



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

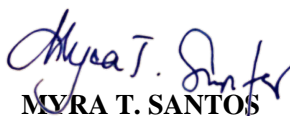
The Management of **Insular Health Care, Incorporated** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended **December 31, 2022**. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including but not limited to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended **December 31, 2022**, and the accompanying Annual Income Tax Return are in accordance with the books and records of **Insular Health Care, Incorporated**, complete, and correct in all material respects. Management likewise affirms that:

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

  
**NINA D. AGUAS**  
Chairman of the Board

  
**MARIA NOEMI G. AZURA**  
President and Chief Executive Officer

  
**MYRA T. SANTOS**  
Treasurer/Chief Financial Officer

## **INDEPENDENT AUDITOR'S REPORT**

The Board of Directors  
Insular Health Care, Incorporated  
Insular Health Care Building  
167 Dela Rosa corner Legazpi Streets  
Legazpi Village, Makati City  
1229 Metro Manila, Philippines

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

#### **Opinion**

We have audited the financial statements of Insular Health Care, Incorporated (a wholly-owned subsidiary of The Insular Life Assurance Company, Ltd.) (the Company), which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

#### **Basis for Opinion**

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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



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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.


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



**Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010**

The supplementary information required under Revenue Regulations No. 15-2010 for purposes of filing with the Bureau of Internal Revenue is presented by the management of Insular Health Care, Incorporated in a separate schedule. Revenue Regulations No. 15-2010 requires the information to be presented in the notes to financial statements. Such information is not a required part of the basic financial statements. The information is also not required by Revised Securities Regulation Code Rule 68. Our opinion on the basic financial statements is not affected by the presentation of the information in a separate schedule.

SYCIP GORRES VELAYO & CO.

  
Janet A. Paraiso

Partner

CPA Certificate No. 92305

Tax Identification No. 193-975-241

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 92305-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-062-2020, December 3, 2020, valid until December 2, 2023

PTR No. 9369768, January 3, 2023, Makati City

April 19, 2023



The major categories of plan assets as a percentage of fair value of net plan assets are as follows:

	2022	2021
Cash and cash equivalents	93.64%	96.86%
Investment in equity securities	6.36%	3.14%
	<b>100.00%</b>	100.00%

The retirement benefit cost and the present value of the defined benefit obligation are determined using actuarial valuations. The Company's latest actuarial valuation is as of December 31, 2022. The principal assumptions used to determine retirement benefits as of December 31 follow:

	2022	2021
Discount rate	7.22%	5.03%
Salary increase rate	5.00%	4.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

	Change in variables	Increase (decrease) in defined benefit obligation	
		2022	2021
<b>Discount rate</b>	+1.00%	(₱2,787,505)	(₱3,456,564)
	-1.00%	3,203,723	4,034,422
<b>Salary increase rate</b>	+1.00%	3,265,822	4,036,120
	-1.00%	(2,918,349)	(3,546,257)

There were no changes from the previous period in the methods and assumptions used in preparing the sensitivity analysis.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31:

	2022	2021
Less than 1 year	₱734,777	₱656,891
More than 1 year to 5 years	2,684,826	2,532,769
More than 5 years to 10 years	9,863,521	8,274,115
More than 10 years to 15 years	35,584,435	31,593,184
More than 15 years to 20 years	63,883,774	57,281,230

The weighted average duration of the defined benefit obligation is 19.0 years and 18.0 years as of December 31, 2022 and 2021 respectively.

#### 24. Related Party Transactions

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 the 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 enterprises and their key management personnel, directors, or its stockholders.



Transactions with related parties are settled in cash, unless otherwise specified.

- a. Transactions and balances, which are being settled in cash, with the Parent Company consist of the following:

	2022	2021
Due to Parent Company	<b>₱18,706</b>	₱31,088,198
Overhead expenses (Note 19)	<b>31,608,955</b>	27,757,319
Security deposits	<b>4,391,597</b>	8,046,984
Rental and utilities (Notes 10, 18 and 19)	<b>2,176,034</b>	4,273,966
Lease liabilities (Note 10)	<b>771,556</b>	1,666,670

Overhead expenses consist mainly of salaries of executives assigned to the Company. Rental and utilities expenses relate to lease agreements covering the Company's head office and satellite offices (see Note 10). The outstanding balance as of December 31, 2022 and 2021 included under 'Due to Parent Company' in the statement of financial position is payable on demand and in cash.

- b. The Company maintains trust accounts with Union Bank of the Philippines (UBP), an associate of the Parent Company. As of November 30, 2022, the Parent Company lost significant influence in UBP and accordingly, UBP is no longer a related party. For purposes of reporting related party transactions, the transactions during the period when UBP has been accounted for as investment in associate by the Parent Company are still presented while balances as of December 31, 2022 are no longer presented.

The outstanding balance of the trust accounts with UBP as of December 31, 2021 are as follows:

	2021
Financial assets at FVTPL (Note 6)	₱16,473,100
Financial assets at amortized cost (Note 5)	7,209,660
Financial assets at FVOCI (Note 7)	2,804,284
	<b>₱26,487,044</b>

Transactions with UBP also consist of charges for trust fees per agreement as follows:

Category	Year	Amount of Trust Fee	Outstanding Balance	Terms and Conditions
Trust fee	<b>2022</b>	<b>₱148,466</b>	*	On demand; non-interest bearing; unsecured
	2021	131,415	₱29,205	

\*As discussed above, UBP is not a related party as of December 31, 2022.

- c. Effective October 1, 2017, UBP is entitled to avail medical services under a standard membership agreement from the Company. The Company recognized membership fee from UBP amounted to ₱118.47 million and ₱108.14 million in 2022 and 2021, respectively.

Under the agreement, UBP is also required to set-up a medical revolving fund to cover any availment in excess of the eligible benefits.

- d. The compensation benefits of key management personnel consist of short-term employee benefits amounting to ₱31.61 million and ₱27.76 million in 2022 and 2021, respectively, and is presented as "Overhead expenses" under "General and administrative expenses" in the profit or loss.

