about the future demand and market conditions for these inventory items. An evaluation of inventories, designed to identify potential charges to the allowance, is performed on a continuous basis throughout the year. Management uses estimate based on the best available facts and circumstances, including but not limited to the evaluation if an inventory item is defective/obsolete and historical experience. The amount and timing of recorded expenses for any period would therefore differ based on changes in estimate made.

Critical accounting estimates

The following 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 within the next reporting period:

(a) Estimation of allowance for ECL (Notes 3 and 4)

(b) Determination of fair value financial assets not quoted in an active market (Note 4)

Management applies valuation techniques to determine the fair value of financial instruments where active market quotes are not available. This requires management to develop estimates and assumptions based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the end of the reporting period.

The carrying values of the Company's financial assets at FVTPL and FVOCI and the amounts of fair value changes recognized on those assets are disclosed in Note 4.

(c) *Determination of fair value of own-use properties and investment properties (Notes 7 and 8*)

The Company engaged external, independent and qualified valuers to determine the fair value of the Company's own-use properties and investment properties at the end of every financial year. Valuations are performed on an annual basis enough to ensure that the fair value of a revalued asset does not differ significantly from its carrying amount.

In estimating the fair value of the investment properties and own-use properties, the Company generally applies any one or a combination of the three (3) approaches, namely:

- The Market Approach is an approach of comparing prices paid for comparable properties sold in the market against the subject property. The weight given to this approach is dependent on the availability of recent confirmed sales of properties considered comparable to the property under appraisement. These sold properties are compared to the subject in key units of comparison. Appropriate adjustments are made for differences between the subject and the comparable, resulting in adjusted sales values for each of the comparable. These adjustments are then reconciled for a value conclusion by the Comparative Market Analysis.

- The Income Approach (or Discounted Cash Flow Analysis) is based on the premise that the value of a property is directly related to the income it generates. This approach converts anticipated future gains to present worth by projecting reasonable income and expenses for the subject property. This is considered appropriate for valuing investment properties, as it mirrors the analysis to typical investors.

- The Cost Approach (or Depreciated Replacement Cost Method) is based on the principle of substitution, which holds that an informed buyer would not pay more for a given property than the cost of buying an equally desirable alternative. The methodology of the Cost Approach is a set of procedures that estimate the current reproduction cost of the improvements, then deducting accrued depreciation from all sources, and adding the value of the land.

A combination of Market Approach and Income Approach is used for the buildings owned by the Company.

In valuing the investment properties and properties in-use, the current use of the properties are considered to be its highest and best use; records of recent sales and offerings of similar property are analyzed, and comparison made for such factors as size, location, quality and prospective use. If the fair values of the investment properties and own-use properties were to differ by +/-5%, the carrying amount of investment properties and own-use properties would be P26,799 and P7,547,944 as at December 31, 2024 higher/lower, respectively. There is no impact to the December 31, 2023 carrying amount of property and equipment as it has adopted for the first time effective 2024. On the other hand, there is no resulting revaluation in 2023 for investment properties.

(d) Determination of estimated useful lives of property and equipment (Note 7)
(e) Valuation of claims reserves arising from insurance contracts (Note 10)
(f) Determination of the incremental borrowing rate for leases (Note 11)
(g) Valuation of retirement benefit obligation (Note 17)

28 Summary of material accounting policies

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

28.1 Basis of preparation

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards. PFRS Accounting Standards comprise the following authoritative literature:

- PFRS Accounting Standards;
- Philippine Accounting Standards (PAS); and
- Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC), and Standing Interpretations Committee (SIC) as approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and the Board of Accountancy, and adopted by the SEC.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at FVTPL and FVOC and revaluation of properties held for own-use and investment properties, which are carried at fair value and revalued amounts, respectively.

These financial statements are prepared as the Company's separate financial statements. The Company did not present consolidated financial statements because AIA Group Limited (AIAGL), its ultimate parent company, prepares consolidated financial statements which are available for public use and prepared in accordance with International Financial Reporting Standards. In accordance with PFRS 10, Consolidated Financial Statements, a parent that is in itself a controlled subsidiary and that meets certain requirements need not present consolidated financial statements.

AIAGL's consolidated financial statements include the financial statements of the Company and can be obtained from www.aia.com.

The preparation of financial statements in conformity with PFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 27.

28.2 Changes in accounting policies and disclosures

(a) New standards, amendments and interpretations to existing standards effective January 1, 2024

The following amendments to existing standards were relevant and adopted by the Company for the first time from January 1, 2024:

- Amendments to PAS 1, 'Presentation of Financial Statements'

  Amendments made to PAS 1 Presentation of Financial Statements in 2020 and 2022 clarified that liabilities are classified as either current or noncurrent, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (for example, the receipt of a waiver or a breach of covenant that an entity is required to comply with only after the reporting period).

  Covenants of loan arrangements will not affect classification of a liability as current or non-current at the reporting date if the entity must only comply with the covenants after the reporting date. However, if the entity must comply with a covenant either before or at the reporting date, this will affect the classification as current or non-current even if the covenant is only tested for compliance after the reporting date.

  The amendments require disclosures if an entity classifies a liability as noncurrent and that liability is subject to covenants that the entity must comply with within 12 months of the reporting date. The disclosures include:

  - the carrying amount of the liability;
  - information about the covenants (including the nature of the covenants and when the entity is required to comply with them); and
  - facts and circumstances, if any, that indicate that the entity may have difficulty complying with the covenants.

The amendments must be applied retrospectively in accordance with the requirements in PAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors'. Special transitional rules apply if an entity had early adopted the 2020 amendments regarding the classification of liabilities as current or non-current.

The amendments to existing standards are not expected to have a material impact on the separate financial statements of the Company.

There are no new standards, other interpretations and amendments to existing standards effective January 1, 2024 that are considered to be relevant or expected to have a material impact on the Company's financial statements.

(b) New standards, amendments and interpretations to existing standards issued but not yet effective as at December 31, 2024

Certain new standards, and amendments and interpretations to existing standards have been published that are not mandatory for December 31, 2024 reporting periods and have not been early adopted by the Company. None of these are expected to be relevant and have a significant effect on the financial reporting of the Company, while the most relevant ones are set out as follows:

- Amendments to PAS 21, '*Lack of Exchangeability*'

  In August 2023, the IASB amended IAS 21 to add requirements to help entities to determine whether a currency is exchangeable into another currency, and the spot exchange rate to use when it is not. Prior to these amendments, IAS 21 set out the exchange rate to use when exchangeability is temporarily lacking, but not what to do when lack of exchangeability is not temporary.

These new requirements will apply for annual reporting periods beginning on or after 1 January 2025. Early application is permitted (subject to any endorsement process). Refer to Filling the gap in currency accounting: new IFRS requirements for lack of exchangeability for further details.

- Amendments to PFRS 9 and PFRS 7, *'Classification and Measurement of Financial Instruments'*

  On May 25, 2024, the IASB issued targeted amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosures to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. These amendments:

  a. clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system;
  b. clarify and add further guidance for assessing whether a financial asset meets the solely payments of principal and interest (SPPI) criterion;
  c. add new disclosures for certain instruments with contractual terms that can change cash flows (such as some financial instruments with features linked to the achievement of environment, social and governance targets); and
  d. update the disclosures for equity instruments designated at FVOCI.

  The amendments in (b) are most relevant to financial institutions, but the amendments in (a), (c) and (d) are relevant to all entities.

  The amendments to IFRS 9 and IFRS 7 will be effective for annual reporting periods beginning on or after January 1, 2026, with early application permitted subject to any endorsement process.

- PFRS 17, Insurance Contracts (effective January 1, 2027)

  PFRS 17 was issued in May 2018 as replacement for PFRS 4, Insurance Contracts. PFRS 17 represents a fundamental change in the accounting framework for insurance contracts requiring liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. It requires a current measurement model where estimates are re-measured each reporting period.

  Contracts are measured using the building blocks of (1) discounted probability-weighted cash flows, (2) an explicit risk adjustment, and (3) a contractual service margin representing the unearned profit of the contract which is recognized as revenue over the coverage period. The standard allows a choice between recognizing changes in discount rates either in the income statement or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under PFRS 9, Financial instruments. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

  On March 17, 2020, the IASB has decided to further defer the effective date of the standard to annual reporting periods beginning on or after January 1, 2024. Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying PFRS 17 to investors and others. Taking into consideration the implications of the pandemic, the IC recognizes that the insurance industry has to realign its priority programs and focus on modifying its business operations under a new normal. The IC, through its CL No. 2018-69, has deferred the implementation of PFRS 17 for life insurance and non-life insurance industry to January 1, 2024. On May 18, 2020, the IC, through its CL No. 2020-62, has further deferred the implementation of PFRS 17 for life insurance and non-life insurance industry to January 1, 2025 or two (2) years after its effective date as decided by the IASB (i.e., January 1, 2023).

On March 10, 2025, the IC issued CL. No 2025-04 further deferring the implementation of PFRS 17 to January 1, 2027. As at reporting date, the Company is undertaking a review and finalization of its accounting policies in compliance with PFRS 17. Concurrently, the Company is in the process of evaluating its solution design and conducting a vendor assessment.

- PFRS 18, *'Presentation and Disclosure in Financial Statements'*

  This is the new standard on presentation and disclosure in financial statements, which replaces IAS 1, with a focus on updates to the statement of profit or loss.
  The key new concepts introduced in IFRS 18 relate to:
  - the structure of the statement of profit or loss with defined subtotals;
  - requirement to determine the most useful structure summary for presenting expenses in the statement of profit or loss;
  - required disclosures in a single note within the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
  - enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general

- PFRS 19, *'Subsidiaries without Public Accountability: Disclosures'*

  This new standard works alongside other IFRS Accounting Standards. An eligible subsidiary applies the requirements in other IFRS Accounting Standards except for the disclosure requirements; and it applies instead the reduced disclosure requirements in IFRS 19. IFRS 19's reduced disclosure requirements balance the information needs of the users of eligible subsidiaries' financial statements with cost savings for preparers. IFRS 19 is a voluntary standard for eligible subsidiaries
  A subsidiary is eligible if
  - it does not have public accountability; and
  - it has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards.

The new standards and amendments are effective for annual reporting periods beginning on or after January 1, 2025, and must be applied retrospectively. The Company does not expect the amendment to have a significant impact to the Company's financial statements, except for PFRS 17 and 18.

28.3 Cash and cash equivalents

Term deposits are presented as cash equivalents if these have a maturity of three months or less from acquisition date and are readily convertible to known amount of cash and which are subject to insignificant changes in value.

Bank overdrafts or negative book cash balances are reclassified to Accounts payable and accrued expenses (Note 10). These are not offset against any cash balances unless the Company has pre-authorized the bank to transfer funds into the bank account from a different bank account as necessary to maintain a designated balance.

28.4 Financial instruments

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

28.4.1 Classification

The Company classifies its financial assets and liabilities according to the categories described below. The classification depends on the purpose for which the financial assets and liabilities were acquired or incurred. Management determines the classification of its financial assets and liabilities at initial recognition.

(a) Financial assets

The Company classifies its financial assets in the following categories:

- those to be measured subsequently at fair value [either through OCI or through profit or loss], and
- those to be measured at amortized cost.

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

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

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

Financial assets at FVTPL

Financial assets at FVTPL are financial assets designated by management as at FVTPL on initial recognition.

Financial assets at FVOCI

Financial assets at FVOCI are classified as such in the statement of financial position, which are composed of debt government and corporate bonds and equity securities that are quoted and unquoted (Note 4).

Financial assets at AC

Financia assets at AC include: (a) cash and cash equivalents; (b) trade and other receivables; (c) investment securities (composed of corporate and government debt securities and time deposits with maturities more than 90 days); and (d) refundable and other deposits under Other non-current assets.

(b) Financial liabilities

The Company classifies its financial liabilities in the following categories: (i) liabilities designated at initial recognition at FVTPL; and (ii) financial liabilities at amortized cost.

The Company classifies its financial liabilities at amortized cost. Management determines the classification of its financial liabilities at initial recognition.

Financial liabilities at amortized cost include: (a) accounts payable and accrued expenses (excluding government remittances and payable); (b) refundable deposits; (c) fidelity bonds payable; (d) lease liabilities and (e) IBNR claims, claims in-course of settlement and due and unpaid under Insurance contract reserves.

The Company has no derivative financial instruments nor hedging activities as at December 31, 2024 and 2023.

28.4.2 Recognition and measurement

(a) Initial recognition

Financial assets and liabilities are recognized initially at fair value of the consideration given (in case of an asset) or received (in the case of liability). Financial assets and liabilities not carried at FVTPL are initially recognized at fair value plus transaction costs. Financial assets and liabilities carried at FVTPL are initially recognized at fair value, and transaction costs are recognized as expense in profit or loss.

Day 1 profit

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions of the same instrument, or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a “Day 1” profit) in profit or loss, unless it qualifies for recognition as some other type of asset. In cases where the data used is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the Day 1 profit amount.

(b) Subsequent measurement

After initial measurement, financial assets at FVOCI are subsequently measured at fair value. The effective yield component of debt securities designated at FVOCI, as well as the foreign exchange gains or losses on foreign currency denominated debt securities designated at FVOCI, is recognized in profit or loss. Interest earned on holding debt financial assets designated at FVOCI are reported as interest income using the effective interest rate method. Dividends earned on holding equity financial assets designated at FVOCI are recognized in profit or loss as dividend income when the right of payment has been established.

When the fair value of financial assets designated at FVOCI cannot be measured reliably because of lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value of unquoted equity instruments, these investments are carried at cost.

Financial assets at FVTPL are subsequently measured at fair value.

Gains or losses arising from changes in the fair value of financial assets at FVTPL, including interest and dividend income and interest expense, are presented in profit or loss under fair value changes in financial assets at FVTPL, net, account in the period in which these arise. Dividend income from financial assets at FVTPL is recognized in profit or loss under dividend income when the Company’s right to receive payment is established.

Financial assets and liabilities at amortized cost are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment, if any. The amortization is included in Interest income in profit or loss. The losses arising from impairment of such trade and other receivables, financial assets at FVOCI and investment securities at AC are recognized in Provision for impairment losses in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Company’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI) are measured at amortized cost.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains or losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss. The unrealized gains or losses arising from the fair valuation of financial assets designated at FVOCI are reported as part of reserves for fluctuation of financial asset at FVOCI (Note 14). The losses arising from impairment of such investments are recognized as Provision for impairment losses in profit or loss.

- FVTPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL.

Business model

The business model reflects how the Company manages the assets in order to generate cash flows. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, then the financial assets are classified and measured at FVTPL. Factors considered by the Company in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

SPPI

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at FVTPL.

The Company reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

Equity instruments

The Company subsequently measures all equity investments at FVTPL, except where the Company has elected, at initial recognition, to irrevocably designate an equity investment at FVOCI. The Company's policy is to designate equity investments as FVOCI when those investments are held for purposes other than to generate investment returns. When this election is used, fair value gains or losses are recognized in other comprehensive income and are not subsequently reclassified to profit or loss, even on disposal.

28.4.3 Impairment of financial assets

At the end of the reporting period, the Company assesses and recognizes allowance for ECL on its financial assets measured at amortized cost and debt securities measured at FVOCI. The measurement of ECL involves consideration of broader range of information that is available without undue cost or effort at the reporting date about past events, current conditions, and reasonable and supportable forecasts of future economic conditions (i.e., forward-looking information) that may affect the collectability of the future cash flows of the financial assets. Measurement of ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instruments evaluated based on a range of possible outcome.

The Company recognizes lifetime ECL for trade and other receivables. The ECL on these assets are estimated by applying the simplified approach using a provision matrix developed based on the Company's historical credit loss experience and credit information that are specific to the debtors, adjusted for general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. These assets are assessed for impairment on a collective basis based on shared credit risk characteristics.

For debt securities measured at amortized cost (except receivables where simplified approach is used) and at FVOCI, the Company recognizes lifetime ECL when there has been a significant increase 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 company the risk of default occurring over the expected life of the financial asset between the reporting date and the date of the initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that may indicate an actual or expected deterioration of the credit quality of the financial assets.

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

- Probability of default - it is an estimate of likelihood of a counterparty defaulting at its financial obligation over a given time horizon, either over the next 12 months or over the remaining lifetime of the obligation.
- Loss given default - it is an estimate of loss arising in case where a default occurs at a given time. It is based on the difference between the contractual cash flows of a financial instrument due from a counterparty and those that the Company would expect to receive, including the realization of any collateral or effect of any credit enhancement.
- Exposure at default - it represents the gross carrying amount of the financial instruments in the event of default which pertains to its amortized cost.

The Company recognizes an impairment loss in the statement of comprehensive income for all financial instruments subjected to impairment assessment with a corresponding adjustment to their carrying amount through a loss allowance account, except for debt measured at FVOCI, for which the loss allowance is recognized in other comprehensive income (loss) and accumulated in Revaluation Reserves account and does not reduce the carrying amount of the financial asset in the statement of financial position.

28.5 Inventories

Inventories which are valued at the lower of cost and net realizable value. Cost is determined using the first-in, first-out method. Cost of inventories includes the purchase price and other costs directly attributable to the acquisition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. Cost is reduced by allowance for inventory obsolescence and losses, if any.

Allowance for inventory obsolescence and losses is provided for slow moving, obsolete, defective and damaged inventories based on physical inspection and management evaluation. Inventories and the related allowance for obsolescence and losses are written off when the related inventory is eventually determined as obsolete and damaged. Reversals of previously recorded impairment allowances are credited in profit or loss within cost of sales based on the result of management’s updated assessment, considering available facts and circumstances.

28.6 Property and equipment

Property and equipment, excluding properties held for own-use like building, are initially measured at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the assets which includes its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Properties held for own-use is carried at revalued amount, being the fair value less subsequent accumulated depreciation. Fair market value is determined using discounted cash flows (Note 26).

The movement of revalued amounts are generally recognized in OCI against the reserve for revaluation surplus, unless it reverses a revaluation decrease previously recognized as an expense, in which case it should be credited in profit or loss. A revaluation decrease should be charged directly against any related revaluation surplus, with any excess being recognized as an expense in profit or loss.

Effective January 1, 2024, the Company changed its accounting policy for measuring property and equipment after initial recognition from the cost model to the revaluation model. Under the revaluation model, property, plant and equipment are carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Management believes that the revaluation model provides more relevant information to the users of the financial statements as it better reflects the current value of the Company's assets. This change in accounting policy has been applied prospectively in accordance with PAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and PAS 16 "Property, Plant and Equipment." PAS 8 provides specific guidance that permits the Company to account for a change in accounting policy to measure property and equipment using revaluation model prospectively in accordance with PAS 16 if it applies for the first time.
The Company intends to revalue the applicable asset classes with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value at the end of the reporting period. Management anticipates that revaluations will be performed every year.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which these are incurred.

Depreciation is computed on the straight-line basis using the depreciable amount over the estimated useful lives of the assets as follows:

Building	20 years
Office condominium	10 years
Medical, dental and laboratory equipment	3 to 7 years
Equipment, furniture and fixtures	3 to 5 years
Leasehold improvements	Lease term or life of the asset, whichever is shorter

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Assessment of impairment of property and equipment is discussed in full under Note 28.11.

CIP represents an item of property and equipment under construction or undergoing commissioning or major rehabilitation. CIP is not depreciated until such time that the relevant assets are completed and are ready for intended use.

28.7 Investment properties

Property held for long-term rental yields or for capital appreciation or for both, is classified as investment property. The Company's investment properties include buildings and improvements thereon.

Effective January 1, 2024, the Company changed its accounting policy for measuring investment properties, which is composed of buildings, after initial recognition from the cost model to the revaluation model. Under the revaluation model, investment properties are carried at a revalued amount, being their fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Management believes that the revaluation model provides more relevant information to the users of the financial statements as it better reflects the current value of the Company's assets. This change in accounting policy has been applied retrospectively in accordance with PAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and PAS 40 "Investment Properties."

Investment property is carried at fair value, representing open market value determined annually by independent, professionally qualified valuation specialist. Changes in fair values are recorded in the statement of comprehensive income as part of fair value gain or loss.

The cost of investment property comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use. Expenditures for major improvements and renewals are capitalized while expenditures for repairs and maintenance are charged to expense as incurred.

The Company intends to revalue the applicable asset classes with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value at the end of the reporting period. Management anticipates that revaluations will be performed every year.

Rental income from investment property is recognized in profit or loss on a straight-line basis over the lease term. Lease incentives are recognized as an integral part of the total rent income. Operating expenses incurred on investment property are treated as ordinary operating expenses and are recognized when incurred.

28.8 Investment in a subsidiary

A subsidiary is an entity (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The investment in a subsidiary is carried in the statement of financial position at cost, less any impairment in value. The investment in a subsidiary includes the excess of the cost of the acquisition over the fair value of identifiable net assets of the subsidiaries or associates at the date of acquisition and is not amortized.

The Company recognizes income from investment in a subsidiary when the Company's right to receive dividends is established.

When an investment in a subsidiary is disposed of, the cost and the related accumulated provision for impairment, if any, are removed from the accounts and any resulting gain or loss is credited or charged against current operations.

The Company determines whether it is necessary to recognize any impairment with respect to the Company's investment in a subsidiary. The Company determines at each reporting date whether there is any objective evidence that the investment in a subsidiary is impaired. If this is the case, the Company calculates the amount of impairment as being the difference between the recoverable amount of the subsidiaries and associates and the carrying cost and recognizes the amount against profit or loss for the year.

28.9 Impairment of non-financial assets

At each reporting date, the Company assesses whether there is any indication that its non-financial assets (i.e., investment in a subsidiary, investment properties at fair value, and property and equipment) may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. Recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. It is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the CGU to which it belongs.

Where the carrying amount of an asset (or CGU) exceeds its recoverable amount, the asset (or CGU) is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or CGU).
An impairment loss is charged to profit or loss in the year in which it arises.

For non-financial assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

28.10 Contingency surplus

Contingency surplus pertains to contributions or cash infusion from shareholders to cover for any impairment or deficiency in net worth, liquidity and risk-based capital as required by the IC. Withdrawals from the contingency surplus require prior written approval from the IC.

28.11 Revenue and expense recognition

(a) Revenue

Revenue from contracts with customers is recognized upon transfer of services to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those services.

The Company's significant revenues pertain to membership fees on plans sold on HMO contracts, rendering of services, other membership fees, income from cost-plus, sale of pharmaceutical products and rentals. The Company accounts for membership fees on plans sold on HMO contracts and rentals in accordance with PFRS 4 and PFRS 16, respectively, while all other revenues are accounted for in accordance with PFRS 15.

To determine whether to recognize revenue under PFRS 15, the Company follows a five-step process:

(a) identifying the contract with a customer;
(b) identifying the performance obligation;
(c) determining the transaction price;
(d) allocating the transaction price to the performance obligations; and,
(e) recognizing revenue when/as performance obligations are satisfied.

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

(a) the parties to the contract have approved the contract either in writing or orally or in accordance with other customary business practices;
(b) each part-vs lights regarding the goods or services to be transferred or performed can be identified;
(c) the payment terms for the goods or services to be transferred or performed can be identified;
(d) the contract has commercial substance (i.e., the risk, timing or amount of the future cash flows is expected to change as a result of the contract); and
(e) collection of the consideration in exchange of the goods and services is probable.

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

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

(a) the customer simultaneously receives and consumes the benefits provided by the Company's performance;
(b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
(c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable to payment for performance completed to date.

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

In addition, the following specific recognition criteria must also be met before revenue is recognized:

i Other membership fees; rendering of services - Other membership fees are not exposed to insurance risk. Revenues from professional fees, medical services and processing fees are recognized over time as the performance obligations are satisfied.
ii Income from cost-plus - Revenue pertains to a certain fixed-rate of utilized services and is recognized over time upon utilization of such services.
iii Sale of pharmaceutical products - Revenue is recognized at a point in time (i.e., when the risks and rewards of ownership of goods have passed to the buyer).
iv Processing fee - is a non-refundable one-time access fee which is recognized over the term of the insurance contract representing membership registration covering cost of member ID and member guidebook.
v Interest income - Interest income is presented as gross of final tax and recognized on a time-proportion basis using the effective interest method.
vi Dividend income - Dividend income is recognized when earned and the right to receive payment is established.
vii Rental income - Rental income from investment properties is recognized on a straight-line basis over the lease term.
viii Other income - All other income is recognized when earned and the right to receive payment is established.

These revenues are presented as part of Other revenues (Note 15), except for interest income and dividend income that are presented under Finance and other income, net, (Note 19).

Health fund

The Company holds and manages corporate funds for medical and hospitalization expenses referred to as Health fund for the purpose of defraying the medical and hospitalization expenses of its enrolled member under the ASO agreement. Income from cost-plus, which serves as the administrative fees at a fixed-rate of the health fund utilization, which is recognized upon billing and upon the transfer of service to customers.

Hospital guarantee deposits

Hospital guarantee deposits are revolving funds of the Company maintained in different hospitals, where the medical services billed by the hospitals to the Company are charged against the said fund. This fund shall be replenished by the Company upon reaching a certain level based on each hospital agreement.

(b) Expenses

Expenses are recognized when it is probable that decrease in future economic benefits related to decrease in asset or an increase in liability has occurred and that the decrease in economic benefits can be measured reliably. Expenses that may arise in the course of ordinary activities of the Company include, operating, general and administrative expenses.

Healthcare benefits and claims

This includes all claims incurred, including estimates of healthcare services that have been rendered to members, but for which the related claims have not yet been received, claims handling expense, MfAD and liabilities to physicians or professionals, hospitals and other medical costs.

Commissions

This are expensed using the $1/365^{th}$ method based on the total contract value. Unamortized balance is recognized as “Deferred acquisition cost” for those contracts which membership fees presented as a reduction from UMFR in the statement of financial position.

28.12 Product classification

Insurance contracts are defined as those contracts under which the Company (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. As a general guideline, the Company defines significant insurance risk by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. Financial risk is the risk of a possible future change in one or more of a specified interest rate, security price, commodity price, foreign exchange rate, index of price or rates, a credit rating or credit index or another variable.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired.

Based on the IC Advisory No. 20-2017, HMO's revenue recognition shall not be limited to the application of PFRS 15, Revenue from Contracts with Customers but also to the application of PFRS 4, Insurance Contracts depending on the nature of a particular contract issued by the HMO. Also, it was mentioned that the application of insurance accounting practices shall be exercised for accounting purposes only and shall not make an HMO company an insurance company for statutory or regulatory purposes.
Further, IC Circular Letter (CL) 2019-58, Application of PFRS 4 and PFRS 15: Accounting Standards for HMO provided the following guidelines:

- PFRS 4 is applied on HMO agreements wherein there is a membership fee-based benefits or the fixed prepaid fee is in the form of membership and all the risks are borne by the HMO;
- PFRS 15 is applied for HMO agreements wherein there is a fund-based benefits or the fixed prepaid fee is in the form of enrollment fee, administration fee and Administered Service Only (ASO) cash fund and all the risks are borne by the customer; and
- HMO agreements with a combination of membership fee and fund-based benefits, there is a need to identify and separate the components to apply the applicable standard.

The guidelines set forth by IC CL 2019-58 has been supplemented by IC CL 2022-14, Application of PFRS 17 for HMOs in anticipation to the new accounting standard for insurance contracts. The circular mandates application of PFRS 17 to HMO agreements with membership fee-based benefits or the fixed prepaid fee is in the form of membership and all the risks are borne by the HMO.

28.13 Insurance contract reserves; Unearned fees; Deferred acquisition costs

Unearned fees

Unearned fees is the higher of the UMFR and URR.

UMFR and URR

UMFR pertains to the unexpired portion of the membership fees on plans administered and sold by the Company as at period end and calculated using the 1/365th method. The change in this account is credited to or charged against membership fees on plans sold over the remaining period of the agreement.

URR represents the best estimate of future claims and expenses to be incurred during the remaining period of the agreement and after the period end, with adjustments for Margin of Adverse Deviation (MfAD). Future claims and expenses shall include estimated claims, agreement maintenance expenses and claims management expenses.

Provision for URR

If URR is greater than UMFR, the difference is presented as Provision for URR (an expense) and as additional membership fee reserves (Note 16).

Claims reserves and MfAD

Claims reserves pertain to claims incurred but not yet paid as of the end of the accounting period for membership fee-based benefits or where the fixed prepaid fee is in the form of a membership fee where the risks are borne by the health maintenance organization (HMO). This includes claims due and unpaid, claims in course of settlement (ICOS), estimate for incurred but not reported (IBNR) claims, claims handling expense reserve and MfAD, which are recognized as part of Insurance contract reserves account in the statement of financial position.

Due and unpaid claims pertain to the liabilities for claims that have been received, adjudicated and processed but are not yet paid as at period end.

ICOS pertains to the liabilities for which claims have already been received from hospitals, doctors and other healthcare providers but are neither adjudicated nor paid as at period end.

IBNR claims is calculated based on the actual claims that have occurred during the reporting period but were only reported to the Company within the months subsequent to the end of the reporting period, wherein this period was based on the historical claims experience of the Company.

The actuarial models consider factors such as from the date the services were rendered to claims receipt, claim backlogs and other factors affecting the claims amount such as healthcare provider contract rate changes, healthcare consumption and other healthcare cost trends.

MfAD is a technical provision over the central estimate of future claims using MACK method to bring the actuarial best estimate of the HMO contract liabilities at the 75th percentile level of sufficiency. The purpose is to allow for inherent uncertainty of the best estimate of the HMO Agreement reserves and to consider the variability of claims experience in the best estimate.

Claims handling expense reserve is also calculated to cover estimated expenses in settling all claims incurred, both reported and unreported, outstanding as at period end.

At each reporting period, the Company re-examines previously established provisions for claims based on actual claim submissions and other charges in facts and circumstances. As the recorded estimated liability in prior period is actualized, the Company adjusts this estimated liability by increasing or decreasing it accordingly.

Liability adequacy test

At the end of each reporting period, liability adequacy test is performed to ensure the adequacy of insurance contract liabilities, net of the related deferred acquisition cost. The test considers current best estimates of future cash flows, claims handling cost and policy administrative expenses. Changes in expected claims that have occurred, but which have not been settled, are reflected by adjusting the liability for claims and future benefits. Any inadequacy arising from the test is immediately charged to profit or loss by establishing an unexpired risk provision for losses.

Deferred acquisition costs

It pertains to commissions that are neither paid nor incurred as at period end and relate to the remaining period of the in-force contracts. These are deferred to the extent that these are recoverable out of future revenue margins. Subsequent to initial recognition, these are amortized to the extent of revenue recognized using the 1/365th method. Amortization is charged against the statement of comprehensive income.

28.14 Leases

(i) Company as lessee

The Company recognizes leases as a ROU asset and a corresponding liability at the date at which the leased asset is available for use.

(a) Measurement of lease liabilities

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for the Company's leases, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:
- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held for entities which do not have recent third-party financing; and
- makes adjustments specific to the lease (i.e., term, currency and security).

(b) *ROU assets*

ROU assets are included as part of Property and equipment, net (Note 7) in the statement financial position.

(c) Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it.
The assessment of reasonable certainty is revised only if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Company.

(d) Short-term leases

Payments associated with short-term leases are recognized on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(ii) Company as lessor

<u>Operating lease</u>

Properties leased out under operating leases are included in Investment properties in the statement of financial position. Rental income under operating leases is recognized in profit or loss on a straight-line basis over the period of the lease.

28.15 Employee benefits

(a) Short-term benefits

The Company recognizes a liability net of amount already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Company to its employees include salaries and wages, social security contributions, short-term compensated absences and bonuses, and non-monetary benefits.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

(b) Retirement benefits

A DB plan is a retirement benefit plan that defines an amount of retirement benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The pension asset or liability recognized in the statement of financial position in respect of a DB pension plan is the present value of the DB obligation at the end of each reporting period less the fair value of plan assets. The DB obligation is calculated annually by an independent actuary using the projected unit credit method.

The present value of the DB obligation is determined by discounting the estimated future cash outflows using interest rates of government bonds that are denominated in Philippine peso and that have terms to maturity which approximate the terms of the related pension liability. The fair value of plan assets is based on the valuation of the retirement fund assets at the reporting dates.
Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in OCI in the year in which they arise.

Past service costs are recognized immediately in profit or loss.

The Company is covered under R.A. No. 7641, otherwise known as The Philippine Retirement Law, which provides for its qualified employees a DB minimum guarantee. The DB minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of R.A. No. 7641. Accordingly, the Company accounts for its retirement obligation under the higher of the DB obligation relating to the minimum guarantee and the obligation arising from the DC plan.

(c) Bonus plans

The Company recognizes a liability and an expense for bonuses based on a formula that takes into account the profit attributable to the Company's shareholders after certain adjustments. The Company recognizes a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(d) Termination benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits at the earlier of the following dates: (a) when the Company can no longer withdraw the offer of those benefits; and (b) when the entity recognizes costs for a restructuring that is within the scope of PAS 37 and involves the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

28.16 Prepayments and other current assets

Other current assets in the form of income tax credit and creditable withholding taxes are recognized as assets to the extent it is probable that the benefit will flow to the Company. These are derecognized when there is a legally enforceable right to apply the recognized amounts against the related tax liability within the period prescribed by the relevant tax laws.

28.17 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in OCI or directly in equity. In this case, the tax is also recognized in OCI or directly in equity, respectively.

Management periodically evaluates positions taken in tax returns with respect to situations in which the applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

DIT is determined using the tax rate (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related DIT asset is realized or the DIT liability is settled.

DIT assets are recognized for all deductible temporary differences and carry-forward of unused tax losses (net operating loss carryover or NOLCO) and unused tax credits (excess MCIT), to the extent that it is probable that future taxable income will be available against which the temporary differences, unused tax losses and unused tax credits can be utilized. DIT liabilities are recognized in full for all taxable temporary differences and takes into consideration the tax consequences resulting from the expected manner of realization of the temporary differences. DIT expense or credit included in Provision for income tax is recognized for the changes during the year in the DIT assets and liabilities.

The Company reassesses at each reporting date the need to recognize previously unrecognized DIT asset.

28.18 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfill an obligation.

(a) Financial assets

The Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. 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. The quoted market price used for financial assets held by the Company is the price between ask and bid range of prices. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the asset or liability is included in Level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.
- Discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

(b) Non-financial assets and liabilities

The fair value of a non-financial asset is measured based on its highest and best use. The asset's current use is presumed to be its highest and best use.

For non-financial assets and liabilities, the Company uses valuation techniques that are appropriate in the circumstances and applies the technique consistently. Commonly used valuation techniques are disclosed in Note 26.

28.19 Related party transactions and relationships

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

28.20 Foreign currency transactions and translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in Philippine Peso, which is the Company's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into Philippine Peso using the exchange rates prevailing at the dates of the transactions.

Translation differences on non-monetary financial assets and liabilities such as equities held at FVTPL are recognized in profit or loss as part of the Fair value gains or losses.

Changes in the fair value of monetary financial assets denominated in foreign currency classified as financial assets at FVOCI are analyzed between translation differences resulting from changes in the amortized cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortized cost ate recognized in the statement of comprehensive income, and other changes in the carrying amount ate recognized in other comprehensive income.

28.21 Provisions and contingencies

Provisions for legal claims are recognized when: (a) the Company has a present legal or constructive obligation as a result of past events; (b) it is more likely than not that an outflow of resources will be required to settle the obligation; and (c) the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in provision due to passage of time is recognized as interest expense.

Contingent liabilities are not recognized in the financial statements, but these are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements unless realization of income is virtually certain, but these are disclosed in the notes to financial statements when an inflow of economic benefits is probable

28.22 Subsequent events

Post year-end events that provide additional information about the Company's position at the reporting date (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the financial statements when material.

29 Supplementary information required by the BIR

Below is the additional information required by RR No. 15-2010. This information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

(a) Output VAT

Output VAT declared for the year ended December 31, 2024 and the revenues upon which the same was based consist of:

	Tax base	Output VAT
Taxable revenues	13,641,837,340	1,637,020,481
Zero - rated revenues	2,279,756,350	-
Exempt revenues	153,543,379	-
	16,075,137,069	1,637,020,481

The gross revenues shown above are based on gross receipts of the Company for VAT purposes.

The Company's zero-rated and exempt revenues for 2024 were determined pursuant to Section 108B, *Transactions Subject to Zero Percent Rate*, and Section 109, *VAT Exempt Transactions*, of the National Internal Revenue Code of 1997, as amended.

Upon effectivity of the Ease of Paying Taxes (EOPT) Law on April 27, 2024, the Company started recognizing output VAT, if any, on the sale of services based on invoice amount. Prior to the effectivity of EOPT Law, output VAT on services rendered, if any, are based on gross receipts. Hence, the tax base may not be the same with the amount of revenues accrued for financial reporting purposes.

(b) Input VAT

Movements in input VAT for the year ended December 31, 2024 follow:

	Amount
Balance at beginning of year	-
Domestic purchases of services	240,570,145
Domestic purchase of goods other than capital goods	17,844,428
Purchase of Capital Goods exceeding P1.0 million	7,065,885
Services rendered by Non-Residents	2,670,892
Amortization of input VAT on capital goods exceeding P1 (prior to TRAIN)	1,264,529
Input VAT allocable to exempt sales	(2,298,744)
Applied against output VAT	(267,117,135)
Balance at end of year	-

(c) Landed cost, customs duties and tariff fees

The Company has no importation transactions in 2024, hence, it did not incur and pay landed costs, customs duties and tariff fees.

(d) Excise tax

The Company did not have any transactions subject to excise tax in 2024.

(e) Documentary stamp tax (DST)

DST incurred and paid in 2024 pertains to leasehold agreements amounting to P15,828.

(f) Taxes and licenses

The details of taxes and licenses for the year ended December 31, 2024 follows:

	Amount
Business taxes	77,550,395
Real property taxes	4,330,481
Fringe benefit tax	1,490,543
Others	3,465,921
	86,837,340

(g) Withholding taxes

The details of total withholding taxes for the year ended December 31, 2024 are shown below.

	Paid	Accrued	Total
Expanded	354,011,670	30,643,985	384,655,655
Compensation and employee benefits	86,937,873	14,878,274	101,816,147
Final	4,138,172	188,107	4,326,279
	445,087,715	45,710,366	490,798,081

(h) Deficiency tax assessments and tax cases

As at December 31, 2024, the Company settled deficiency taxes in the aggregate amount of P246.93 million covering taxable years 2017, 2019 and 2021.

The Company has tax assessments covered by a Final Assessment Notice (FAN) issued by the BIR for the following taxable years 2009 and 2010 for certain alleged deficiency taxes.

The Company protested the abovementioned tax assessments and submitted supporting documents to substantiate its position. The details of the expected outcome of these ongoing tax assessments were not disclosed since these may prejudice the position of the Company.

Outstanding tax cases that are under preliminary investigation, litigation and/or prosecution in courts or bodies outside the BIR as of December 31, 2024 consist of:

- The alleged deficiency tax assessment pertains to the VAT on gross receipts for taxable year 2008 earmarked and actually spent for medical utilization of the members. As at December 31, 2024, the Company is waiting for instruction from the Supreme Court to file a comment.

- Appeal of the Final Decision on Disputed Assessment (FDDA) related to taxable year 2014 with the Court of Tax Appeals, which assessed the Company on the alleged deficiency income tax, VAT and EWT. As at December 31, 2024, the Company is waiting for the Court of Tax Appeals' decision.

Medicard Philippines, Inc.
(A wholly-owned subsidiary of AIA Philippines Life and General Insurance Company Inc.)

Supplementary Schedule of External Auditor Fee-Related Information
For the year ended December 31, 2024 and 2023
(All amounts in Philippine Peso)

	2024	2023
Total audit fees	2,756,000	2,650,000
Non-audit services fees:		
Other assurance services	-	-
Tax services	-	-
All other services	-	-
Total non-audit fees	-	-
Total audit and non-audit fees	2,756,000	2,650,000

Audit and non-audit fees of other related entities

	2024	2023
Audit fees	234,000	225,000
Non-audit services fees:		
Other assurance services	-	-
Tax services	-	-
All other services	-	-
Total audit and non-audit fees of other related entities	234,000	225,000

The related entity of the Company pertains to its wholly-owned subsidiary, ClaimsPro Philippines, Inc.

MediCard

An AIA Company

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