Médica Sur, S. A. B. de C. V. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2022, 2021 and 2020, and Independent Auditor's Report dated March 3, 2023



Médica Sur, S. A. B. de C. V. and Subsidiaries

Independent Auditors' Report and Consolidated Financial statements for 2022, 2021 and 2020

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Independent Auditors' Report to the Board of Directors and Stockholders of Médica Sur, S.A. B. de C. V. and Subsidiaries

Opinion
(Mexican pesos)

We have audited the consolidated financial statements of Médica Sur, S.A. B. de C. V. and Subsidiaries (the "Entity"), which comprise the consolidated statements of financial position as of December 31, 2022, 2021 and 2020, and the consolidated statements of income and other comprehensive income, the consolidated statements of changes in stockholders' equity and the consolidated statements of cash flows for the years then ended, and notes of the consolidated financial statements containing a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Médica Sur, S.A. B. de C. V. and Subsidiaries as of December 31, 2022, 2021 and 2020, and its consolidated financial performance and its cash flows for the years then ended, in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

Bases for the opinion

We have performed our audits in conformity with International Auditing Standards (IAS). Our responsibilities under these standards are explained more extensively in the section Auditors' responsibilities in relation to the audit of the consolidated financial statements of our report. We are independent from the Entity in conformity with the Code of Ethics of the International Ethics Standards Board for Accountants (IESBA Code of Ethics) and that issued by the Mexican Institute of Public Accountants (IMCP Code of Ethics), and we have complied with the other ethical responsibilities in conformity with the IESBA Code of Ethics and the IMCP Code of Ethics. We believe that the audit evidence obtained provides a sufficient and adequate basis for our opinion.

Emphasis paragraphs

1. We draw attention to Note 1e to the attached consolidated financial statements, "Important activities and events", where the Entity's management describes the impact it knows to date caused by the COVID-19 pandemic and the impact it has had on its operations. Our opinion has not been modified by this issue.

2. We draw attention to Note 1a to the attached consolidated financial statements, during the financial year 2022, the sale of all the shares of Corporación de Atención Médica, S.A. de C.V. was made. This operation qualified as a discontinued operation and such effect is presented retrospectively in the consolidated financial statements for the period January 1 to December 31, 2021 and 2020, as required by IFRS 5, *Non-current assets held for sale and discontinued operations* (IFRS 5).

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3. We draw attention to Note 1a to the attached consolidated financial statements, during the financial year 2021, the sale of all the shares of Laboratorios Médica Sur, S.A. de C.V. and subsidiaries was made. This transaction qualified as a discontinued operation and such effect is presented retrospectively in the consolidated financial statements for the period January 1 to December 31, 2020, as required by IFRS 5.

4. The accompanying consolidated financial statements have been translated from Spanish into English for use outside of Mexico.

Key audit matters

The key audit matters are those matters which, in our professional judgment, have been most important in our audit of the consolidated financial statements for the current period. These matters have been dealt with in the context of our audit of the consolidated financial statements taken as a whole and in the formation of our opinion on the latter, and we do not issue a separate opinion on these matters. We have determined that the matters described below are the key audit matters which should be communicated in our report.

Sale of the representative shares of the capital of Corporación de Atención Médica, S.A. de C.V. ("CAM")

The transaction consisted of the sale of 100% of the shares representing the share capital of the subsidiary Corporación de Atención Médica, S.A. de C.V. ("CAM"), carried out on April 1, 2022. Because the market share percentage is low, it was not necessary to obtain authorization from the Federal Competition Commission.

The consideration for the operation was a base price of $ 250,000,000 plus a variable part subject to the fulfillment of agreed conditions for years 2022 and 2023. The Entity received in April 2022, $200,000,000 and $50,000,000 will remain in warranty for a period of 24 months.

Our Service auditor shipping procedures related to reviewing the sale of CAM shares include, but are not limited to, the following:

- We read the sale contract (the "Contract") to obtain an understanding of the structure of the sale and deferred compensation, including an assessment of whether all pre-sale conditions were met on the effective date of the transaction.

- We evaluated the Entity Management's conclusion that the sale qualified as a discontinued operation in the consolidated financial statements. We involved our specialists to evaluate, in conjunction with them, the Entity Management's conclusion that the sale qualified as a discontinued operation in the consolidated financial statements. As well as to audit the reasonableness of the presentation of the discontinued operation and the gain in the subsidiaries sale, all in accordance with IFRS.

- We tested management completeness and accuracy for identifying assets and liabilities included in the disposition group as defined in the agreement and the underlying data supporting the calculation of the book value and fair value measurement of the disposition group.

- We evaluated the presentation completeness and accuracy of the presentation and disclosure related to the sale of CAM in the consolidated financial statements.

On the basis of our evidence, we noted that the Administration reasonably considered the presentation of the discontinued operation in the consolidated financial statements.



Impairment of long-term assets including goodwill, intangible assets, property, furniture, equipment and improvements to leased premises and rights of use assets

The Entity has registered long-term assets related to the Hospital segment, in which it has identified two cash generating units (CGU) considering financial and operational performance indicators for each of them. Each year, an impairment test is carried out in accordance with the guidelines of IFRS 36, "Impairment of Assets", in which discounted future flows are calculated and compared to net book value to determine whether the value of these assets is impaired. We identified the risk that the assumptions used by the Administration to calculate future cash flows will not be reasonable based on current and foreseeable conditions in the future.

Our audit procedures related to sales estimates, costs, expenses, and the weighted average cost of capital (WACC) rate for estimating Fair Value Measurement the CGU include the following, but are not limited to:

- With the help of our specialists in fair value measurement, we evaluated the reasonableness of the valuation methodology and the WACC;

- We evaluated management's ability to accurately forecast sales, costs, and expenses, comparing actual results with management's historical forecasts.

Based on our evidence, we noted that the key assumptions used by the Administration in its valuation model are within a reasonable range according to IFRS.

Information other than the Consolidated Financial Statements and the independent Auditor's Report

Management is responsible for the other information. The other information comprises two documents: (i) the Entity's Annual Report and the information that will be incorporated in the Annual Report which the Entity is required to prepare in accordance with article 33 Fraction I, subsection b) of the fourth title, first chapter of the General Provisions Applicable to Issuers of Securities and Other Participants in the Securities Market in Mexico (the requirements). As of the date of our auditor's report, we have not yet obtained these documents and they will be available only after the issuance of this Audit Report.

Our opinion of the consolidated financial statements does not cover the other information and we do not express any form of security about it.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether if the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit or otherwise appears to be materially misstated. When we read the Annual Report we will issue the auditors' legend about the reading thereof, required in Article 33 Fraction I, subsection b) numeral 1.2. of the Provisions or if we conclude that it is materially misstated we would be required to report this fact.

Responsibilities of Management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and reasonable presentation of the accompanying consolidated financial statements in conformity with the IFRS, and for any internal control that management believes necessary to enable the preparation of the consolidated financial statements free from material misstatement due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.



Those charged with governance are responsible for overseeing the Entity's financial reporting process, reviewing the contents of the consolidated financial statements and submitting them to the Governing Body for approval.

Auditor's responsibilities in relation to the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 ISAs 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 these consolidated financial statements.

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

– Identify and evaluate the risks of material misstatements in the consolidated financial statements, due to fraud or error, by designing and applying audit procedures which respond to these risks, and by obtaining audit evidence which is sufficient and appropriate to provide the basis for our opinion. The risk of not detecting material misstatements resulting from fraud is greater than those resulting from an error, because fraud may involve collusion, forgery, deliberate omissions, intentionally erroneous declarations or the evasion 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 obtained sufficient and adequate audit evidence related to the financial information of the entities and business activities which comprise the Entity in order to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the entities comprising the Entity. We are the only persons responsible for our audit opinion.

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.



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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Galaz, Yamazaki, Ruiz Urquiza, S. C.
Member of Deloitte Touche Tohmatsu Limited the



C. P. C. Elsa Alarcón Gutiérrez

March 3, 2023

Médica Sur, S. A. B. de C. V. and Subsidiaries

Consolidated Statements of Financial Position

As of December 31, 2022, 2021 and 2020
(In Mexican pesos)

Assets	Note	2022	2021	2020
Short term assets:				
Cash and cash equivalents	6	$ 1,221,395,930	$ 3,531,821,699	$ 572,844,050
Accounts receivable, net	7	295,525,707	439,393,041	592,474,001
Other accounts receivable	8	13,839,829	17,240,996	28,951,014
Inventories, net	9	135,440,242	126,776,698	155,376,649
Advance payments	10	18,843,380	17,891,592	52,985,698
Assets held for sale	11	-	-	215,614,158
Total short-term asset		1,685,045,088	4,133,124,026	1,618,245,570
Long term assets:				
Property, furniture, equipment and improvements to leased premises, net	12	2,448,864,983	2,514,706,602	2,766,385,908
Lease right-of-use assets	14	39,787,293	63,679,010	299,475,572
Investment properties, net	13	201,380,404	73,424,493	80,241,167
Goodwill	16	123,432,329	123,432,329	1,025,126,111
Intangible assets, net	17	-	-	351,608,150
Deferred income taxes	21	59,084,294	64,765,712	115,357,941
Other assets, net	18	18,791,867	10,908,925	22,720,457
Total long-term asset		2,891,341,170	2,850,917,071	4,660,915,306
Total assets		$ 4,576,386,258	$ 6,984,041,097	$ 6,279,160,876

Liabilities and Stockholders' Equity

Short-term liabilities:				
Interest payable	19	$ 19,805,000	$ 19,416,667	$ 19,324,820
Suppliers		280,770,713	269,143,231	345,923,604
Taxes payable and accrued expenses		400,573,368	559,949,466	457,848,931
Dividends payable		136,018,937	17,879,238	13,687,442
Direct employee benefits	20a	129,346,164	102,196,979	15,094,421
Provisions for contingent liabilities	30	18,995,730	13,077,580	24,136,930
Lease liabilities	15	11,813,615	22,180,264	87,708,213
Total short-term liabilities		997,323,527	1,003,843,425	963,724,361

	Note	2022	2021	2020
Long-term liabilities:				
Long-term documents payable	19	994,110,552	991,928,321	989,725,252
Lease liabilities	15	29,045,735	43,002,092	206,235,404
Retirement benefits to employees	20b	33,635,247	30,968,955	37,135,499
Deferred income taxes	21	-	-	73,475,070
Total long-term liabilities		1,056,791,534	1,065,899,368	1,306,571,225
Total liabilities		2,054,115,061	2,069,742,793	2,270,295,586
Stockholders' equity:				
Capital stock	23	453,422,677	517,873,932	517,873,932
Contributions for future capital increases		124,628	124,628	124,628
Surplus in subscription of shares		121,280,931	121,280,931	121,280,931
Retained earnings		1,475,858,615	3,756,687,722	3,272,028,595
Legal reserve		103,573,805	103,573,805	103,573,805
Reserve for shares repurchase	23c	376,798,274	422,517,711	2,975,667
Other comprehensive results		(9,743,779)	(8,716,064)	(9,976,043)
Stockholders' equity attributable to the controlling share		2,521,315,151	4,913,342,665	4,007,881,515
Non-controlling participation	23	956,046	955,639	983,775
Total stockholders' equity		2,522,271,197	4,914,298,304	4,008,865,290
Contingent commitments and liabilities	31			
Total liabilities and stockholders' equity		$ 4,576,386,258	$ 6,984,041,097	$ 6,279,160,876

The accompanying notes are part of the consolidated financial statements.

Médica Sur, S. A. B. de C. V. and Subsidiaries

Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the years ending December 31, 2022, 2021 and 2020
(In Mexican pesos)

	Note	2022	2021	2020
Revenue from services	26	$ 3,867,922,428	$ 3,812,199,286	$ 3,142,634,468
Costs for services		2,500,743,880	2,308,240,723	1,954,135,065
Gross profit		1,367,178,548	1,503,958,563	1,188,499,403
Sales and administration expenses	27	792,246,184	757,281,446	550,011,843
Other expenses, net	28	502,729	113,338,591	57,784,631
Exchange rate loss (gain), net	22b	2,727,762	(3,100,630)	(4,140,348)
Interest and commission expenses		75,949,332	76,825,177	120,631,871
Interest income		(181,829,739)	(53,842,876)	(19,229,403)
Income before income tax		677,582,280	613,456,855	483,440,809
Income taxes	21	204,789,744	255,879,320	144,849,789
Net income from continuous operations		$ 472,792,536	$ 357,577,535	$ 338,591,020
Income from discontinued operation, net	32	477,010,401	796,911,069	220,259,681
Consolidated net income for the year		$ 949,802,937	$ 1,154,488,604	$ 558,850,701
Consolidated net income attributable to:				
Controlling Participation		$ 949,802,530	$ 1,154,516,740	$ 558,827,822
Non-controlling participation	24	407	(28,136)	22,879
Consolidated net income		949,802,937	1,154,488,604	558,850,701
Other comprehensive income:				
Items that will not be reclassified subsequently to profit or loss:				
Actuarial (loss) gain (net of income tax)		(1,027,715)	1,259,979	(5,961,863)
Consolidated comprehensive income for the year		$ 948,775,222	$ 1,155,748,583	$ 552,888,838
Consolidated comprehensive income attributable to:				
Controlling participation		$ 948,774,815	$ 1,155,776,719	$ 552,865,959
Non-controlling participation		407	(28,136)	22,879
		$ 948,775,222	$ 1,155,748,583	$ 552,888,838

Continues

	Note	2022	2021	2020
Earnings per share:				
From continuous and discontinued operations:				
Basic and diluted	25	$ 8.80	$ 9.36	$ 4.53
Continuous operations:				
Basic and diluted	25	$ 4.38	$ 2.90	$ 2.75
Weighted average outstanding shares	25	107,938,972	123,281,750	123,281,750

The accompanying notes are part of the consolidated financial statements.



Médica Sur, S. A. B. de C. V. and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity

For the years ending December 31, 2022, 2021 and 2020
(In Mexican pesos)

	Note	Capital stock	Contributions for future capital increases	Surplus in subscription of shares	Retained earnings	Legal reserve	Reserve for shares repurchase	Other comprehensive results Actuarial gain (loss)	Stockholders' Equity atributable to the controlling participation	Non-controlling. participation	Total stockholders' equity
Balances as of January 1, 2020	23, 24	$ 517,869,032	$ 124,628	$ 121,280,931	$ 2,745,184,592	$ 103,573,805	$ 197,488,662	$ (4,014,180)	$ 3,681,507,470	$ 960,896	$ 3,682,468,366
Repurchase of shares		-	-	-	(36,089,699)	-	(194,512,995)	-	(230,602,694)	-	(230,602,694)
Dividend prescription		-	-	-	4,307,900	-	-	-	4,307,900	-	4,307,900
Dividend decree		-	-	-	(202,020)	-	-	-	(202,020)	-	(202,020)
Capital increase		4,900	-	-	-	-	-	-	4,900	-	4,900
Consolidated comprehensive income		-	-	-	558,827,822	-	-	(5,961,863)	552,865,959	22,879	552,888,838
Balances as of December 31, 2020	23, 24	517,873,932	124,628	121,280,931	3,272,028,595	103,573,805	2,975,667	(9,976,043)	4,007,881,515	983,775	4,008,865,290
Repurchase of shares		-	-	-	(500,000,000)	-	419,542,044	-	(80,457,956)	-	(80,457,956)
Dividend decree		-	-	-	(169,857,613)	-	-	-	(169,857,613)	-	(169,857,613)
Consolidated comprehensive income		-	-	-	1,154,516,740	-	-	1,259,979	1,155,776,719	(28,136)	1,155,748,583
Balances as of December 31, 2021	23, 24	517,873,932	124,628	121,280,931	3,756,687,722	103,573,805	422,517,711	(8,716,064)	4,913,342,665	955,639	4,914,298,304
Repurchase of shares		-	-	-	(96,055,389)	-	(110,170,692)	-	(206,226,081)	-	(206,226,081)
Dividend decree		-	-	-	(3,141,709,217)	-	-	-	(3,141,709,217)	-	(3,141,709,217)
Other capital movements		-	-	-	7,132,969	-	-	-	7,132,969	-	7,132,969
Reduction of variable Stockholders' Equity by cancellation of shares		(64,451,255)	-	-	-	-	64,451,255	-	-	-	-
Consolidated comprehensive income		-	-	-	949,802,530	-	-	(1,027,715)	948,774,815	407	948,775,222
Balances as of December 31, 2022											
Consolidated comprehensive income	23, 24	$ 453,422,677	$ 124,628	$ 121,280,931	$ 1,475,858,615	$ 103,573,805	$ 376,798,274	$ (9,743,779)	$ 2,521,315,151	$ 956,046	$ 2,522,271,197

The accompanying notes are part of the consolidated financial statements.

Médica Sur, S. A. B. de C. V. and Subsidiaries

Consolidated Statements of Cash Flows

For the years ending December 31, 2022, 2021 and 2020
(In Mexican pesos)

	Note	2022	2021	2020
Cash flow from operating activities				
Consolidated net income for the year		$ 949,802,937	$ 1,154,488,604	$ 558,850,701
Income taxes		204,789,744	255,879,320	151,134,987
Income taxes on discontinued operation		201,229,857	121,758,369	81,336,329
Net cost of the period		967,828	(1,259,979)	5,961,863
Net cost of the discontinued period		670,749	-	(2,368,481)
Items related to investment activities:				
Depreciation and amortization	12,13,14	166,885,217	166,803,465	153,654,021
Discontinued operation, depreciation and amortization		2,383,551	9,991,365	170,111,099
Result from disposal of discontinued operation		(477,010,401)	(778,475,117)	-
Impairment of goodwill		-	100,584,603	-
(Gain) loss in sale of transport equipment and other assets		(192,367)	(378,764)	24,189,726
Items related to financing activities:				
Interest gain		(181,829,739)	(53,842,876)	(19,229,403)
Interest and commission expense		75,949,332	76,825,177	121,322,882
Interest and commission expense on discontinued operation	¤	558,885	1,971,290	41,428,279
		944,205,593	1,054,345,457	1,286,392,003
Items related to operation activities:				
Decrease (increase) by:				
Accounts receivable		143,867,334	153,080,960	(219,104,505)
Other accounts receivable s.		3,401,167	11,878,050	10,443,368
Inventories		(8,663,544)	28,599,951	(52,852,065)
Advance payments		(951,789)	34,926,053	(37,733,510)
Increase (decrease) of:				
Suppliers		11,627,482	(76,780,373)	104,221,285
Accumulated taxes and expenses		(476,731,817)	(205,188,697)	125,422,739
Contingent liabilities provisions		5,918,150	(11,059,350)	4,172,188
Employee benefits		27,149,184	87,102,559	7,774,045
Income taxes paid		(379,731,552)	(255,963,115)	(127,594,276)
Net cash flows generated by operating activities		270,090,208	820,941,495	1,101,141,272

	Note	2022	2021	2020
Cash flows from investment activities				
Acquisition of property, furniture, equipment and investment property	11, 12	(186,450,550)	(150,790,585)	(128,513,467)
Increase (decrease) in other non-current assets, net		(7,882,941)	12,651,875	2,167,782
Sale of real estate, furniture and equipment		359,654	378,764	174,646
Revenue from the sale of subsidiaries	32	744,991,351	2,354,842,000	-
Collection of dividends	32	-	290,310,669	-
Interest expense		181,829,739	52,239,057	13,731,557
Cash flows used in investment activities		732,847,253	2,559,631,780	(112,439,482)
Cash flows from financing activities				
Loans obtained	18	-	-	1,325,000,000
Loan payment	18	-	-	(1,539,478,339)
Payment of dividends	23	(3,019,928,622)	(161,680,346)	(185,758)
Payment of leases		(16,531,860)	(108,780,657)	(109,687,940)
Repurchase of treasury shares		(206,226,081)	(80,457,956)	(230,602,694)
Capital contributions		-	-	4,900
Interest paid	19	(70,676,667)	(70,676,667)	(138,134,302)
Net cash flows used in financing activities		(3,313,363,230)	(421,595,626)	(693,084,133)
(Decrease) increase in cash and cash equivalents		(2,310,425,769)	2,958,977,649	295,617,657
Cash and cash equivalents at the beginning of the year		3,531,821,699	572,844,050	277,226,393
Cash and cash equivalents at the end of the year		$ 1,221,395,930	$ 3,531,821,699	$ 572,844,050

The accompanying notes are part of the consolidated financial statements.

Notes to the consolidated financial statements

For the years ending December 31, 2022, 2021 and 2020
(In Mexican pesos)

1. Activities and important events

Activities. **-** Médica Sur, S. A. B. de C. V. ("Médica Sur" or "Group" or "Entity") is an entity incorporated in Mexico as a limited company on July 6, 1966, with a duration of 99 years. The domicile of the Entity is Puente de Piedra No. 150, Colonia Toriello Guerra, Delegación Tlalpan, Mexico City, C. P. 14050, Mexico.

The main activity of the Group is the operation of hospitals and the provision of medical, diagnostic, hospitalization and other related services, as well as the operation of laboratories for the conduct of all kinds of clinical-medical, histopathological, scientific research and cabinet studies, and in general.

Important events. **-**

a. ***Sale of the subsidiary Corporacion de Atención Médica, S.A. de C.V. ("CAM")***

On April 1, 2022, Médica Sur sold 100% of the shares of the subsidiary Corporación de Atención Médica, S.A. de C.V. ("CAM") to SDHM, S.A. de C.V. ("SDHM"), a subsidiary of SYNLAB International GmbH ("Synlab"). As the % of the market share is low, it was not necessary to obtain authorization from the Federal Competition Commission.

The transaction included the sale of twenty laboratory branch offices, hereinafter referred to as "CAM Branches", which during the financial years 2022, 2021 and 2020 had total sales for the period $28,692,722, $93,944,489 and $52,963,067, respectively. Médica Sur maintains the parent laboratory branch inside the hospital campus in Tlalpan and the Lomas branch.

The price of the operation is integrated from a base price of $250,000,000, plus a variable part subject to the fulfillment of agreed terms for the financial years 2022 and 2023. Médica Sur received in April 2022, $200,000,000 and the remaining $50,000,000 will remain in warranty for a period of 24 months. The variable price at the end of December 31, 2022, was $7,927,803. Further details are included in Note 32 to the Consolidated Financial statements.

b. ***Sale of the subsidiary Laboratorios Médica Sur, S.A. de C.V. and subsidiaries (LMS)***

On November 1, 2021, the operation was authorized by the shareholders' meeting on October 19 of the same year and by the Federal Competition Commission was closed. With this, Médica Sur sold 100% of the shares of subsidiary LMS to the Entity SDHM, a subsidiary of Synlab.

The transaction price is integrated from a base price of $2,250,000,000, plus a variable part subject to the fulfillment of agreed terms for the financial years 2021 and 2022; the variable price at the end of the financial years 2022 and 2021 was $513,889,290 and $ 104,842,000 respectively. That are composed of an *earn out* subject to EBITDA of the financial years 2022 and 2021 of LMS, as well as COVID royalties during the financial year 2022, adjustment for surplus cash from the close of October 2021, as well as the release of the first anniversary of *the escrow*. By the year 2023, the Entity could receive more than $100,000,000-year-long, corresponding to the release of the second anniversary of *the escrow*. *The escrow* is subject to terms of guarantees and indemnities. Further details are contained in Note 32 to this report.

c. ***Issuance of Stock Certificates (MEDICA 20)*** - On September 21, 2020, Médica Sur issued a total of 10,000,000 long-term stock certificates with a nominal value of $100 each, expiring on September 17, 2025, with a total amount of $ 1,000,000,000, at a fixed annual interest rate of 6.99%. The cost of the issue in the amount of $10,881,260 was recorded in the amortized cost liability. The resources obtained from the placement of the stock certificates amount to $ 985,182,787 and were destined to refinance the debt of Médica Sur, as well as to improve the calendar of amortizations of the Entity. Further details are included in Note 17 to the Consolidated Financial statements.

d. ***Properties held for sale***

Corporate office sale - On August 28, 2020, the sale of the property called Médica Sur corporate, located La Calzada Mexico-Xochimilco, was carried out, the price of the transaction was $88,200,000. Further details are included in Note 10 to the Consolidated Financial statements.

e. ***Main effects of COVID-19***

As a result of the COVID-19 virus outbreak, which has been described as a pandemic by the World Health Organization, the Mexican government has implemented a series of measures to prevent and control infections in the country. The main effects that the Entity presented during 2022, 2021 and 2020 are as follows:

2022

Total revenues of Médica Sur during the financial year 2022 were up 1.5%, compared to 2021, for analysis purposes we divided them into two categories of income, as a change was observed in the income mix of the Entity:

i. ***Core business revenue (by Spanish meaning, core business)***

During 2022, Médica Sur treated 14,071 patients discharged from hospitalization, 10.5% more than in 2021.

At the same time, it highlights an increase in core business segments such as the number of surgeries, patients on hospital floor and critical units, as well as emergency care, mainly.

In our Clinical and Diagnostic Services we highlight a significant increase in the demand for Magnetic Resonance, PET-CT, Angiography, Imaging and the Cancer Center services.

On the other hand, we see a decline in demand for services related to COVID care.

ii. ***COVID Revenue***

Over the course of the Southern Medical Pandemic, he attended more than 3,400 patients in hospitalization for COVID-19.

During the first quarter of 2022, the Entity converted its floor for the care of COVID patients, however, it has the flexibility to rehabilitate it in the event of a new upturn or if the health contingency requires it. As well as the possibility of enabling laboratory sampling locations in the “autoexpress” modality for patient comfort, as happened in the second quarter of 2022 with the rebound of the fifth wave of contagion through Mexico City.

With regard to COVID admissions, the Entity recorded a considerable decrease in demand for these services for hospitalized and outpatient patients compared with 2021. This was due to the decrease in the number of infections by the second quarter of the year and, for the most part, the severity of the disease caused by the virus no longer requires hospitalization. This implied a decrease in revenues of $471 million pesos.



The net effect of income during 2022 results in an increase of $6.4 million pesos compared to 2021. While the mix of revenue has changed, we consider the end result to be positive, as the Entity has been able to maintain the upward trend in *core business* in 2022 and 2021, surpassing pre-pandemic sales levels.

2021

- During 2021, Médica Sur treated 12,729 patients discharged from hospitalization, 16.0% more than in 2020. In addition, a significant recovery in the volume of patients hospitalized for non-COVID-19-related care was observed, an increase in the number of surgeries, critical units and emergencies.

- In the diagnosis and clinical services segment, there was a significant increase in demand for preventive services such as *checkups*, and the upward trend in radiation therapy and cancer center admissions continues.

- With regard to COVID, the mix of services in 2021 behaved differently from the year 2020, however, the admissions were very similar, providing care to more than 1,900 patients in hospital and processing more than 115 thousand tests during the year.

2020

- The prompt response in the strategies implemented and the confidence of patients in the services of Médica Sur triggered an increase in admissions of 2020 versus 2019 of 14.4%, reaching margins of 28.1%.

- Operating income grew significantly by 156.1% in 2020 compared to 2019, mainly due to the above-mentioned increase in revenues, as well as the cost and expense containment strategies that the Entity implemented throughout the year. Operating margin increased to 20.9%.

- From the beginning of the pandemic in March to December 2020, the Entity treated more than 1,100 patients hospitalized for COVID-19 and processed more than 230 thousand laboratory tests related to the detection and treatment of coronavirus.

- Médica Sur carried out strategies of: Hospital conversion, telemedicine, “Homecare”, COVID Laboratory, “Drive -Thru” branches, among others, they allowed him to provide the highest quality services to patients who unfortunately had COVID-19 disease, as well as to be able to maintain the operational continuity of their services and facilities to safely and simultaneously attend other procedures.

2. Adoption of new and modified International Financial Information Standards *("IFRS e-Business" or "IAS") that are mandatory for the current year*

In the year, the Group has applied amendments to IFRS issued by the International Financial Reporting Standards Council (IASB) that are mandatory for accounting periods beginning on or after January 1, 2022. Their adoption has not had a material impact on disclosures or amounts reported in these financial statements.

Amendments to IFRS 3 - Reference to the Conceptual Framework. The Group has adopted the amendments to IFRS 3 Business Combinations for the first time in the current year. The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Amendments to IAS 16 - Property, Plant and Equipment - Income prior to planned use. The Group has adopted the amendments to IAS 16 Property, Plant and Equipment for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle. The Group has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year. The Annual Improvements include amendments to four standards.

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 percent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

IFRS 16 Leases
The amendment removes the illustration of the reimbursement of leasehold improvements.

New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorization of these financial statements, the Group has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Management does not expect the adoption of the above standards to have a significant impact on the consolidated financial statements of the Entity in future periods, except as follows:

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures—Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.



The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements—Disclosure of Accounting Policies

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications:

A change in accounting estimate that results from new information or new developments is not the correction of an error.

The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The IASB added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The IASB has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.



Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The IASB also adds an illustrative example to IAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognizes:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with:

- Right-of-use assets and lease liabilities.

- Decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset.

- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

The management of the Entity anticipates that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods if such Class of Transactions time-bound are required.

3. Main accounting policies

a. ***Statement of compliance***

The consolidated financial statements of the Entity have been prepared in accordance with IFRS as issued by the IASB.

b. ***Basis of preparation***

The accompanying consolidated financial statements have been translated from Spanish into English for use outside of Mexico.

The consolidated financial statements of the Entity have been prepared on the basis of historical cost and some items are presented Fair Value Measurement to the market at the close of each period, as explained in the accounting policies below.

i. Historical cost

Historical cost is generally based on fair value of the consideration delivered in exchange for goods and services.

ii. 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Entity considers the characteristics of the asset or liability if market participants would consider those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2, Inventories or value in use in IAS 36, Impairment of assets.

The main accounting policies adopted are mentioned below:

c. ***Going concern***

Management has a reasonable expectation at the time of approving the financial statements that the Group has adequate resources to continue operating for the foreseeable future. Therefore, the Entity will continue to consider an ongoing business accounting base when preparing its financial statements.

d. ***Basis for consolidation of financial statements***

Consolidated financial statements include the financial statements of the Entity and those of the entities controlled by the Entity and its subsidiaries. Control is obtained when the Entity:

Has power over the investee;

Is exposed, or has rights, to variable returns from its involvement with the investee; and
Has the ability to use its power to affect its returns.

The Entity reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Entity has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Entity considers all relevant facts and circumstances in assessing whether or not the Entity's voting rights in an investee are sufficient to give it power, including:

The size of the Entity's holding of voting rights relative to the size and dispersion of holdings of the other vote holders; Potential voting rights held by the Entity, other vote holders or other parties; Rights arising from other contractual arrangements; and Any additional facts and circumstances that indicate that the Entity has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Entity obtains control over the subsidiary and ceases when the Entity loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Entity gains control until the date when the Entity ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to align their accounting policies in accordance with the accounting policies of the Entity.

All intercompany balances, operations, cash flows have been eliminated in the consolidation.

Non-controlling holdings in subsidiaries are identified separately from the Entity's capital in them. The interests of non-controlling shareholders who are current proprietary interests that entitle their holders to a proportional share of the net assets at the time of liquidation, they can be measured initially at fair value measurement the time or at the proportional portion of the non-controlling parts of fair value measurement the storage device in the identifiable network of the purchased. The measurement choice is made on a scan-by-scan basis. Other non-controlling shares are initially measured at your Fair Value Measurement unit. After the acquisition, the book value of non-controlling interests is the amount of those holdings in the initial recognition plus the share of non-controlling interests in subsequent capital changes. Total end-to-end results are attributed to non-controlling holdings even if this results in non-controlling holdings having a negative balance.

The results of each component of other integral results are attributed to the shareholders of the Entity and to non-controlling interests. The total of the subsidiaries' full income statements are attributed to the shareholders of the Entity and to non-controlling interests, even if this results in a deficit in non-controlling interests.

Changes in the entity's holdings in existing subsidiaries

Changes in investments in the subsidiaries of the Entity that do not result in a loss of control are recorded as Class of Transactions a capital store. The book value of the Entity's non-controlling investments and holdings is adjusted to reflect changes in the corresponding investments in subsidiaries. Any difference between the amount by which the non-controlling shares are adjusted and the Fair Value Measurement unit of the compensation paid or received is recognized directly in the holding capital and is attributed to the owners of the Entity.

When the Entity loses control of a subsidiary, the gain or loss in the disposition is calculated as the difference between (i) the sum of Fair Value Measurement the price point received and Fair Value Measurement the time point of any retained interest and (ii) the previous book value of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognized in other items of the integral result relating to the subsidiary are recorded in the same manner as established in the case of the availability of the relevant assets or liabilities (i.e. They are reclassified to results or transferred directly to other equity items as specified/permitted by IFRS) The time stamp of any investment held in the subsidiary on the date of loss of control is considered as the initial recognition time stamp, as per IAS 39 or, where applicable, Fair Value Measurement Fair Value Measurement the cost of initial recognition of an investment in a joint venture or associate.

Consolidation deleted Class of Transactions

Subsidiary companies are entities controlled by Médica Sur and are included in the consolidated financial statements of Médica Sur from the date control begins and until the date control ends. The operations and operations between the Group's entities, as well as unrealized profits and losses, have been eliminated in the preparation of the consolidated financial statements. Account Balances The participation of Médica Sur in the equity capital of its main subsidiaries as of December 31, 2022, 2021 and 2020 is shown below:

Company	Participation rate 2022	Participation rate 2021 and 2020	Main activity
Inmobiliaria Médica Sur, S. A. de C. V..	99%	99%	Construction of spaces and clinics to provide health services. It is the controller of 99% of the shares of Servicios Hoteleros MS, S.A. de C. V.

Company	Participation rate 2022	Participation rate 2021	Participation rate e 2020	Main Activity
Corporación de Atención Médica, S.A. de C.V. (3)	-	99%	99%	Clinical analysis delivery.
Santa Teresa Institución Gineco Obstétrica, S.A. de C.V.	99%	99%	99%	Provision of medical services to women.
Gestión Directiva MSB, S.A. de C.V.	99%	99%	99%	Provision of executive services of Médica Sur
Servicios Hoteleros MS, S.A. de C.V.	99%	99%	99%	Provision of hotel services to Médica Sur and subsidiaries.
Servicios MSB, S.A. de C. V. (1)	-	-	99%	Provision of administrative services to Médica Sur and subsidiaries.
Servicios de Operación Hospitalaria MS, S.A. de C.V. (1)	-	-	99%	Provision of administrative services to Médica Sur and subsidiaries.
Laboratorios Médica Sur, S. A. de C. V. (2	-	-	99%	Company holding 80% of the shares of Laboratorio Medico Polanco, S.A. de C.V. and other entities.
Servicios de Administración Hospitalaria, S.A. de C.V. (1)	-	-	99%	Provision of administrative services to Médica Sur and subsidiaries.
Servicios Administrativos MSB, S.A. de C.V. (1)	-	-	90%	Provision of administrative services to Médica Sur and subsidiaries.
Servicios Aidcare MS, S.A. de C.V. (1)	-	-	51%	Provision of technological services of Médica Sur

1. Companies merged into Inmobiliaria Médica Sur, S.A. de C.V. on December 1, 2021
2. Sale of shares on 1 November 2021
3. Sale of shares on April 1, 2022

e. ***Financial instruments***

Financial assets and liabilities are recognized when the Entity becomes a part of the contractual provisions of the instruments.

Financial assets and liabilities are initially valued at Fair Value Measurement their market.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and liabilities (other than Fair Value Measurement the financial assets to a point of return) are added to or reduced from Fair Value Measurement the point of view of financial assets and liabilities, if applicable, at initial recognition. Transaction costs directly attributable to the acquisition of financial assets and liabilities to your Fair Value Measurement trading company with changes in results are immediately recognized in results.

f. ***Financial assets***

All regular purchases or sales of financial assets are recognized and given as Derecognition a trading date. Regular purchases or sales are purchases or sales of financial assets that require the delivery of assets within the time established by the regulation or normal market practices.

All recognized financial assets are then measured in full, either at amortized cost or Fair Value Measurement at a time-based basis, according to Presentation and Disclosure the financial assets.

Financial Assets Presentation and Disclosure

Debt instruments that meet the following conditionals are subsequently measured at amortized cost:

- Whether the financial asset is maintained in a business model whose objective is to maintain financial assets in order to obtain contractual cash flows; and
- The contractual terms of the financial asset result on specific dates to statement of cash flows the trading system that are only principal and interest payments on the principal amount.

i. Amortized cost and effective interest method

The effective interest method is a method for calculating the amortized cost of a debt instrument and for allocating interest income during the relevant period.

For financial assets that were not purchased or originated by impaired credit-based financial assets (for example, assets that have impaired credit-based units on initial recognition), the effective interest rate is the rate that accurately discounts expected future cash inflows (including all fees and points paid or received that are an integral part of the effective interest rate, transaction costs, and other premiums or discounts) excluding expected credit losses, over the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross book amount of the debt instrument at initial recognition. For impaired credit-priced financial assets purchased or originated, a credit-adjusted effective interest rate is calculated by discounting the cash flows of estimated future time-markets, including expected credit losses, to the amortized cost of the debt instrument at initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus principal refunds, plus Amortization the accumulated value using the effective interest method of any difference between that initial amount and the maturity amount. adjusted for any loss. The gross book value of a financial asset is the amortized cost of a financial asset before adjusting any loss provision.

Interest income is recognized using the effective interest effect for debt instruments subsequently measured at amortized cost and at Fair Value Measurement time through other comprehensive results. For purchased or originated financial assets other than impaired credit-bound financial assets, interest income is calculated by applying the effective interest rate to the gross book value of a financial asset, except for financial assets that have subsequently suffered impairment of credit (see below). For financial assets that have subsequently deteriorated credit, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset. If, in subsequent reporting periods, credit risk with impairment improves, so that the financial asset no longer has impairment a credit unit, interest income is recognized by applying the effective interest rate to the gross book value of the financial asset.

For financial assets acquired or originated with impairment a credit holding, the Entity recognizes interest income by applying the effective interest rate adjusted by credit to the amortized cost of the financial asset from its initial recognition. The calculation does not return to the gross base, even if the credit risk of the financial asset subsequently improves, so that the financial asset no longer has impairment a credit-point.

Interest income is recognized by income (profit/loss) and is included in the concept “interest income”.



Financial Assets impairment

The Entity recognizes a provision for expected credit loss losses in investments in debt instruments that are measured at amortized cost or in Fair Value Measurement terms of other end-to-end results, Accounts receivable tenancy, Accounts receivable commercial terms and contractual assets. The amount of expected credit losses is updated on each reporting date to reflect changes in credit risk since the initial recognition of the respective financial instrument.

The Entity recognizes expected lifetime credit losses for Accounts receivable commercial stores, contractual assets and Accounts receivable leasing. Expected credit losses on these financial assets are estimated using a provision matrix based on the historical credit loss experience of the Entity, adjusted by factors that are specific to debtors. general economic conditions and an assessment of both current management and forecast conditions on the reporting date, including the temporary value of money where appropriate.

For all other financial instruments, the Entity recognizes the expected credit loss for life when there has been a significant increase in credit risk since the initial recognition. However, if credit risk in the financial instrument has not increased significantly since initial recognition, the Entity measures the provision for losses for that financial instrument by an amount equal to the expected 12-month credit loss.

The expected lifetime credit loss represents the expected credit losses that will result from all possible default events over the expected useful life of a financial instrument. In contrast, the expected 12-month credit loss represents the portion of the expected lifetime loss expected to result from predetermined events in a financial instrument that are possible within 12 months of the report date.

i. Significant increase in credit risk

When assessing whether credit risk in a financial instrument has increased significantly since initial recognition, The Entity compares the risk of a breach of the financial instrument on the reporting date with the risk of a breach of the financial instrument on the start date. In conducting this assessment, the Entity considers both quantitative and qualitative information that is reasonable and grounded, including historical experience and prospective information that is available at no cost or unnecessary effort. The prospective information considered includes the future prospects of the industries in which debtors of the Entity operate, obtained from reports of economic experts, financial analysts, government agencies, relevant expert groups and other similar organizations, As well as consideration of various external sources of actual information and projected economic information related to the central operations of the Entity.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- A significant impairment existing or expected unit of measure in the external (if any) or internal rating of the financial instrument;
- Significant amount in external market indicators of credit risk for a specific financial instrument, for example, a significant increase in the credit differential, credit default, swap of noncompliance credit for the debtor or the period of time or scope at which fair value of a financial asset is priced less than its amortized cost;
- Adverse changes existing or expected in economic, financial or business conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligation;
- A significant impairment current or expected time-in-time in the debtor's operating results;

- Significant increases in credit risk in other financial instruments of the same debtor;
- An existing or expected adverse change in the debtor's regulatory, economic, or technological conditions resulting in a significant decrease in the debtor's ability to meet its obligations.

Regardless of the outcome of the previous assessment, the Entity assumes that credit risk in a financial asset has increased significantly since initial recognition when contractual payments are due more than 30 days. Unless the Entity has reasonable and reliable information that proves otherwise.

Despite the above, the Entity assumes that credit risk in a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk on the reporting date. A financial instrument is determined to have a low credit risk if:

1. The financial instrument has a low risk of non-compliance.
2. The debtor has a notorious capacity to fulfill its obligations of short-term contractual cash flows, and
3. Adverse changes in long-term economic and business conditions may reduce the ability of the debtor to meet its contractual cash obligations, but it will not necessarily happen.

The Entity considers that a financial asset has low credit risk when the asset has an external credit rating of "investment grade" according to the globally accepted definition, or if there is no external rating available, the asset has an internal rating of "realizable." Realizable means that the counterparty has a strong financial position and there are no past amounts outstanding.

The Entity regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and reviews them as appropriate to ensure that the criteria are able to identify a significant increase in credit risk before the amount has been raised expired.

ii. Definition of non-compliance

The Entity considers the following to be a default event for internal credit risk management purposes, as historical experience indicates that financial assets are not recoverable when they meet any of the following criteria:

- When the debtor violates financial agreements;
- Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Entity, in full (without regard to any collateral held by the Entity).

Regardless of the above analysis, the Entity considers that the default has occurred when a financial asset is more than 90 days overdue, unless the Entity has reasonable and reliable information to demonstrate that a more overdue default criterion is more appropriate.

iii. Financial assets with credit impairment

A financial asset has credit impairment when one or more events have had a detrimental impact on cash flows of the estimated future time-markets of that financial asset. Evidence that a financial asset has credit impairment includes observable data on the following events:

a. Significant financial difficulty on the part of the issuer or debtor;
b. Breach of a contract, such as a breach or overdue event (see (ii) above);
c. The debtor's lenders, for financial or contractual reasons related to the debtor's financial difficulty, grant the debtor a concession that the lenders would not otherwise consider;
d. The debtor is increasingly likely to go bankrupt or some other financial reorganization; or
e. The extinction of a functional market for the financial asset because of its financial difficulties.

iv. Termination policy

The Entity gives a Derecognition financial asset when there is information indicating that the debtor is in a serious financial difficulty and there is no realistic prospect of recovery, for example, when the debtor has been placed in liquidation or entered a bankruptcy process. or in the case of accounts receivable commercial stores, when the amounts expire more than two years, whichever comes first. The financial assets given from Derecognition the GASs may still be subject to compliance activities under the Entity's recovery procedures, taking into account legal advice where appropriate. Any recovery performed is recognized in Results.

v. Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, the loss given default (i.e., the extent of loss if there is a default), and the exposure to default. The assessment of probability of default and loss given by default is based on historical data adjusted for prospective information as described above. As for exposure to default, for financial assets, this is represented by the gross book value of assets at the reporting date.

For financial assets, the expected credit loss is estimated to be the difference between all cash flows of the contractual terms owed to the Entity under the contract and all cash flows of the terms the Entity expects to receive, discounted at the original effective interest rate. For a receivable lease, cash flows of the terms used to determine expected credit losses are consistent with cash flows of the terms used in the measurement of the receivable lease in accordance with IFRS 16, Leases.

If the Entity measured the loss provision for a financial instrument by an amount equal to the expected lifetime credit loss in the previous reporting period, But it determines at Presentation the current time that the conditions for the expected lifetime credit loss are no longer met, the Entity measures the loss margin by an amount equal to the expected 12-month credit loss on the current reporting date. except for assets for which the simplified approach was used.

The Entity recognizes a loss in the outcome of all financial instruments with an adjustment corresponding to their book value through a loss provision account. Except investments in debt instruments measured in Fair Value Measurement terms of time-of-use through other end-to-end results, for which provision is recognized for losses in other end-to-end results and accumulated in the investment revaluation reserve, and it does not reduce the amount of the financial asset in the financial statement.

Financial Assets Derecognition

The Entity gives a Derecognition financial asset only when the contractual rights of cash flows of the assets' assets expire, or when it transfers the financial asset and substantially all the risks and benefits of ownership of the asset to another Entity. If the Entity does not substantially transfer or retain all risks and benefits of ownership and continues to control the transferred asset, the Entity recognizes its retained interest in the asset and an associated liability for the amounts it must pay. If the Entity substantially retains all the risks and benefits of ownership of a transferred financial asset, the Entity continues to recognize the financial asset and also recognizes a loan guaranteed by the income received.

When trading Derecognition a financial asset measured at amortized cost, the difference between the book value of the asset and the sum of the received and receivable compensation is recognized in results. In addition, when an Derecognition investment in a debt instrument classified as Fair Value Measurement a unit through other end-to-end results occurs, the accumulated profit or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss. In contrast, in Derecognition the holding of an investment in a capital instrument that the Entity chose in the initial recognition to measure in Fair Value Measurement time-of-business through other end-to-end results, the previously accumulated gain or loss in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to accumulated profit (deficit).

g. ***Cash and cash equivalents***

Cash and cash equivalents consist of cash-available legal tender currency, bank deposits and all those high liquidity investments that are due within three months of their acquisition date. Cash is presented at nominal value and cash equivalents are recognized at your Fair Value Measurement time-based market; changes to Fair Value Measurement the market are recognized in the consolidated statement of integral results.

Temporary investments consist of investments in short-term securities, including without limitation debt with maturity no more than three months from its date of acquisition. Temporary investments are measured at your Fair Value Measurement time with changes in Fair Value Measurement the time-bound market that are recognized in financial income in the consolidated statement of integral results.

h. ***Inventories and cost of services***

Inventories are valued at the lowest between acquisition cost and net realization value. The cost is determined by the acquisition cost method. For the allocation of unit cost for inventories, the first input first output formula is used.

The cost of services includes the cost of medical materials and supplies at the time of sale, increased, where appropriate, by reductions in the net value of carrying out medical materials and supplies during the year. Net realization value is the estimated selling price in the normal course of operations, less the estimated completion costs and selling costs.

i. ***Advance payments***

They include mainly advances for the purchase of inventories, improvements to leased premises and services received within twelve months of the date of the consolidated financial position statement and during the normal course of operations

j. ***Assets held for sale***

Current assets, or groups of assets for disposal, are classified as held for sale as part of the current asset, if it is highly likely that they will be recovered primarily through sale and not through continuous use.

These assets, or groups held for sale, are measured at the lowest value between their book amount and their Fair Value Measurement retail price minus selling costs.

When assets have been classified as held for sale, depreciation is suspended for property, furniture and equipment, as well as intangible assets.

k. ***Property, furniture, equipment and improvements to leased premises***

1.1.1. Recognition and measurement

Items of property, furniture, equipment and improvements to leased premises are valued at the acquisition cost, less their accumulated depreciation and Impairment loss accumulated time-based. Assets acquired through business acquisition are registered to Fair Value Measurement the company.

The cost includes expenses that are directly attributable to the acquisition of the asset. Acquired computer programs that are an integral part of the functionality of the corresponding fixed asset are capitalized as part of that equipment.

When parts of a set of buildings, furniture, equipment, and leased premises improvements have different useful lives, they are recorded as separate components (major components).

The gains and losses from the sale of property, furniture, equipment and improvements to leased premises are determined by comparing the resources from the sale against the net value in books of property, furniture, equipment and improvements to leased premises, and are recognized net within "other expenses(income), net" in the result of the financial year.

1.1.2. Subsequent costs

The replacement cost of a property, furniture, equipment and improvements to leased premises is recognized in the book value if the future economic benefits included in that part are likely to be for the Group and their cost can be reliably determined. The book value of the replaced party is removed. Day-to-day operation and maintenance costs of leased premises, furniture, equipment, and upgrades are recognized in results as incurred.

1.1.3. Depreciation

Depreciation is calculated on the amount subject to depreciation, which corresponds to the cost of an asset, or another amount that replaces the cost, less its residual value.

Depreciation is calculated according to the straight line method based on the estimated useful life of assets and is recognized in results from the following month in which they are available for use.

The following are the average annual depreciation rates for the major asset groups:

	Fees
Buildings and constructions	1.25% to 25%
Improvements to leased premises	*
Computer equipment	15% to 30%
Medical equipment	10% to 50%
Machinery and tools	10% to 50%
Office furniture and equipment	10%
Transport equipment	20% to 25%
Surgical instruments	25%

Minor maintenance and repair costs are recorded in the results when incurred.

* Leased premises improvements are amortized during the useful period of the improvement or the term of the contract, whichever is less.



l. ***Investment properties***

Investment properties are assets held either for income or surplus value or both, but not for sale in the normal course of operations, use in the production or supply of goods or services, or for use for administrative purposes.

Investment properties are recognized initially and subsequently at their cost. The cost includes expenses that are directly attributable to the acquisition of investment property. The cost of investment property constructed by the Group includes the cost of materials and direct labor, and other directly attributable costs required to put the asset in terms of use and the costs of financing qualifying assets.

The depreciation of investment property is calculated on the amount subject to depreciation, which corresponds to its cost minus its residual value. Depreciation is recognized in results using the straight-line method according to the estimated useful life of the investment property, since this better reflects the expected consumption pattern of future economic benefits included in the asset.

The gains and losses from the sale of an investment property are determined by comparing the resources from the sale against the net book value of the investment property, and are recognized in the year's results under “Other expenses (income), net”.

m. ***Goodwill***

Goodwill arising from the acquisition of a business is recognized at the cost determined at the date of acquisition of the business minus impairment, if any.

For the purpose of assessing impairment, the goodwill value is allocated to each Cash Generating Unit (CGUs) (or groups of CGUs) of the Entity, which is expected to benefit from the synergies of the combination.

CGUs with an assigned goodwill are tested annually, or more frequently when there is evidence that the unit may be damaged.

If the UGE recoverable amount is less than its book value, The impairment is allocated first to reduce the book value of any goodwill value assigned to the unit and then to the other assets of the unit on a pro rata basis, based on the book value of each asset within the unit. Any impairment of goodwill is directly recognized in results. An impairment loss recognized in goodwill is not reversed in subsequent periods.

n. ***Intangible assets***

Intangible assets with defined life mainly include relationships with customers and software licenses. These assets are recorded at their acquisition or development cost and amortized in a straight line, if applicable.

Intangible assets with an indefinite useful life correspond to trademarks and are not depreciated.

An intangible asset is given on Derecognition a per-sale basis, or when no future economic benefits are expected from its use or disposition. Gains or losses arising from Derecognition the security of an intangible asset, measured as the difference between the net income and the book value of the asset, are recognized in returns when the asset is given as Derecognition a unit.

o. ***Impairment of recovery value of long-term assets, improvements to leased premises, properties and intangibles***

At the end of each period, the Entity reviews the book values of its tangible and intangible assets to determine whether there are indications that these assets have suffered any impairment loss.



If there is any indication, the recoverable amount of the asset is calculated to determine the extent of the impairment share (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the GU to which the asset belongs. When a reasonable and consistent basis of distribution can be identified, corporate assets are also assigned to individual GUs, or otherwise assigned to the smallest GUs for which a reasonable and consistent distribution base can be identified.

Intangible assets with an indefinite useful life or not yet available for use, are subject to tests for impairment at least every year, and provided there is an indication that the asset may have deteriorated. The recoverable amount is the greater between the fair value measurement minus the cost of selling it and the value in use.

When evaluating the value in use, estimated future prices are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the value of money over time and the specific risks of the asset for which estimates have not been adjusted the future cash flows estimations.

If the recoverable amount of an asset (or CGUs) is estimated to be less than its book value, the book value of the asset (or CGUs) is reduced to its recoverable amount. The earnings are immediately recognized in results, except if the asset is recorded at a revalued amount, in which case the loss per share should be considered as an impairment loss as a decrease in revaluation. The Entity performs impairment tests annually to identify any evidence. As at December 31, 2021, the Entity did not record any impairment of long-term assets.

Subsequently, when an impairment loss is reversed, the book value of the asset (or CGUs) is increased to the revised estimated value of its recoverable amount. In such a way that the adjusted book value does not exceed the book value that would have been determined if an impairment had not been recognized for that asset (or CGUs) in previous years. The reversal of an impairment share is immediately recognized in results unless the corresponding asset is recognized to a revalued amount, in which case the reversal of the impairment share is treated as an increase in revaluation.

p. ***Leases***

- The Entity as a lessor

  The Entity enters into lease contracts as a lessor with respect to some of the investment properties.

  Leases in which the Entity serves as a landlord are classified as financial leases or operating leases. When the terms of the contract substantially transfer all risks and benefits from the property to the tenant, the contract is classified as a financial lease. All other contracts are classified as operational contracts.

  When the Entity is an intermediate lessor, it accounts for the primary lease and the sublease as two separate contracts. The sublease is classified as a financial lease or operating lease in reference to the asset for use rights originating from the primary lease.

  Income from operating leases is recognized in a straight line through the relevant lease term. The direct initial costs incurred in the negotiation and settlement of the operating lease are added to the book value of the leased asset and are recognized in a straight line throughout the lease term.

  Outstanding amounts of financial leases are recognized as leases receivable for the amount of net investment in leases. Financial lease income is allocated to accounting periods in a manner that reflects a constant periodic rate of return on net unreal investment in respect of leases.

  When a contract includes both lease and non-lease components, the Entity applies IFRS 15 to allocate the corresponding compensation for each component under the contract.

- The Entity as a lessee,

The Entity evaluates whether a contract contains a lease at its source. The Entity recognizes an asset for use rights and a corresponding lease liability in respect of all lease contracts in which it is a tenant, with the exception of short-term leases (term of 12 months or less) and low-value assets (such as electronic tablets, personal computers and small office furniture and telephones). For these leases, the Entity recognizes rent payments as an operating expense under the straight-line method throughout the lease term.

The lease liability is initially measured at the present value of rent payments not paid on the start date, discounted by the rate implied in the contract. If this rate cannot be easily determined, the Entity uses incremental rates.

The rent payments included in the measurement of the lease liability consist of:

- Fixed income payments (including fixed payments in substance), less any lease incentives received;
- Variable income payments dependent on an index or rate, initially measured using the index or rate at the start date;
- The amount expected to be paid by the tenant under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Penalty payments resulting from termination of the lease, if the lease period reflects the exercise of a lease termination option.

The lease liability is presented as a separate concept in the consolidated statement of financial position.

The lease liability is subsequently measured with the increase in the book value to reflect interest earned on the lease liability (using the effective interest method) and by reducing the book value to reflect the rent payments made.

The Entity revalues the lease liability (and makes the adjustment for the asset for related right of use assets) provided that:

- The lease term is modified or there is a significant event or change in the circumstances of the lease resulting in a change in the evaluation of the purchase option exercise, in which case the lease liability is measured by discounting the updated rent payments using an updated discount rate.
- Rent payments are modified as a result of changes in indexes or rates or a change in the expected payment under a guaranteed residual value, in which cases the lease liability is revalued by discounting the updated rent payments using the same discount rate (unless the change in income payments is due to a change in a variable interest rate, in which case an updated discount rate is used.)
- A lease is amended and the lease modification is not counted as a separate lease, in which case the lease liability is revalued based on the modified lease term, discount rent payments updated using a discount rate updated to the effective date of the modification.

The Entity did not make any of the adjustments mentioned in the periods presented.

Use rights assets consist of the initial measurement of the corresponding lease liability, rent payments made on or before the start date, less any lease incentives received and any direct down costs. The subsequent valuation is the cost minus accumulated and Impairment loss aggregate depreciation.

If the Entity incurs a costed obligation to dismantle and remove a leased asset, to restore the place in which it is located, or to restore the underlying asset to the condition required by the terms and conditions of the lease, A provision measured under IAS 37 must be recognized. To the extent that costs relate to an asset for use rights, costs are included in the asset for related use rights, unless such costs are incurred to generate inventories.



Use rights assets are depreciated over the shortest period between the lease period and the life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the asset for use rights reflects that the Entity plans to exercise a purchase option, the asset for use rights will be depreciated over the useful life. Depreciation begins on the lease start date.

Use rights assets are presented as a separate concept in the consolidated statement of financial position.

The Entity applies IAS 36 to determine if a right of use asset is impaired and accounts for any impairment as described in the "Properties, furniture, equipment and improvements to leased premises" policy.

Leases with variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the asset for use rights. Related payments are recognized as an expense in the period in which the event or condition that triggers the payments occurs and are included in the concept of "other expenses (income), net" in the consolidated statement of results.

As a practical matter, IFRS 16-point feature allows non-lease components not to be separated and any leases and their associated non-lease components to be accounted for as a single agreement instead. The Entity has not used this practice file. For contracts that contain lease components and one or more additional lease or non-lease components, The Entity assigns the consideration of the contract to each lease component under the method of the relative selling price independent of the lease component and relative selling price independent added for all non-lease components.

Leased property lessors require equivalent 1 to 2-month rental security deposits. These deposits are classified as non-circulating.

During the beginning of the COVID19 pandemic, the Entity made deferrals of income payments to offices for one quarter, with no effect on results.

q. ***Currency-based Class of Transactions***

The Entity prepares its financial statements using the national currency of the United Mexican States as its functional currency. Foreign currency-based currencies are recorded at the exchange rate in effect on the date on which these are held. Class of Transactions Class of Transactions Monetary assets and liabilities in foreign currency are valued in domestic currency at the exchange rate. These exchange rate fluctuations are recorded in the outcome of the period as part of the financial cost.

Foreign currency transactions are converted to the respective functional currencies of the Group's entities at the exchange rate in effect on the dates of the transactions. Monetary assets and liabilities denominated in foreign currency as of the date of the report are converted to the functional currency at the rate of exchange on that date. The exchange rate differences resulting from this conversion are recognized in results. Non-monetary items that are measured in terms of historical cost in a foreign currency are converted using the exchange rate at the transaction date.

r. ***Accrued expenses***

The Group recognizes accumulated expenses for those obligations present in which the transfer of assets or the provision of services are virtually inescapable and arises as a result of past events, mainly by bonds, electric power, administrative services, fees, among others, which, because of their small importance, are recognized in the accumulated tax and expense account.

s. ***Employee benefits***

Employee benefits for termination, retirement, and other benefits

Contributions to defined contribution retirement benefit plans are recognized as expenses at the time employees have provided the services that entitle them to contributions.



The defined benefit plan includes retirement. The other benefits correspond to the legal seniority premium in Mexico. Its cost is determined using the projected unit credit method, with actuarial valuations performed at the end of each reporting period.

Remeasurements, including actuarial gains and losses, the effect of changes on the asset floor and the return of the asset plan (excluding interest), it is immediately reflected in the consolidated statement of the financial position with charge or credit that is recognized in the other items of integral result in the period in which they occur.

Remeasurements recognized in the other end-to-end items are immediately reflected in accumulated profits and are not reclassified to results. Past service costs are recognized in results in the plan modification period. Net interest is calculated by applying the discount rate at the beginning of the period of the obligation to the asset or liability for defined benefits.

The Entity does not have share-based payment a IFRS 2-time-based, share-based payment system.

Short-term employee benefits

An employee benefit liability is recognized with respect to wages and salaries in the period of service in which it is rendered for the non-discounted amount of benefits expected to be paid for that service.

Liabilities recognized for short-term employee benefits are valued at the undiscounted amount for benefits expected to be paid for that service.

Participation of workers in profits (PTU)

The OCT is recorded in the results of the year in which it is produced and presented under the heading "Other expenditure (income), net" in the consolidated statement of results.

As a result of the Income Tax Act of 2014, as of December 31, 2022, 2021 and 2020, the OCT is determined on the basis of tax revenue in accordance with Section 9, Part I, of the same Act.

t. ***Income taxes***

Income tax expenditure represents the sum of the income taxes caused and deferred income taxes.

1. Current income tax

   The current calculated tax corresponds to income tax (ISR) and is recorded in the results of the year in which it is caused.

   The tax caused is payable on the taxable basis of the year. Taxable income differs from net income as reported in profit or loss because it excludes income or expense components that are cumulative or deductible in other years and excludes components that have never been cumulative or deductible. The Entity's liabilities for the taxes caused are calculated using the tax rates that have been decreed at the end of the reporting period.

   A provision is recognized for those reasons where tax determination is uncertain, but it is considered likely that there will be a future outflow of funds to a tax authority. Provisions are valued at the best amount expected to become payable. The evaluation is based on the judgment of experts in the prosecutor supported by the Entity's previous experience in such activities and in some cases based on the consultation of an independent tax specialist.



2. Deferred income taxes

Deferred income taxes are recognized on the temporary differences between the book value of assets and liabilities included in the financial statements and the corresponding tax bases used to determine the fiscal outcome, the rate corresponding to these differences and, where appropriate, includes the benefits of tax losses to be amortized and some tax credits. Deferred income tax assets or liabilities are generally recognized for all temporary tax differences. A deferred tax asset will be recognized, for all deductible temporary differences, to the extent that the Entity is likely to have future tax benefits against which it can apply such deductible temporary differences. These assets and liabilities are not recognized if the temporary differences arise from the surplus value or initial recognition (other than Business combination that of the common currency) of other assets and liabilities in a transaction that does not affect the fiscal or accounting results.

A deferred tax liability is recognized for taxable temporary differences associated with investments in subsidiaries and associates, and joint ventures. Except when the Entity is able to control the reversal of the time difference and when it is likely that the time difference will not be reversed in the foreseeable future. The GTAs arising from the temporary differences associated with such investments and holdings are recognized only to the extent that it is likely that there will be sufficient future tax profits against which these temporary differences are used and are expected to be reversed by a. Deferred tax assets near future.

The book value of a deferred tax asset must be reviewed at the end of each reporting period and reduced to the extent that it is deemed likely that there will be insufficient taxable profits to allow the full or one to be recovered part of the asset.

Deferred taxes are calculated at the rate that is expected to be in effect in the period in which the deferred tax liability or asset will be performed based on laws and fees that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are valued using the tax rates that are expected to be applied in the period in which the liability is paid or the asset is realized, based on rates (and tax laws) that have been approved or substantially approved at the end of the reporting period.

The valuation of liabilities and Deferred tax assets liabilities reflects the tax consequences that would result from the way the Entity expects, at the end of the reporting period, to recover or liquidate the book value of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is an enforceable legal right to offset current tax assets against current tax liabilities and when they relate to income taxes collected by the same tax authority and the Entity has the intent to liquidate your current tax assets and liabilities on a net basis.

3. Tax caused and deferred

The taxes caused and deferred are recognized in results, except when they relate to items that are recognized outside the results, either in the other integral results or directly in the holding capital.

When they arise from the initial recognition of Business combination a single-point, the tax effect is included within the recognition of Business combination the single-point.

u. ***Provisions***

Provisions are recognized when the Entity has a present obligation (whether legal or assumed) as a result of a past event, the Entity is likely to have to settle the obligation, and a reliable estimate of the amount of the obligation can be made.



The amount recognized as a provision is the best estimate of the disbursement necessary to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

When a provision is valued using the estimated cash flows terms to liquidate the present obligation, its book value represents the present value of those cash flows.

When some or all of the economic benefits required to settle a provision by a third party are expected to recover, a receivable is recognized as an asset if it is virtually true that the disbursement will be received and the amount of the receivable can be reliably valued. Provisions are classified as circulating or non-circulating based on the estimated time period for meeting the obligations they cover.

Significant contingent-related obligations or losses are recognized when their effects are likely to materialize and reasonable elements exist for quantification. If these reasonable elements do not exist, their qualitative disclosure is included in the notes to the consolidated financial statements. Contingent income, profits or assets are recognized until such time as there is certainty of their realization.

v. ***Financial liabilities and capital instruments***

i.1. Time-based as debt or equity Presentation and Disclosure

Debt and/or capital instruments are classified as financial liabilities or capital in accordance with the substance of the contractual agreement and the definitions of liabilities and capital.

i.2. Financial liabilities

Financial liabilities are classified as financial liabilities to Fair Value Measurement a market with changes through results or as other financial liabilities.

i.3. Other financial liabilities

Other financial liabilities (including loans and Accounts payable equity) are subsequently valued at amortized cost using the effective interest rate method.

i.4. Financial liabilities

The Entity gives financial Derecognition liabilities on a market basis if, and only if, the Entity's obligations are met, canceled or expired. The difference between the book value of Derecognition the given financial liability of the market and the compensation paid and payable is recognized in results

w. ***Revenue from customer contracts***

Revenue is measured based on the obligation to fulfill specified in a contract with a customer. The Entity recognizes revenue when it transfers control over goods or services to the customer.

The following table provides information on the nature and opportunity of fulfilling obligations to fulfill in customer contracts, including significant payment terms and corresponding revenue recognition policies:

Type of product/service	Nature and opportunity of fulfilling obligations to fulfill, including significant terms of payment	Revenue recognition Policy
Service contracts	Admissions for hospital and diagnostic services and clinics. The customer receives the service according to their needs at the hospital facilities or laboratory facilities.	Service revenues are generally recognized over time as they are lent.
Sale of goods (medicines)	The client obtains control of the drugs when the products are delivered and accepted in accordance or when they are administered to patients within the hospital.	Proceeds related to the sale of drugs are recognized when they have been delivered and accepted by the customer.

Type of product/service	Nature and opportunity of fulfilling obligations to fulfill, including significant terms of payment	Revenue Recognition Policy
Rental income	The client obtains the benefit of the temporary use and enjoyment of the offices as it is passed over time.	Income is recognized as the lease period is due under the corresponding contract.

Revenue is calculated at Fair Value Measurement the time of the compensation collected or receivable, taking into account the estimated amount of discounts, rebates and other similar items. In the case of applicable discounts, it is specified in which cases and amounts credit notes may be made by volume and/or amounts of the consideration.

x. ***Income and financial costs***

Financial income includes interest income on invested funds and foreign exchange earnings. Interest income is recognized in income as it accrues, using the effective interest method.

Financial costs include interest expenses on debt, commissions and exchange losses. Loan costs are recognized in results using the cash interest method.

Exchange gains and losses are reported on a net basis in the consolidated statement of income and other comprehensive results.

y. ***Segment information***

Médica Sur reports segment information in accordance with IFRS 8 “Segment Information” since the General Administration of the Group includes items attributable to a segment, as well as items that may be identifiable and hosted on a reasonable basis.

z. ***Earnings per share***

The Group presents information on the basic profit-per-share (UPA) for its Common Stock. The basic UPA is calculated by dividing the profit or loss attributable to the Common Stock Group's stockholders by the weighted average number of Common Stock the market shares in circulation during the period, adjusted for the own shares held.



4. Critical accounting judgments and key sources for estimating uncertainties

In the application of the accounting policies of the entity, which are described in Note 3, the Administration is required to make judgments, estimates and assumptions on the book values of assets and liabilities in the consolidated financial statements. Relative estimates and assumptions are based on experience and other factors considered relevant. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on a regular basis. Modifications to the accounting estimates are recognized in the period in which the modification is made and future periods if the modification affects both the current and subsequent periods.

a. ***Critical judgments in implementing accounting policies***

Critical judgments, other than those involving estimates, made by the Administration during the process of implementing the accounting policies of the Entity and having a significant effect on the consolidated financial statements, are presented below.

- *Judgment on discontinued operation*

  The management of the Entity considered the details to carry out the transaction on the sale of 100% of the shares representing the share capital of Laboratorio Medico Polanco, S.A. de C.V. ("LMP"), According to IFRS 5 "Assets held for sale", the transaction described it as a discontinued operation. The Entity recorded after-tax gain as base price plus or minus labor capital variance, plus or minus the net financial position at the close of the transaction,

- Judgments in determining the time of fulfillment of the performance obligation.

  In making its judgments, the Entity's Administration considered the details for the recognition of income under IFRS 15, in particular, whether the Entity has transferred control of the goods to the clients. The Administration is satisfied that control has been transferred and that recognition of income in the current year is appropriate.

  Significant increase in credit risk

  As explained in Note 6, the expected credit loss is measured in an allocation equal to 12 months of the total expected loss for Stage 1 assets and the total life of the total expected loss for Stage 2 or 3 assets. An asset is switched to stage 2 when credit risk has increased significantly since the initial recognition. The 9-time-order does not define what constitutes a significant increase in risk credit. IFRS To consider whether the risk credit has significantly increased the Entity takes into consideration quantitative and qualitative prospective information.

- Business model assessment

  The measurement and evaluation of financial assets depends on the outcome and testing of the business model (see Financial Assets Sections in Note 3). Presentation and Disclosure The entity determines the business model at a level that reflects when financial asset groups are managed together to achieve a particular goal. This task includes judgments that reflect all relevant evidence including how the performance of assets is assessed and their measured performance, the risks that affect the performance of assets and how assets are managed, and how asset managers are compensated. The Entity monitors the financial assets assessed at amortized cost and Fair Value Measurement at the time of other comprehensive results that were given from Derecognition the unit prior to maturation. to understand the reason for your derecognition market and whether the reasons are consistent with the purpose of the business for which assets are maintained. Monitoring is part of the Entity's ongoing assessment of whether the business model for the remaining financial assets is appropriate and whether it is not appropriate if there has been a change in the business model and a prospective change should be made to those assets. These changes were not necessary during the periods presented.



- The discount rate used to determine the book value of the Entity's profit liability

  The Entity's defined benefit obligation is counted at a rate set at government bond-based rates at the end of the reporting period. The Professional judgment use of the GTS is required when establishing criteria to conclude that bonds are the best indicator on which the yield curve derives compared to the term of the obligation.

b. ***Key sources of uncertainty in estimates***

The key assumptions regarding the future and other key sources of uncertainty in the end-of-period estimates are discussed below, which have a significant risk of resulting in significant adjustments in the book values of assets and liabilities over the coming year.

- Impairment of long-term assets

  When performing impairment tests on assets with cash flows projections, the Entity requires estimates of the value in use assigned to its properties, plant and equipment. and to the cash generating units and an appropriate discount rate to calculate the present value. The Entity has registered long-term assets related to the Clinical Diagnosis segment, in which it has identified two cash generating units (CGU) considering financial and operational performance indicators for each of them, Each year, impairment tests is carried out in accordance with the guidelines of International Accounting Standard 36, “Impairment of assets”, in which discounted future flows are calculated and compared to net book value to determine whether the value of these assets has deteriorated. We identify the risk that the assumptions used by the Administration to calculate future cash flows are unreasonable based on current and foreseeable conditions in the future.

- Inventory obsolescence estimation

  If losses of inventory value will occur in the Entity's operations process, there are ongoing procedures such as revisions, verifications, relocations that allow materials with these problems to be identified with opportunity, resulting in corrections to their valuation through estimates or cancellations. Previous studies carried out by technical specialists in collaboration with the management of the Entity, with these analyzes the inventory reserve is evaluated.

- Restore ability of Deferred tax assets the system

  As mentioned in Note 21, the Entity recognizes an asset for deferred ISR derived from the tax losses pending amortization of those subsidiary entities that generated the individual tax losses. The Entity analyzes the probability of recovery of this asset by deferred SRI and, where appropriate, recognizes a reserve for probable irrecoverability to the extent that it is likely.

- Labor obligation discount rate

  The Entity's defined benefit obligation is discounted at a rate set in government bond rates at the end of the reporting period. Professional judgment is required to establishing criteria for bonds to be included over the population from which the yield curve is derived. The most important criteria considered for bond selection include the bonds term, compared to the obligation term.

- Testing impairment for right of use assets

  In estimating the recoverability value for right of use assets, management has made assumptions about current market rates for similar properties and similar lease periods.

- Provisions

  The Entity periodically evaluates the estimates of its segment provisions. These provisions are based on the assessment of market prices and service costs in each of the segments. The Entity monthly updates its provision estimates.



5. Transactions that do not result in the use of cash.

As of December 31, 2022, 2021 and 2020 there are payable dividends for $136,018,937, $17,879,238 and $13,687,442, respectively.

6. Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents include cash and banks and investments in instruments in the money market, net of bank overdrafts. Cash and cash equivalents at the end of the period as shown in the statement of cash flows can be reconciled with related items in the consolidated statement of financial position as follows:

	2022	2021	2020
Cash	$ 215,496	$ 322,405	$ 920,119
Cash in banks	153,808,585	211,992,534	107,274,564
Temporary investments	1,067,371,849	3,319,506,760	464,649,367
	$ 1,221,395,930	$ 3,531,821,699	$ 572,844,050

The maturity of the investments is less than three months and the objective of them is to maximize the returns on the Groups' cash surplus.

7. Accounts receivable

	2022	2021	2020
Customers	$ 380,178,845	$ 473,711,340	$ 636,672,342
Allowance for doubtful accounts	(84,653,138)	(34,318,299)	(44,198,341)
	$ 295,525,707	$ 439,393,041	$ 592,474,001

The average credit term on the sale of services with customers and insurers is 30 days.

Before accepting any new customer, the Entity evaluates the potential customer's credit quality and defines credit limits by customer.

The Entity has recognized an estimate for doubtful accounts of 18.96% of all accounts receivable with maturity over 120-day or older, because in the Entity's experience, accounts receivable over 120-day are not recovered. For a accounts receivable aged between 60 and 120 days, an estimate for doubtful receivables is recognized based on unrecoverable amounts determined by the experiences of non-recoverable accounts and an analysis of the counterpart current financial position.

There has been no change in the estimation of techniques or assumptions made during the period.

The following table details the risk profile of accounts receivable based on the Entity's provisions matrix. Since historical credit loss experience indicates that there are no significant differences in loss patterns for different customer segments, the estimate of write-off accounts is based on the debt maturity status without distinguishing between the Entity's customer bases.

2022	Not expired	<30	31 – 60	61 - 90	91 – 120	>120	Total
			Due days accounts receivable				
Expected credit loss rate	0.03%	2.06%	0.56%	0.25%	0.41%	18.96%	22.27%
Gross Estimated Book Value at Default	$ 129,621	$ 7,824,865	$ 2,141,641	$ 935,775	$ 1,555,718	$ 72,065,518	$ 84,653,138

2021	Not expired	<30	31 – 60	61 - 90	91 – 120	>120	Total
			Due days accounts receivable				
Expected credit loss rate	0.01%	0.63%	0.19%	0.09%	0.13%	6.19%	7.24%
Gross Estimated Book Value at Default	$ 67,080	$ 2,999,395	$ 877,637	$ 404,847	$ 630,186	$ 29,339,154	$ 34,318,299

2020	Not expired	<30	31 – 60	61 - 90	91 – 120	>120	Total
			Due days accounts receivable				
Expected credit loss rate	0.01%	0.66%	0.18%	0.08%	0.12%	5.89%	6.94%
Gross Estimated Book Value at Default	$ 92,853	$ 4,172,621	$ 1,161,949	$ 501,840	$ 787,995	$ 37,481,083	$ 44,198,341

8. Other accounts receivable.

The other accounts receivable are integrated as follows:

	2022	2021	2020
Miscellaneous debtors	$ 2,175,610	$ 8,117,182	$ 4,948,443
Taxes to be recovered, mainly ISR	-	-	14,293,100
Documents receivable	9,499,945	8,705,008	7,210,092
Others	2,164,274	418,806	2,499,379
	$ 13,839,829	$ 17,240,996	$ 28,951,014

9. Inventories

Medication and material inventories are integrated as follows:

	2022	2021	2020
General materials warehouse	$ 81,555,099	$ 81,160,530	$ 118,531,745
Medications	53,885,143	45,616,168	36,844,904
	$ 135,440,242	$ 126,776,698	$ 155,376,649

In the financial years ended December 31, 2022, 2021 and 2020, the materials and medication recognized as cost of sales amounted to the following: $1,291,977,732, $1,244,101,502, and $1,262,051,702, respectively, which were recognized within the service costs, in the consolidated statement of results and other comprehensive results.

10. Advance payments

Advance payments were made for the acquisition of:

	2022	2021	2020
Insurance	$ 15,067,682	$ 15,159,279	$ 11,027,030
Leases	-	-	11,880,391
Advances to suppliers	3,775,698	2,732,313	29,008,652
Others	-	-	1,069,625
	$ 18,843,380	$ 17,891,592	$ 52,985,698

11. Assets classified as held for sale

	2022	2021	2020
Property – Santa Teresa (B)	$ -	$ -	$ 184,966,146
Property - CESIDEM (b)	-	-	30,648,012
	$ -	$ -	$ 215,614,158

a) The Entity intended to sell assets related to the Hospital Santa Teresa Institución Gineco Obstétrica, S.A. de C.V. The property operated until 2017 as a hospital for obstetrics gynecology, such operation was not completed in 2021, therefore, the asset classified as held for sale was reclassified to buildings, furniture and equipment, as follows:

	2022	2021	2020
Land	$ -	$ -	$ 52,969,017
Building	-	-	40,385,840
Goodwill	-	91,611,289	91,611,289
Depreciation	-	91,611,289	-
Business assets classified as held for sale	$ -	$ -	$ 184,966,146

b) The Entity had a purchase proposal for the assets related to the property called CESIDEM, such transaction was not completed as of December 31, 2021, therefore the balance is classified back to buildings, furniture and equipment.

	2022	2021	2020
Land	$ -	$ -	$ 10,409,816
Building	-	-	20,238,196
CESIDEM business assets classified as held for sale	$ -	$ -	$ 30,648,012

12. Property, furniture, equipment and improvements to leased premises

The reconciliation between book values at the beginning and end of financial years 2022, 2021 and 2020 is as follows:

Type of asset	Balances as of December 31, 2021	Additions	Disposals	Transfers	Other	Reclassifications	Other dispolsals SYNLAB	Balances as of December 31, 2022
Buildings and constructions	$ 2,166,710,719	$ (384,490)	$ (4,114,708)	$ 38,252,155	$ (198,105,976)	$ (327,085,602)	$ -	$ 1,675,272,098
Medical equipment	717,944,388	(1,052)	(241,037,642)	33,100,270	-	14,221,815	(2,034,425)	522,193,354
Machinery and tools	81,599,847	-	(28,229,303)	1,412,267	-	(25,256,391)	(73,480)	29,452,940
Office furniture and equipment	79,626,500	(1,575)	(25,488,834)	1,266,357	-	8,612,170	(1,288,228)	62,726,390
Transport equipment	3,244,865	-	(810,960)	-	-	1,799,067	-	4,232,972
Computer equipment	75,671,916	(5,612)	(13,871,857)	8,249,330	-	14,818,441	(104,714)	84,757,504
Improvements to leased premises	9,996,653	-	(2,521,425)	-	-	11,567,256	(14,013,556)	5,028,928
Total	3,134,794,888	(392,729)	(316,074,729)	82,280,379	(198,105,976)	(301,323,244)	(17,514,403)	2,383,664,186
Depreciation by asset type								
Buildings and constructions	(802,400,454)	(67,522,412)	4,632,773	-	64,068,182	1,093,797	-	(800,128,114)
Medical equipment	(496,711,147)	(53,241,272)	241,452,908	-	-	(14,732,291)	1,088,716	(322,143,086)
Machinery and tools	(62,957,019)	(2,838,871)	28,237,444	-	-	26,928,478	27,555	(10,602,413)
Office furniture and equipment	(42,744,748)	(6,308,486)	25,109,283	-	-	(10,799,381)	1,100,374	(33,642,958)
Transport equipment	(4,026,666)	(166,107)	921,396	-	-	(235,658)	-	(3,507,035)
Computer equipment	(42,512,714)	(12,770,268)	13,747,093	-	-	(14,085,941)	3,767	(55,618,063)
Improvements to leased premises	1,217,465	(292,798)	2,521,423	-	-	(18,460,525)	13,841,018	(1,173,417)
Total	(1,450,135,283)	(143,140,214)	316,622,320	-	64,068,182	(30,291,521)	16,061,430	(1,226,815,086)
Net Total	1,684,659,605	(143,532,943)	547,591	82,280,379	(134,037,794)	(331,614,765)	(1,452,973)	1,156,849,100
Construction in process	66,535,090	214,082,110	727,093	(84,648,179)	-	249,294	118,952	197,064,360
Land	763,511,907	-	-	-	-	331,439,616	-	1,094,951,523
Net investment	$ 2,514,706,602	$ 70,549,167	$ 1,274,684	$ (2,367,800)	$ (134,037,794)	$ 74,145	$ (1,334,021)	$ 2,448,864,983

Type of asset	Balances as of December 31, 2020	Additions	Disposals	Transfers	Others	LMS Derecognition	Balances as of December 31, 2021
Buildings and constructions	$ 2,040,448,910	$ -	$ -	$ 24,253,236	$ 134,283,581	$ (32,275,008)	$ 2,166,710,719
Medical equipment	1,197,150,473	26,229,935	(187,117,894)	38,593,826	270,837	(357,182,789)	717,944,388
Machinery and tools	111,132,233	-	(38,851,175)	11,943,609	-	(2,624,820)	81,599,847
Office furniture and equipment	144,765,608	5,393,190	(38,935,742)	3,608,114	-	(35,204,670)	79,626,500
Transport equipment	17,602,186	422,578	(2,473,550)	69,483	-	(12,375,832)	3,244,865
Computer equipment	396,072,704	4,114,730	(268,380,803)	4,892,257	-	(61,026,972)	75,671,916
Improvements to leased premises	196,723,548	2,258,019	(4,267,102)	-	5,028,928	(189,746,740)	9,996,653
Total	4,103,895,662	38,418,452	(540,026,266)	83,360,525	139,583,346	(690,436,831)	3,134,794,888

Type of asset	Balances as of December 31, 2020	Additions	Disposals	Transfers	Others	LMS Derecognition	Balances as of December 31, 2021
Buildings and constructions	(660,351,551)	(69,559,567)	-	-	(77,406,494)	4,917,158	(802,400,454)
Medical equipment	(833,097,811)	(80,455,759)	188,531,877	-	(2,524,698)	230,835,244	(496,711,147)
Machinery and tools	(101,823,245)	(2,251,173)	38,802,559	-	-	2,314,840	(62,957,019)
Office furniture and equipment	(97,165,307)	(10,483,056)	37,105,066	-	(99,664)	27,898,213	(42,744,748)
Transport equipment	(11,941,310)	(1,983,173)	1,999,733	-	(100,489)	7,998,573	(4,026,666)
Computer equipment	(351,068,582)	(15,491,419)	268,223,153	-	(285,559)	56,109,693	(42,512,714)
Improvements to leased premises	(111,026,975)	(18,866,420)	4,267,102	-	(1,933,764)	128,777,522	1,217,465
Total	(2,166,474,781)	(199,090,567)	538,929,490	-	(82,350,668)	458,851,243	(1,450,135,283)
Net Total	1,937,420,881	(160,672,115)	(1,096,776)	83,360,525	57,232,678	(231,585,588)	1,684,659,605
Construction in process	105,720,756	115,515,456	(39,935,973)	(83,360,525)	-	(31,404,624)	66,535,090
Land	723,244,271	-	-	-	62,072,288	(21,804,652)	763,511,907
Net investment	$ 2,766,385,908	$ (45,156,659)	$ (41,032,749)	$ -	$ 119,304,966	$ (284,794,864)	$ 2,514,706,602

Type of asset	Balances as of December 31, 2019	Additions	Disposals	Transfers	Others	Balances as of December 31, 2020
Buildings and constructions	$ 2,060,089,680	$ 12,472,911	$ (32,845,486)	$ -	$ 731,805	$ 2,040,448,910
Medical equipment	1,154,908,235	57,581,034	(15,338,796)	-	-	1,197,150,473
Machinery and tools	111,547,524	130,130	(545,421)	-	-	111,132,233
Office furniture and equipment	140,791,776	5,076,234	(1,102,402)	-	-	144,765,608
Transport equipment	21,689,044	458,144	(4,545,002)	-	-	17,602,186
Computer equipment	372,370,661	24,869,972	(1,167,929)	-	-	396,072,704
Improvements to leased premises	190,341,439	15,422,219	(9,040,110)	-	-	196,723,548
Total	$ 4,051,738,359	$ 116,010,644	$ (64,585,146)	$ -	$ 731,805	$ 4,103,895,662

Depreciation by asset type	Balances as of December 31, 2019	Additions	Disposals	Transfers	Others	Balances as of December 31, 2020
Buildings and constructions	$ (601,137,487)	$ (65,085,365)	$ 6,184,292	$ -	$ (312,991)	$ (660,351,551)
Medical equipment	(761,335,545)	(82,396,480)	10,634,214	-	-	(833,097,811)
Machinery and tools	(99,678,117)	(2,246,871)	101,743	-	-	(101,823,245)
Office furniture and equipment	(88,093,465)	(9,677,532)	605,690	-	-	(97,165,307)
Transport equipment	(13,168,732)	(2,457,631)	3,685,053	-	-	(11,941,310)
Computer equipment	(331,527,911)	(20,987,996)	1,447,325	-	-	(351,068,582)
Improvements to leased premises	(75,090,151)	(39,743,525)	2,563,114	-	1,243,587	(111,026,975)
Total	(1,970,031,408)	(222,595,400)	25,221,431	-	930,596	(2,166,474,781)

Depreciation by asset type	Balances as of December 31, 2019	Additions	Disposals	Transfers	Others	Balances as of December 31, 2020
Net Total	2,081,706,951	(106,584,756)	(39,363,715)	-	1,662,401	1,937,420,881
Construction in process	42,319,041	187,331,084	(9,675,936)	(114,253,433)	-	105,720,756
Land	765,586,157	27,069,309	(88,727,635)	-	19,316,440	723,244,271
Net investment	$ 2,889,612,149	$ 107,815,637	$ (137,767,286)	$ (114,253,433)	$ 20,978,841	$ 2,766,385,908

The assets denominated as construction in process correspond to all those investments that are held in the different categories of buildings, furniture, equipment and improvements to the leased premises and that are not yet in use or operation.

For the years ended December 31, 2022, 2021 and 2020 the depreciation expense recognized within the costs and expenses were $166,885,217, $176,603,937 and $172,525,008, respectively.

As of December 31, 2021, it was recognized an accounting netting of fully depreciated assets, thus the amount of the retirements and depreciation by asset type is reflected in total amounts of $447,090,747 in that year, the same as at the level of net investment, its effect is zero.

13. Investment properties

	2022		2021		2020	
	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount
Investment property fair value	$ 993,804,500	$ 201,380,404	$ 697,642,000	$ 73,424,493	$ 697,642,000	$ 80,241,167

	2022	2021	2020
Balance as of January 1	$ 73,424,493	$ 80,241,167	$ 79,998,627
Additions	2,367,801	1,657,028	10,350,588
Transfer of investment	134,023,425	-	-
Depreciation	(8,435,315)	(8,473,702)	(10,108,048)
	$ 201,380,404	$ 73,424,493	$ 80,241,167

All investment properties of the Entity are retained under absolute domain interests.
Investment properties include certain commercial properties that are leased to third parties. Each of the leases contains an initial non-cancelable period depending on the asset to which they correspond, in medical offices they can range from 3 to 5 years and for the use of the parking is managed a period of 5 years.

The Entity's investment property fair value as of December 31, 2022, 2021 and 2020 was determined by a valuation made on the respective date by Tasaciones Inmobiliarias de Mexico, S.A. de C.V. ("Tasaciones Inmobiliarias"), independent appraisers of the Entity. Tasaciones Inmobiliarias are members of the Federal Mortgage Society, and have the appropriate competencies and recent experience in the valuation of properties at relevant locations. The fair value was determined on the basis of the income capitalization approach or income approach, this is the procedure by which the present or capitalized value of net lease income produced or susceptible to be produced by the asset at the date of the assessment for a long term (greater than 50 years) in a constant manner (in perpetuity), discounted by discount rate (actual) applicable to the case under study.

When estimating the fair value measurement of investment properties, the best use of the properties is their current use.

There has not been any change in valuation techniques during the year.

Details of the Entity's investment properties and information about fair value measurement as of December 31, 2022 is showed as follows:

Property	Physical method or Unit of Cost Method	Lease market payments capitalization unit method	Lease actual payments capitalization unit method	Unit fair value measurement	Total fair value measurement
T II clinics (33)	$ 1,197,820	$ 3,180,000	$ 3,180,000	$ 3,180,000	$ 104,940,000
T I co-owned clinics (4)	$ 1,328,293	$ 2,296,750	$ -	$ 2,296,750	$ 9,187,000
T I and II clinics (80)	$ 1,197,820	$ 3,180,000	$ 3,180,000	$ 3,180,000	$ 254,400,000
T III clinics (19)	$ -	$ 2,749,579	$ 2,497,526	$ 2,749,579	$ 52,242,000
Commercial premises BANORTE TH PB	$ -	$ 3,594,000	$ 5,890,000	$ 5,890,000	$ 5,890,000
Commercial premises MATILDE TH PB	$ -	$ 29,421,000	$ 39,500,000	$ 39,500,000	$ 39,500,000
Commercial premises Starbucks COFFEE TH PB	$ -	$ 6,687,000	$ 10,192,000	$ 10,192,000	$ 10,192,000
Parking (1,092)	$ -	$ -	$ 319,216,000	$ 319,216,000	$ 319,216,000
Santa Carmen clinic	$ -	$ 23,592,520	$ 21,563,000	$ 23,593,000	$ 23,593,000
HOLIDAY INN Hotel	$ -	$ -	$ 107,602,000	$ 107,602,000	$ 107,602,000
Commercial premises PROHIBITED FRUITS T II.	$ -	$ 6,646,000	$ 14,270,000	$ 14,270,000	$ 14,270,000
Commercial Premises HSBC T II PB	$ 2,869,270	$ 6,166,000	$ 8,846,000	$ 8,846,000	$ 8,846,000
Commercial premises Starbucks COFFEE T II PB	$ 2,090,780	$ 8,921,000	$ 13,096,000	$ 13,096,000	$ 13,096,000
Commercial premises MAISON KAYSER T II PB	$ 6,829,290	$ 26,229,000	$ 35,424,000	$ 35,424,000	$ 35,424,000

As of December 31, 2022, the Entity made transfers to or from buildings, furniture and equipment in the amount of $198,091,607 and accumulated depreciation of $64,068,182 since there is evidence of a change in the asset use. Management does not expect to make additional changes to the use of assets classified as investment properties.

For the 2021 exercise, no new assessment was carried out, since the properties did not suffer substantial change in its use and/or constructions.

14. Lease right-of-use assets

The Group leases commercial facilities for clinical laboratory use and laboratory sampling. Leases are usually for a 7-year period, with the option of renewing the lease after that date. Lease payments are increased indistinctly due to the diversity of tenants to reflect rental prices on the market. Some leases include additional lease payments based on changes in a local price index. In the case of certain leases, the Group has restrictions for subleasing contracts.

The following is information about leases in which the Group is the tenant:

Lease right-of-use assets	Leased premises	Medical equipment	Servers	Transport equipment	Mobile offices	Screens	Lease of intangible assets [1]	Total
Cost								
As of January 1, 2022	$ 28,202,288	$ 17,552,778	$ 13,653,559	$ 13,671,784	$ 24,283,649	$ 272,726	$ -	$ 97,636,784
Additions	5,202,175	-	3,908,816	4,705,737	-	423,504	-	14,240,232
Disposals	(33,404,463)	(96,639)	(8,032,252)	(3,467,609)	(241,444)	(115)	-	(45,242,522)
As of December 31, 2022	-	17,456,139	9,530,123	14,909,912	24,042,205	696,115	-	66,634,494
Accumulated depreciation								
As of January 1, 2022	(14,107,694)	(4,874,213)	(10,328,617)	(2,156,048)	(2,392,717)	(98,485)	-	(33,957,774)
Depreciation of the year	(2,167,526)	(3,272,761)	(3,190,973)	(5,901,455)	(5,516,772)	(99,652)	-	(20,149,139)
Disposals	16,275,220	-	8,032,252	2,952,240	-	-	-	27,259,712
As of December 31, 2022	-	(8,146,974)	(5,487,338)	(5,105,263)	(7,909,489)	(198,137)	-	(26,847,201)
Right of use asset, net	$ -	$ 9,309,165	$ 4,042,785	$ 9,804,649	$ 16,132,716	$ 497,978	$ -	$ 39,787,293

Lease right-of-use assets	Leased premises	Medical equipment	Servers	Transport equipment	Mobile offices	Screens	Lease of intangible assets [1]	Total
Cost								
As of January 1, 2021	$ 296,566,863	$ 120,097,406	$ 7,870,375	$ 9,414,323	$ 28,550,607	$ 280,606	$ 31,040,919	$ 493,821,099
Additions	33,039,410	27,530,381	5,775,304	11,430,450	25,000,083	-	-	102,775,628
Disposals	-	-	-	(514,111)	(29,267,041)	-	-	(29,781,152)
Disposal of LMS	(298,364,797)	(130,075,009)	-	(6,658,878)	-	-	(31,040,919)	(466,139,603)
As of December 31, 2021	31,241,476	17,552,778	13,645,679	13,671,784	24,283,649	280,606	-	100,675, 972
Accumulated depreciation								
As of January 1, 2021	(135,275,535)	(37,898,973)	(7,870,375)	(2,780,142)	(1,427,532)	(7,795)	(9,085,149)	(194,345,501)
Depreciation of the year	(56,730,305)	(23,125,233)	(2,458,242)	(3,768,147)	(4,682,845)	(90,690)	-	(90,855,462)
Disposals	-	-	-	74,080	3,717,660	-	-	3,791,740
Disposal of LMS	174,858,958	56,149,995	-	4,318,159	-	-	9,085, 149	244,412,261
As of December 31, 2021	(17,146,882)	(4,874,211)	(10,328,617)	(2,156,050)	(2,392,717)	(98,485)	-	(36,996,962)
Right of use asset, net	$ 14,094,594	$ 12,678,567	$ 3,317,062	$ 11,515,734	$ 21,890,932	$ 182,121	$ -	$ 63,679,010

Rights of use assets	Leased premises	Medical equipment	Servers	Clinical diagnosis	Transport equipment	Mobile offices	Screens	Lease of intangible assets [1]	Total
Cost									
As of January 1, 2020	$ 270,345,838	$ 107,140,869	$ 6,574,679	$ 4,972,455	$ 2,873,291	$ -	$ -	$ 31,040,919	$ 422,948,051
Additions	39,057,682	12,956,537	1,295,696	-	6,541,032	28,550,607	280,606	-	88,682,160
Disposals	(12,836,657)	-	-	-	-	-	-	-	(12,836,657)
As of December 31, 2020	$ 296,566,863	$ 120,097,406	$ 7,870,375	$ 4,972,455	$ 9,414,323	$ 28,550,607	$ 280,606	$ 31,040,919	$ 498,793,554
Accumulated depreciation									
As of January 1, 2020	$ (70,833,705)	$ (18,833,811)	$ (3,944,808)	$ (3,140,498)	$ (1,060,196)	$ -	$ -	$ (4,542,574)	$ (102,355,592)
Depreciation of the year	(64,441,830)	(19,065,188)	(3,925,567)	(1,831,957)	(1,719,946)	(1,427,532)	(7,795)	(4,542,575)	(96,962,390)
As of December 31, 2020	(135,275,535)	(37,898,999)	(7,870,375)	(4,972,455)	(2,780,142)	(1,427,532)	(7,795)	(9,085,149)	(199,317,982)
Right of use assets, Net	$ 161,291,328	$ 82,198,407	$ -	$ -	$ 6,634,181	$ 27,123,075	$ 272,811	$ 21,955,770	$ 299,475,572

1.a. On January 1, 2020, following the adoption of IFRS 16, the leased asset balance was considered as an integral part of the right-of-use asset.

15. Lease liability

	2022	2021	2020
Maturity analysis:			
Year 1	$ 16,938,722	$ 28,728,776	$ 124,493,383
Year 2	14,941,380	21,952,560	97,311,951
Year 3	10,514,387	12,045,943	70,810,708
Year 4	1,450,627	10,863,568	42,668,101
Year 5	485,880	833,429	44,136,248
Later	-	-	10,937,845
	44,330,996	74,424,276	390,358,236
Less: Interest not accrued	(3,471,646)	(9,241,920)	(96,414,619)
Classified as:			
Short term	11,813,615	22,180,264	87,708,213
Long term	29,045,735	43,002,092	206,235,404
	$ 40,859,350	$ 65,182,356	$ 293,943,617

The Entity does not face significant liquidity risk with respect to its lease liabilities. Lease liabilities are monitored through the Entity's Treasury.

16. Goodwill

	2022	2021	2020
Balance at the beginning of the period	$ 123,432,329	$ 1,025,126,111	$ 1,116,737,401
Cancellation for sale of LMS business	-	(892,720,469)	-
Impairment of goodwill other entities	-	(8,973,313)	-
Reclassification to assets held for sale (Notes 1c and 3i)	-	-	(91,611,290)
Balance at the end or the period	$ 123,432,329	$ 123,432,329	$ 1,025,126,111

a. **Allocation of goodwill to cash-generating units**

As of December 31, 2022, 2021 and 2020, the goodwill distributed by operating segment is detailed as follows:

	2022	2021	2020
Clinical diagnostics	$ -	$ -	$ 892,720,469
Hospital services	119,818,412	119,818,412	128,791,725
Others	3,613,917	3,613,917	3,613,917
Final balance	$ 123,432,329	$ 123,432,329	$ 1,025,126,111

For impairment of goodwill, all cash generating units within the Clinical Diagnostics segment are aggregated, since goodwill was assigned to the unit group level. The goodwill impairment test of Servicios Hospitalarios is carried out in two separate cash generating units, one corresponding to the unit associated with the Hospital Médica Sur, with a goodwill amounting to $123,432,329 and another unit associated with Hospital Santa Teresa, with a goodwill of $91,611,290, which, at the end of 2019, was reclassified to the assets held for sale account and which at the end of 2021 was considered as impairment (Notes 1c and 3j).

The values assigned to the key assumptions represent management's assessment of future trends in the relevant industries and are based on both external and internal sources. The goodwill assessments are very sensitive, among other factors, to the estimation of service revenues, the evolution of operating expenses, and to the discount and growth rates in perpetuity used. The models for the projection of cash flows to obtain the value in use of the cash-generating units or group of units to which goodwill balance have been allocated consider long-term economic variables.

Cash flow projections included specific estimates for five years and a temporary growth rate after those five years.

On November 1, 2021, the sale of LMS was made, resulting in a decrease in the goodwill in an amount of $892,720,471.

As of December 31, 2021, an impairment of the goodwill was recorded for $100,584,603, corresponding to the entity Santa Teresa Institución Gineco Obstétrica, S.A. de C.V. for $91,611,290, and other entities for $8,973,313.

For the financial year 2020, the amount of $91,611,290 is presented as available for sale as shown in Note 11.

17. Intangible assets

The intangible assets acquired in the representative share of the capital stock of Laboratorios Médica Sur, S. A. de C. V. and Laboratorio Medico Polanco, S.A. de C.V. and its subsidiaries as of December 31, 2022, 2021 and 2020 are integrated as follows:

	Brand	Customer relations	Software licenses	Total
Balance as of January 1, 2020	$ 300,000,000	$ 55,583,333	$ 10,316,656	$ 365,899,989
Acquisitions	-	-	522,340	522,340
Amortization	-	(11,500,000)	(3,314,179)	(14,814,179)
Balance as of December 31, 2020	300,000,000	44,083,333	7,524,817	351,608,150
Amortization (sale)	(300,000,000)	(44,083,333)	(7,524,817)	(351,608,150)
December 31, 2021	$ -	$ -	$ -	$ -

18. Other assets

	2022	2021	2020
Deferred expenses	$ 18,791,867	$ 10,908,925	$ 9,909,713
Guarantee deposits	-	-	12,810,744
Total	$ 18,791,867	$ 10,908,925	$ 22,720,457

19. Stock certificates

On September 21, 2020, Médica Sur, S.A.B. de C.V. issued 10,000,000 long-term stock certificates with a face value of $ 100 each, expiring on September 17, 2025, totaling $1,000,000,000, at an annual gross interest rate of 6.99%, which will remain fixed during the term of the issuance. The Entity recorded this liability at amortized cost for the expenses arising from the issuance in the amount of $10,881,260.

The net resources obtained from the placement of the stock certificates amount to $985,182,787 and were used to pay and refinancing the Entity's debt as follows:

Lender	Balance payable	Interest rate	Date of contract	Original expiration date	Destination of resources
HSBC	$ 359,878,971	RATE 28 + 1.25%	April 10, 2019	April 10, 2025	NA
HSBC	130,000,000	RATE 28 + 2.00%	October 16, 2020	October 16, 2021	Working capital
INBURSA	476,253,165	9.7450%	April 29, 2016	April 20, 2026	NA
BBVA	20,766,667	10.10%	January 24, 2019	January 26, 2028	NA
	$ 986,898,803				

As of December 31, 2022, 2021 and 2020 and derived from the bond issued in September MEDICA 20, the short- and long-term balance are as follows:

Short- and long-term balance as of December 31 (stock certificates)

	2022	2021	2020
Short term (accrued interest)	$ 19,805,000	$ 19,416,667	$ 19,324,820
Long-term	994,110,552	991,928,321	989,725,252
Total liability (stock certificates)	$ 1,013,915,552	$ 1,011,344,988	$ 1,009,050,072

On March 24 and September 20, 2021, the Entity paid interest on the first and second coupon, based on Article 288 of the Securities Market Law, for a total amount of $70,766,666 ($35,338,333 pesos each).

On March 31 and September 20, 2022, the Entity paid interest on the third and fourth coupon, respectively, on the basis of Article 288 of the Securities Market Law, for a total amount of $70,766,666 ($ 35,338,333 pesos each).

The total of the debt as of December 31, 2022, 2021 and 2020, amounts to $915,940,000, $991,928,321 and $989,725,252, respectively.

20. Employee benefits

a. ***Direct benefits to employees***

The most significant item for this liability corresponds to the concept of PTU, mainly derived from the labor reform in 2021, the balances of PTU as at December 31, 2022, 2021 and 2020 are the following:

b. ***Direct benefit to employees at retirement***

The Entity has a statutory seniority premium plan that covers all of its staff. Benefits are based on years of service and the last salary received by the participant at the time of separation from the Group.

The above-mentioned cost, obligations and other elements of the seniority premium were determined on the basis of calculations prepared by independent actuaries as at December 31, 2022, 2021 and 2020.

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

Interest rate risk	A decrease in the interest rate on bonds will increase the liability of the plan, however, it will be partially offset by the increase in the return on the debt investments of the plan.
Risk of longevity	The present value of the defined benefit obligations is calculated on the basis of the best estimate of the mortality of the plan participants, both during and after their employment. An increase in the life expectancy of plan participants will increase the obligation of the plan.
Wage risk	The present value of defined benefit obligations is calculated on the basis of the plan participants' future salaries. Therefore, an increase in the salary of plan participants will increase the obligation of the plan.

c. The main assumptions used for actuarial valuation purposes are as follows:

	2022	2021	2020
Discount rate	9.85%	7.83%	6.58%
Long-term inflation rate	3.50%	3.50%	3.50%
Rate of salary increase	3.50%	5.13%	5.13%

d. Movements in the value of defined benefit obligations (OBD):

	2022	2021	2020
OBD at the beginning of the year	$ 30,968,955	$ 37,135,499	$ 27,580,254
OBD cancellation of sold entity	(709,265)	(10,037,676)	-
Labor cost of past services	-	554,361	-
Labor cost	447,647	859,535	1,754,140
Financial cost	2,245,642	898,503	1,593,164
Benefits paid	(832,455)	(235,664)	(1,607,315)
Remeasurements on OBD	1,514,723	1,794,397	7,815,256
OBD at the end of the year	$ 33,635,247	$ 30,968,955	$ 37,135,499

e. Expense recognized on the results:

	2022	2021	2020
Financial cost	$ 2,245,642	$ 898,503	$ 1,593,165
OBD cancellation of sold entity	-	(10,037,676)	-
Labor cost of past services	-	554,361	-
Labor cost	447,647	859,535	1,754,140
Total recognized in result status	$ 2,693,289	$ (7,725,277)	$ 3,347,305

f. Actuarial gains/ losses (remeasurements) recognized in the other comprehensive income statement:

	2022	2021	2020
Cumulative amount as of January 1	$ 8,716,064	$ 9,976,043	$ 4,014,180
Write-off by sold	(46,559)	(2,481,623)	-
Recognized during the year	1,514,723	1,794,397	7,815,256
Correction of deferred ISR prior years	-	(34,434)	491,183
Deferred ISR effect of the year	(440,449)	(538,319)	(2,344,576)
Cumulative amount as of December 31	$ 9,743,779	$ 8,716,064	$ 9,976,043

The significant actuarial assumptions for the determination of the defined obligation are the discount rate, the expected wage increase and mortality. The sensitivity analyzes presented below were determined on the basis of reasonably possible changes in the respective assumptions at the end of the reporting period, while all other assumptions remain constant.

If the discount rate is 0.5 basis points higher (plus Derecognition point), the defined profit obligation would decrease (increase) by $34,835,658 and $(32,510,398) respectively.

If the increase in the expected salary increases (decreases) 5%, the defined benefit obligation would increase (decrease) by $34,629.888 and $(32,666,861) respectively.

The sensitivity analysis presented above may not be representative of the variation of the obligation per defined benefit, since it is unlikely that the change in assumptions would occur in isolation from one to the other since some of the assumptions can be correlated.

Moreover, when presenting the above sensitivity analysis, the present value of the defined benefit obligations is calculated using the unit credit method projected at the end of the reporting period, this is the same as that applied in the calculation of the liability for defined liabilities recognized in the consolidated statement of financial position.

There were no changes in the methods and assumptions used in the preparation of sensitivity analysis from previous years.

21. Income taxes

The Entity is subject to the ISR. Under the ISR Law the rate for 2022, 2021 and 2020 was 30% and will continue to 30% for subsequent years. Due to the abrogation of the ISR Law in force until December 31, 2013, the tax consolidation regime was eliminated, therefore, The Entity and its subsidiaries have the obligation to pay the deferred tax determined on that date for the next ten years from 2014, as shown below.

In accordance with section XV (d) of the ninth transitional section of Law 2015, And because the Entity as at December 31, 2013 was the controller and as of that date was subject to the payment scheme contained in section VI of article 4 of the transitional provisions of the ISR Law published in the official journal Of the federation on December 7, 2009, or section 70-A of the ISR Law 2013 which was repealed, shall continue to know the tax which differed on the occasion of fiscal consolidation in the financial years 2007 and prior in accordance with the above provisions, until payment is completed.

a. Income taxes are integrated as follows:

	2022	2021	2020
Tax caused	$ 403,874,597	$ 412,795,940	$ 237,488,468
Deferred tax	2,145,004	(35,158,251)	(5,017,152)
Discontinued operation	(201,229,857)	(121,758,369)	(87,621,527)
Total, income tax	$ 204,789,744	$ 255,879,320	$ 144,849,789

b. The main concepts that originate the deferred ISR balance are:

	January 1, 2022	Recognized in results	Recognized in other comprehensive results	Discontinued operation	December 31, 2022
Provisions and accumulated liabilities	$ 2,633,854	$ 65,947,791	$ -	$ -	$ 68,581,645
Doubtful accounts estimate	21,051,178	4,344,763	-	-	25,395,941
Leases	38,571,754	(26,313,949)	-	-	12,257,805
Employee benefits	3,622,633	-	553,272	-	4,175,905
Right of use asset	56,717,098	(36,726,750)	-	-	19,990,348
Carryforward losses to use	2,391,655	(515,756)	-	-	1,875,899
Property, furniture and equipment, and investment properties	(36,590,421)	(25,004,972)	-	-	(61,595,393)
Deferred expense	(9,790,501)	(2,077,870)	-	-	(11,868,371)
Unbilled revenue	(9,208,422)	13,464,330	-	-	4,255,908
Other assets	(4,633,116)	4,737,409	-	(4,089,686)	(3,985,393)
Deferred tax asset, net	$ 64,765,712	$ (2,145,004)	$ 553,272	$ (4,089,686)	$ 59,084,294

	January 1, 2021	Recognized in results	Recognized in other comprehensive results	Discontinued operation	December 31, 2021
Provisions and accumulated liabilities	$ 81,282,449	$ (78,648,595)	$ -	$ -	$ 2,633,854
Doubtful accounts estimate	13,259,502	7,791,676	-	-	21,051,178
Leases	83,487,940	(44,916,186)	-	-	38,571,754
Employee benefits	11,140,649	(3,782,561)	(3,735,455)	-	3,622,633
Right of use asset	(85,147,527)	141,864,625	-	-	56,717,098

	January 1, 2021	Recognized in results	Recognized in other comprehensive results	Discontinued operation	December 31, 2021
Carryforward losses to use	58,582,004	(56,190,349)	-	-	2,391,655
Property, furniture and equipment, and investment properties	(41,873,695)	5,283,274	-	-	(36,590,421)
Deferred expense	(20,928,594)	11,138,093	-	-	(9,790,501)
Unbilled revenue	(16,568,209)	7,359,787	-	-	(9,208,422)
Other assets	(41,351,648)	45,258,487	-	(8,539,955)	(4,633,116)
Deferred tax asset, net	$ 41,882,871	$ 35,158,251	$ (3,735,455)	$ (8,539,955)	$ 64,765,712

	January 1, 2020	Recognized in results	Recognized in other comprehensive results	December 31, 2020
Provisions and accumulated liabilities	$ 70,078,927	$ 11,203,522	$ -	$ 81,282,449
Doubtful accounts estimate				
Leases	10,314,395	2,945,107	-	13,259,502
Employee benefits	92,572,095	(9,084,155)	-	83,487,940
Doubtful accounts estimate	5,410,955	1,577,986	4,151,708	11,140,649
Rights of use asset	(88,228,234)	3,080,707	-	(85,147,527)
Carryforward losses to use	60,972,801	(2,390,797)	-	58,582,004
Property, furniture and equipment, and investment properties	(39,426,520)	(2,447,175)	-	(41,873,695)
Deferred expense	(10,968,998)	(9,959,596)	-	(20,928,594)
Unbilled revenue	(18,195,878)	1,627,669	-	(16,568,209)
Other assets	(43,754,203)	2,402,555	-	(41,351,648)
Deferred tax asset, net	$ 38,775,340	$ (1,044,177)	$ 4,151,708	$ 41,882,871

c. Income taxes and the reconciliation of the legal rate and the effective rate expressed in amounts and as a percentage of profit before taxes are as follows:

The deferred tax asset as of December 31, 2022, 2021 and 2020 is distributed in the consolidated balance sheet as follows:

	2022	2021	2020
Deferred income tax assets	$ 59,084,294	$ 64,765,712	$ 115,357,941
Deferred income tax liabilities	-	-	(73,475,070)
	$ 59,084,295	$ 64,765,712	$ 41,882,871

	2022	Rate%	2021	Rate%	2020	Rate%
Income before income tax	$ 677,582,280		$ 613,456,855		$ 483,440,809	
Tax caused	202,644,740	30%	291,037,571	47%	149,866,941	31%
Deferred tax	2,145,004	0%	(35,158,251)	(6)%	(5,017,152)	(1)%
Taxes recorded	204,789,744	30%	255,879,320	42%	144,849,789	30%
Legal fee	203,274,684	30%	184,037,957	30%	145,032,243	30%
Non-deductibles	10,211,626	2%	4,725,697	1%	(2,393,502)	0%
Non-deductible social security expenses	10,090,704	1%	5,090,730	1%	(10,691,083)	(3)%
Inflationary effects	(38,483,995)	(6)%	(5,729,476)	(1)%	(5,146,337)	(1)%
Goodwill impairment	-	0%	30,175,381	5%	-	0%
Other	19,696,725	3%	37,579,931	6%	18,048,468	4%
Total	1,515,060	0%	71,842,263	12%	(182,454)	(0)%
Effective rate	$ 204,789,744	30%	$ 255,879,320	42%	$ 144,849,789	30%

22. Financial instruments

a. *Capital risk management*

The Group manages its capital to ensure that its constituent entities will be able to continue as an operating company while maximizing the return to their shareholders through the optimization of Account Balances debt and capital units. The overall strategy of the Group has not been modified in comparison with 2021 and 2020.

The Group's capital structure consists of the total debt (loans as detailed in Note 18), offset by Account Balances cash and banks and the Entity's capital (consisting of issued equity, reserves and accumulated profits as disclosed in Note 23).

The Entity is not subject to any requirement imposed externally for the administration of its capital.

Category of financial instruments

	2022	2021	2020
Financial assets:			
Cash and cash equivalents	$ 1,221,395,930	$ 3,531,821,699	$ 572,844,050
Total – Net Accounts receivable	295,525,707	439,393,041	592,474,001
Other accounts receivable.	13,839,829	17,240,996	28,951,014
Total financial assets	$ 1,530,761,466	$ 3,988,455,736	$ 1,194,269,065

	2022	2021	2020
Financial liabilities:			
Stock certificates	$ 1,013,915,552	$ 1,011,344,988	$ 1,009,050,072
Suppliers	280,770,713	269,143,231	345,923,604
Lease liability	40,859,350	65,182,356	293,943,617
Dividends payable	136,018,937	17,879,238	13,687,442
Total financial liabilities	$ 1,471,564,552	$ 1,363,549,813	$ 1,662,604,735

Objectives of financial risk management

Among the main associated financial risks that the Entity has identified and to which it is exposed are: (i) market (foreign currency and interest rate), (ii) credit, and (iii) liquidity.

The Entity seeks to minimize the potential negative effects of the risks mentioned above on its financial performance through different strategies.

The contracting of derivative instruments is done only with financial institutions of recognized solvency in the national and international markets, establishing operating limits for each of them. The policy of the Entity is not to conduct transactions for purposes of speculation with financial derivative instruments.

b. ***Market risk management***

Market risk is the risk that changes in market prices, such as exchange rates and interest rates, will affect the Group's income or the value of the financial instruments it maintains. The objective of market risk management is to manage and control exposures to this risk within reasonable parameters while optimizing profitability.

The Group's exposure to foreign exchange risks, based on nominal amounts, is presented below.

	Dollars		
	2022	2021	2020
Cash and cash equivalents	$ 4,331,103	$ 5,284,284	$ 165,309
Accounts receivable	144,245	35	70,646
Accounts payable to suppliers	(2,036,917)	(1,467,361)	(2,498,785)
Net exposure	$ 2,438,431	$ 3,816,958	$ (2,262,830)

The following major exchange rates were applied during the year:

	Exchange rates as of the closing date		
	2022	2021	2020
US dollar	$ 19.3615	$ 20.5157	$ 19.9352

As of December 31, 2022, 2021 and 2020, $2,727,762, $(3,100,630) and $(4,140,348) of (profit) and net exchange losses, respectively. As of December31, 2022, the Group did not have instruments of protection against foreign exchange risks.

Sensitivity analysis

If the following movements in the US dollar price against the peso had occurred, as of December 31, 2022, 2021 and 2020, the impact on the statement of results would have been as shown below, assuming that all other variables remain constant:

	Foreign currency exposure		
	2022	2021	2020
Strengthening	$ 1,219,216	$ 1,908,479	$ 1,131,415
Weakening	$ (1,219,216)	$ (1,908,479)	$ (1,131,415)

A weakening of the Mexican peso against the dollar as of December 31 would have had the same effect, but the opposite effect, in the previous currency, on the amounts shown, on the basis that the other variables remain constant.

c. ***Interest risk management***

Interest rate fluctuations impact mainly on long-term debt by changing either its fair value (fixed rate debt) or its future cash flows. The administration does not have a formal policy to determine how much of the Group's exposure should be at a fixed or variable rate. However, at the time of obtaining new loans, the administration uses its judgment to decide whether it considers that a fixed or variable rate would be more favorable for the Group during the expected period, until its maturity.

Profile

As of the date of the consolidated financial statements, the interest rate profile of the financial instruments bearing interest on the Group was as shown below.

Fixed-rate instruments

	Book value		
	2022	2021	2020
Fixed-rate instruments			
Financial assets	$ 1,067,371,849	$ 3,319,506,760	$ 464,649,367
Financial / Stock liabilities	$ 1,000,000,000	$ 1,000,000,000	$ 1,000,000,000

Sensitivity analysis -

As of December 31, 2022, all of the Group's financial instruments are at a fixed rate, therefore, a movement in the interest rates would not affect the consolidated results.

d. ***Credit risk management***

Exposure to credit risk

Credit risk is the risk of financial loss faced by the Group if a customer or counterparty in a financial instrument fails to meet its contractual obligations, and originates primarily from the Group’s accounts receivable and investments.

The book value of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the date of the report is as follows:

	Book value		
	2022	2021	2020
Temporary investments (see Note 6)	$ 1,067,371,849	$ 3,319,506,760	$ 464,649,367
Accounts receivable (see Note 7)	295,525,707	439,393,041	592,474,001
Other Accounts receivable (See Note 8)	13,839,829	17,240,996	14,657,914
	$ 1,376,737,385	$ 3,776,140,797	$ 1,071,781,282

The Group's exposure to credit risk is mainly affected by the individual characteristics of each client.

More than 80% of the Group's customers had transactions it for more than four years and there are not impairment losses recognized. When monitoring the credit risk of customers, they are grouped according to their credit characteristics, including whether they correspond to an individual or a legal entity, whether they are wholesalers, retailers or end users, their geographic location, industry, business history with the Group, and the existence of previous financial difficulties. The Group does not require collateral in relation to commercial debtors and other accounts receivable.

Derived from the credit quality analysis, the following is the detail of the accounts receivable balance as well as the breakdown of the corresponding expected credit losses:

	Book value		
	2022	2021	2020
Portfolio:			
Insurers	$ 230,970,250	$ 329,586,589	$ 392,478,360
General public	97,502,816	81,850,037	71,694,179
Companies and others	51,497,520	62,066,456	161,334,266
Government	208,258	208,258	11,165,537
	380,178,844	473,711,340	636,672,342
Estimate for expected credit losses:			
Insurers	2,064,294	4,458,413	3,350,767
General public	74,500,331	13,783,278	25,816,561
Companies and others	7,880,539	16,057,731	12,034,773
Government	207,973	18,877	2,996,240
	84,653,137	34,318,299	44,198,341
	$ 295,525,707	$ 439,393,041	$ 592,474,001

As of December 31, 2022, 2021 and 2020, an impairment loss of $84,653,137, $34,318,299 and $44,198,341 was recorded respectively.

The following is the detail of the balance of accounts receivable by default-blocks, the corresponding credit loss reserve, as well as the distribution of the reserve by risk segment:

	Weighted average loss rate	Impairment provision	Gross book amount 2022	2021	2020
Current	0.03%	$ 129,620	$ 129,620	$ 67,080	$ 92,853
1 to 30 days	2.06%	7,824,865	7,824,865	2,999,396	4,172,621
31 to 60 days	0.56%	2,141,641	2,141,641	877,637	1,161,949
61 to 90 days	0.25%	935,775	935,775	404,847	501,840
91 to 180 days	0.44%	1,677,192	1,677,192	704,881	828,817
181 to 360 days	0.50%	1,864,061	1,864,061	746,502	1,000,179
Older than 360 days	18.43%	70,079,983	70,079,983	28,517,956	36,440,082
	22.27%	$ 84,653,137	$ 84,653,137	$ 34,318,299	$ 44,198,341

The segment with the highest reserve amount is that of individuals, since there was no application of accounts for 2022, due to the Entity performs a deductibility process, whereas the lowest amount is the government segment; this is due to both, the level of risk they present, with respect to their payment behavior and the distribution of balance by time block.

Segment	Balance	PCE
Companies and others	$ 7,880,539	15.30%
Government	207,973	99.86%
Insurers	2,064,294	0.89%
Individuals	74,500,331	76.41%
	$ 84,653,137	22.27%

e. ***Credit risk management***

Liquidity risk is the risk that the Group will have difficulties in fulfilling its obligations associated with its financial liabilities that are liquidated by the delivery of cash or other financial assets. The Group's approach to managing liquidity is to ensure, to the greatest extent possible, that it will always have sufficient liquidity to meet its obligations when they expire, both under normal and tense conditions, without incurring unacceptable losses or risking the Group's reputation.

The contractual maturities of financial liabilities are shown below. It is not anticipated that the cash flows included in the maturity analysis could be presented significantly earlier, or by significantly different amounts.

	2022						
	Carrying value	One year	More than 1	More than 2	More than 3	More than 4	More than 5
Stock certificates	$ 994,110,552	$ -	$ -	$ 1,000,000,000	$ -	$ -	$ -
Interest payable	19,805,000	75,134,540	75,297,526	81,787,168	-	-	-
Suppliers	280,770,713	280,890,597	-	-	-	-	-
Short- and long-term leasing	40,859,350	11,813,616	15,501,918	11,404,298	1,596,635	542,883	-
	$ 1,335,545,615	$ 337,838,753	$ 90,799,444	$ 1,093,191,466	$ 1,596,635	$ 542,883	$ -

	2021						
	Carrying value	One year	More than 1	More than 2	More than 3	More than 4	more than 5
Stock certificates	$ 991,928,321	$ -	$ -	$ -	$ 1,000,000,000	$ -	$ -
Interest payable	19,416,667	74,983,389	75,134,540	75,297,526	81,787,168	-	-
Suppliers	269,143,231	269,143,231	-	-	-	-	-
Short- and long-term leasing	65,182,356	22,180,264	18,069,171	9,915,026	8,941,812	5,390,086	685,997
	$ 1,345,670,575	$ 366,306,884	$ 93,203,711	$ 85,212,552	$ 1,090,728,980	$ 5,390,086	$ 685,997

	2020						
	Carrying value	One year	More than 1	More than 2	More than 3	More than 4	more than 5
Stock certificates	$ 989,725,252	$ -	$ -	$ -	$ -	$ 1,000,000,000	$ -
Interest payable	19,324,820	63,980,202	74,983,389	75,134,540	75,297,526	81,787,168	-
Suppliers	345,923,604	345,923,604	-	-	-	-	-
Short- and long-term leasing	293,943,617	87,708,213	70,789,615	54,324,105	34,687,046	35,588,491	10,846,147
	$ 1,648,917,293	$ 497,612,019	$ 145,773,004	$ 129,458,645	$ 109,984,572	$ 1,117,375,659	$ 10,846,147

Accounts receivable and payable: both are short term, therefore are considered that the carrying value equals its fair value.

f. ***Fair value versus carrying value and fair value hierarchy***

The following table presents the fair values of financial assets and liabilities, together with the book values shown in the consolidated financial statement, and hierarchy, taking into account the following:

- Level 1: Prices quoted (unadjusted) on active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are 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).
- Level 3: Inputs for assets or liabilities not based on observable market data for (unobservable inputs).

	2022		
	Carrying value	Fair value	Hierarchy
Financial Assets:			
Cash and cash Equivalents (Note 6)	$ 1,221,395,930	$ 1,221,395,930	Level 1
Accounts receivable (Note 7)	295,525,707	295,525,707	
Other Accounts receivable (Note 8)	13,839,829	13,839,829	
	$ 1,530,761,466	$ 1,530,761,466	
Financial liabilities:			
Suppliers	$ 280,770,713	$ 280,770,713	Level 2
Short- and long-term debt (Note 19)	1,013,915,552	1,013,915,552	Level 2
	$ 1,294,686,265	$ 1,294,686,265	

	2021		
	Carrying value	Fair value	Hierarchy
Financial Assets:			
Cash and Cash Equivalents (Note 6)	$ 3,531,821,699	$ 3,531,821,699	Level 1
Accounts receivable (Note 7)	439,393,041	439,393,041	
Other Accounts receivable (Note 8)	17,240,996	17,240,996	
	$ 3,988,455,736	$ 3,988,455,736	
Financial liabilities:			
Suppliers	$ 269,143,231	$ 269,143,231	Level 2
Short and Long Term Debt (Nota19)	1,011,344,988	1,307,202,623	Level 2
	1,280,488,219	1,576,345,854	

	2020		
	Carrying value	Fair value	Hierarchy
Financial Assets:			
Cash and Cash Equivalents (Note 6)	$ 572,844,050	$ 572,844,050	Level 1
Accounts receivable (Note 7)	592,474,001	592,474,001	
Other Accounts receivable (Note 8)	14,657,914	14,657,914	
	1,179,975,965	1,179,975,965	
Financial liabilities:			
Suppliers	$ 345,923,604	$ 345,923,604	Level 2
Short and Long Term Debt (Nota19)	1,009,050,072	1,371,182,825	Level 2
	1,354,973,676	1,717,106,429	

23. Stockholders' Equity

The following describes the main characteristics of the accounts that conform Stockholders' Equity:

a. *Share capital estructure*

The movements in Capital stock and Surplus in subscription of shares are shown below:

	Number of shares	Capital stock	Surplus in subscription of shares
Figures as at December 31, 2020	123,281,750	517,873,932	121,280,931
Figures as at December 31, 2021	123,281,750	517,873,932	121,280,931
Figures as at December 31, 2022	107,938,972	453,422,677	121,280,931

As of December 31, 2022, the share capital of Médica Sur is represented by 238,054 class I series "B" shares representing fixed capital and 107,700,918 class II series "B" shares representing variable capital, both without expression of nominal value.

Class I series B shares represent 0.2% of the share capital, class II series B represents 99.8% of the share capital, both of which are free-to-subscribe.

Pursuant the Shareholders meeting of October 14, 2022, it was approved the cancellation of 15,342,778 shares representative of the variable capital of the Entity repurchased in previous periods, resulting from the above, the variable capital of the Entity is reduced by the amount of $64,451,255, as a consequence, the share capital is $453,422,677, represented by 107,938,972 shares. The reclassification referred to above is not a refund to shareholders or a release granted in respect of unrealized exhibitions, so there was no need for its publication referred to in the precept of article 9 of the General Law on Commercial Societies (LGSM).

b. *Dividends*

At the Ordinary General Meeting of Shareholders held on August 26, 2022, the Entity decreed the payment of a dividend in the amount of the $2,899,995,152 amount of the net fiscal profit account (CUFIN), distributed at the rate of $26.8330, for each of the outstanding shares.

At the Ordinary General Meeting of Shareholders held on April 28, 2022, the Entity decreed the payment of a dividend in the amount of the $241,714,065, distributed at the rate of $2.21, for each of the outstanding shares.

At the Ordinary General Meeting of Shareholders held on April 29, 2021, the Entity decreed the payment of a dividend in the amount of the amount of the $169,790,795, coming from CUFIN, distributed at the rate of $1.5 per share.

At the Ordinary General Meeting of Shareholders held on September 8, 2021, the Entity., decreed the payment of a dividend in the amount of $120 for each of the shares in circulation, that dividend came from CUFIN.

At the Ordinary General Meeting of Shareholders held on September 8, 2021, the Entity decreed the payment of a dividend in the amount of the $32 for each of the shares in circulation, the dividend came from CUFIN.

c. *Stock buyback reserve*

The Securities Market Law provides for the possibility for companies registered on the Stock Exchange to temporarily acquire part of their shares in order to strengthen supply and demand in the stock market. To this end, the National Banking and Securities Commission established specific provisions relating to the acquisition of shares, requiring, among others, the creation of a reserve for the repurchase of shares from accumulated profits.

The surplus in subscription of shares represents the excess difference between the payment of subscribed shares and the nominal value of the subscribed shares, or their theoretical value (amount of share capital paid between the number of shares in circulation) in the case of shares without face value, added its update, as of December 31, 2012. Available repurchased own shares are reclassified to contributed capital.



At the regular annual General Assemblies held on April 28, 2022, a maximum amount of $500,000,000 was approved as the maximum amount of resources that can be destined to the purchase of own shares during the exercise 2022. the purchase of own shares during 2022 was approved. In the minutes of the assembly held on October 14, 2022, it was approved the cancellation of 15,342,778 shares repurchased during the period of mallet 2017 to 2022, equivalent to the $ 64,451,255, amount that increases the reserve and is recorded to retained earnings.

During 2022, the Entity carried out operations of the repurchase fund for a total of 4,457,776 shares and invested $206,226,081, at an average cost per share of $46.26.

During 2021, the Entity carried out operations of the repurchase fund for a total of 2,161,212 shares and invested $ 80,457,956, with an average cost per share of $37.23.

d. *Restrictions on Stockholders' Equity*

The net profit of the financial year is subject to the separation of 5%, to constitute the legal reserve, until it reaches one fifth of the share capital. As of December 31, 2022, the legal reserve amounts to the minimum amount required for the period $103,573,805.

The amount updated, on tax basis, of contributions made by shareholders may be reimbursed to them without tax, to the extent that the amount is equal to or greater than the Stockholders' Equity.

According to the social statutes considered by the Entity, dividends not collected within 5 years from the date on which the payment began are deemed waived and prescribed in favor of the Entity. The amount of dividends prescribed and recognized as of December 31, 2022 is $3,640,895.

The profits on which the ISR has not been covered, and the other accounts of the Stockholders' Equity, will result in a payment of ISR by the Entity, in the event of distribution, at the rate of 30%, so that the shareholders will only be able to dispose of the remaining 70%.

For the purposes of the sale of LMS, the accumulated results of this Entity in the amount of $203,174,392 are cancelled.

As a result of the sale of CAM, the accumulated results of this Entity in the amount of $3,084,079 are canceled.

e. The balances of the fiscal accounts of the accounting capital as of December 31 are:

	2022	2021	2020
Contribution capital account	$ 2,237,263,371	$ 2,386,566,168	$ 3,084,861,665
Net tax profit account	3,384,225,695	5,612,693,635	4,944,779,220
Total	$ 5,621,489,066	$ 7,999,259,803	$ 8,029,640,885

f. *Actuarial profit and loss reserve*

It includes actuarial gains and losses arising from adjustments to experience acquired and changes in actuarial assumptions at the closing date, net of deferred income taxes. The cumulative amount of deferred income taxes is for a total of $4,175,905 as of December 31, 2022.



g. *Other capital movements*

It mainly comprises the dividend prescription given in the financial year 2022 for an amount of the following year, which under the General Law mercantile companies prescribed after 5 years and an amount of $3,492,074 corresponding to an unrealized profit from previous periods.

24. Non-controlling participation

a. The integration of non-controlling participation is presented below:

	Amount
Balance as of January 1, 2020	$ 960,896
Participation in the results as of December 31, 2020	22,879
Balances as of December 31, 2020	983,775
Participation in the results as of December 31, 2021	(28,136)
Balances as of December 31, 2021	955,639
Participation in the results as of December 31, 2022	407
Balances as of December 31, 2022	$ 956,046

b. The table below shows the detail of the uncontrolled participation of the principal subsidiaries of the Entity with significant participation:

Subsidiary	Country	Non-controlling participation			Profit (loss) attributable to Non-controlling Participation			Cummulative non-controlling participation		
		2022	2021	2020	2022	2021	2020	2022	2021	2020
Corporación de Atención Médica, S. A. de C.V.	Mexico	-	0.000002%	0.000002%	$ (29)	$ -	$ -	$ -	$ 29	$ 29
Inmobiliaria Médica Sur, S. A. de C. V..	Mexico	0.002000%	0.002000%	0.002000%	373	948,322	247	949,708	949,235	913
Servicios MSB, S.A. de C. V.	Mexico	-	-	0.002000%	-	(17,301)	230	-	-	17,301
Servicios Aidcare MS, S.A. de C.V.	Mexico	-	-	0.490000%	-	837	(837)	-	-	(837)
Servicios de Administración Hospitalaria, S.A. de C.V.	Mexico	-	-	1.000000%	-	(954,611)	22,894	-	-	954,611
Servicios Hoteleros MS, S.A. de C.V.	Mexico	-	0.002000%	0.002000%	66	32	(4)	6,555	6,589	6,557
Servicios de Operación Hospitalaria MS, S.A. de C.V.	Mexico	-	-	0.020000%	-	(5,105)	333	-	-	5,105
Santa Teresa Institución Gineco Obstétrica, S.A. de C.V.	Mexico	0.000045%	0.000045%	0.000045%	(3)	(29)	(3)	(217)	(214)	(185)
Servicios Administrativos MSB, S.A. de C.V.	Mexico	-	-	0.002000%	-	(281)	16	-	-	281
					$ 407	$ (28,136)	$ 22,876	$ 956,046	$ 955,639	$ 983,775

25. Earnings per share

The amount of basic earnings per share is calculated by dividing the net profit for the year attributable to holders of the controller's ordinary capital by the weighted average of Common Stock the average number of terms in circulation during the year.

The amount of diluted earnings per share is calculated by dividing the net profit attributable to holders of the controller's ordinary capital (after adjusting due to interest on convertible preferential shares) between the weighted average of common stock the average number of points in circulation during the financial year plus the weighted average of common stock points issued at the time of converting all common stock diluted potential points into common stock points in time. As of December 31, 2022, 2021 and 2020 the Entity has no diluted earnings per share.

The following table shows the income and share data used in the calculation of basic and diluted earnings per share.

	2022	2021	2020
Net Income:			
Attributable to shareholders	$ 949,802,937	$ 1,154,488,604	$ 558,850,701
Actions:			
Weighted average of outstanding shares	107,938,972	123,281,750	123,281,750
Net income basic and diluted per share of continuous and discontinued operations (weights per share)	$ 8.80	$ 9.36	$ 4.53
Net income basic and diluted per share of continuous operations (weights per share)	$ 4.38	$ 2.90	$ 2.75

26. Income

	2022	2021	2020
Hospital services	$ 1,972,180,565	$ 2,110,629,621	$ 1,678,602,534
Clinical Services	1,699,817,857	1,552,264,119	1,352,403,734
Other [(1)]	195,924,006	149,305,546	111,628,200
Total	$ 3,867,922,428	$ 3,812,199,286	$ 3,142,634,468

(1) Includes lease income of $42,957,778, $44,478,639 and $34,948,887 and revenue from concession, lodging and pharmacy for $152,966,228, $108,826,907 and $76,679,313 for 2022, 2021 and 2020, respectively.

27. Selling and administrative expenses

	2022	2021	2020
Personneel cost	$ 330,631,712	$ 349,986,582	$ 308,054,175
Profit sharing	100,991,955	103,714,993	8,345,123
Professional and advisory services	86,247,661	59,210,211	38,846,630
Credit card fees and commissions, net	44,327,633	41,876,139	28,790,120
Maintenance	41,232,602	38,267,659	29,692,809
Advertising	34,706,326	32,090,915	16,443,956
Depreciation and amortization	29,030,896	30,035,167	26,173,936
Allowance for doubtful accounts	51,724,193	28,852,950	30,604,095
Water, electricity, property	20,032,468	21,950,394	20,385,211
Security services	16,236,034	15,151,988	13,352,634
Cleaning services	14,787,382	11,055,512	11,225,431
Insurance and bonding	8,930,051	7,557,913	12,758,374
Other	13,367,271	17,531,023	5,339,349
	$ 792,246,184	$ 757,281,446	$ 550,011,843

On April 20, 2021, the labor reform was published in the Official Gazette of the Federation, which enacted changes to the Federal Labor Law regulating the subcontracting figure.

Among other changes, particular limits were established on the distribution and payment of PTU (Workers' Share of Profits) to employees.

In compliance with the labor reform, Médica Sur carried out the employer replacement of the companies where the service is provided.

As a result of the above and the higher base considered, the PTU to be paid amounts to $100,991,955 at year-end, decreased by 2.6% compared to 2021 in which it was $103,714.993.

28. Other expenses (income), net

	2022	2021	2020
Operations with LMS	$ -	$ -	$ 27,559,721
Closing of vouchers in previous years	-	-	(2,267,757)
Application of deposits	(10,781,966)	-	-
Services to Synlab	(2,386,401)	-	-
Property investment recovery	(2,000,000)	-	-
Clearing accounts	(1,659,347)	-	-
Claim recovery	(1,155,750)	-	-
Others	(439,648)	(5,624,635)	4,121,824
Goodwill	-	100,584,603	-
Cancellation of favourable VAT	5,871,834	17,740,993	-
Credit notes UNAM	-	-	3,759,113
Application of previous year accounts	5,455,717	-	-
Standard cost correction	4,110,542	-	-
Loss on sale of fixed asset	3,487,748	637,630	24,611,730
Total	$ 502,729	$ 113,338,591	$ 57,784,631

29. Financial information by segment

This information is presented based on the main business segments based on the management approach. The following is a breakdown of the financial performance of the past three years:

The Entity is organized into two major operational divisions consisting of: Hospital, diagnostic and clinical admissions and others, all headed by the same administration.

Continuous operations:

	2022			
	Hospital services	Diagnosis and clinics	Others	Consolidated
Total Revenue	$ 1,972,180,565	$ 1,699,817,857	$ 195,924,006	$ 3,867,922,428

	2021			
	Hospital services	**Diagnosis and clinics**	**Others**	**Consolidated**
Total Revenue	$ 2,110,629,621	$ 1,552,264,119	$ 149,305,546	$ 3,812,199,286

	2020			
	Hospital services	**Diagnosis and clinics**	**Others**	**Consolidated**
Total Revenue	$ 1,678,602,534	$ 1,352,403,794	$ 111,628,140	$ 3,142,634,468

Discontinued features:

Laboratory income from the discontinued LMS item mentioned in Notes 1 and 32 amounted to $1,272,588,399 for the period January 1 to December 31, 2020.

Laboratory income from the discontinued item of CAM referred to in Notes 1 and 32 amounts to January 31, 2021 and 2020.

30. Compensation and benefits to officials

The total amount of compensation paid by the Entity to its directors and principal officers for the year ended December 31, 2022, 2021 and 2020 was approximately $ 140,314,062, $142,798,468 and $ 115,688,004, respectively.

The Entity continually reviews salaries, bonuses, and other compensation plans in order to provide its employees with competitive compensation conditions.

31. Contingent liabilities and commitments

a. The Group is involved in several lawsuits, mostly labor, on which its lawyers have determined to obtain an unfavorable ruling for the Group, for such purposes the Group has provisioned $18,995,730, $13,077,580 and $24,136,930 as of December 31, 2022, 2021 and 2020, respectively

b. In accordance with current tax legislation, the authorities have the power to review up to the five fiscal years prior to the last income tax return.

c. In accordance with the ISR Act, companies engaged in transactions with related parties are subject to tax limitations and obligations in determining the agreed prices, as these must be comparable to those used with or between independent parties in comparable transactions. In the event that the tax authorities reviewed the prices and rejected the amounts determined, they may require, in addition to the collection of the applicable taxes and accessories (updating and surcharges), fines on the contributions omitted, which may be up to 100% of the updated amount of the contributions.

32. Gain on disposal of discontinued transactions

a. ***Sale of the subsidiary Corporacion de Atención Médica S.A. de C.V. "(CAM")***

As mentioned in Note 1 (a), on April 1, 2022, Médica Sur sold the shares of CAM to SDHM, a subsidiary of Synlab.

The effects of the transaction were as follows:

i. **Discontinued operating profit:**

The results of the discontinued operation included in the statement of income and other comprehensive income are detailed as follows:

	2022
Sales price	$ 207,927,803
Carrying value of investment as of April 1, 2022	(9,872,805)
	198,054,998
Expenses associated with the transaction	(19,699,551)
Income tax	(38,473,383)
Gain on the discontinued transaction	$ 139,882,064

ii. **Condensed figures**

The condensed balance sheet figures as of March 31, 2022 of CAM are as follows:

	2022
Short-term asset	$ 9,264,379
Long-term asset	24,912,823
Total of the asset	$ 34,177,202
Short-term liabilities	$ 10,040,837
Long-term liabilities	14,263,560
Total liabilities	$ 24,304,397
Retained earnings	$ 9,823,567
Result of the exercise	81,830
Liability and Capital before other items of integral result	9,905,396
Other end-to-end items	(32,592)
Total Capital	9,872,805
Total Liability and Capital	$ 34,177,202

iii. **Income statement**

CAM results from January 1 to March 31, 2022 and from January 1 to December 31, 2021 and 2020.

	2022	2021	2020
Income	$ 26,231,390	$ 93,944,489	$ 50,963,067
Costs, expenses and other income	(160,269,291)	65,636,123	29,321,395
Operating income	186,500,681	28,308,365	21,641,672
Financial income, net	588,855	1,971,290	691,011
Income before income tax	185,911,826	26,337,076	20,950,661
Income tax	40,933,649	7,901,123	6,285,198
Net income	$ 144,978,177	$ 18,435,953	$ 14,665,462

iv. **Presentation of operations in the discontinued operations in the Cash flows statement**

Presentation of operations in the CAM cash flows statement from January 1 to March 31, 2022 and from January 1, to December 31, 2021 and 2020.

	2022	2021	2020
Items related to operation activities	$ (1,571,143)	$ 23,834,375	$ 34,201,880
Net cash flows by investment activities	$ (2,378,110)	$ (14,609,448)	$ (20,602,759)
Net cash flows by financing activities	$ (2,398,271)	$ (7,423,037)	$ (5,866,275)

b. ***Sale of the subsidiary Laboratorios Médica Sur, S.A. de C.V. and subsidiaries (LMS)***

Arrangement of operations related to laboratory services - as mentioned in Note 1 (b), On November 1, 2021, the operation authorized by the shareholders' meeting on October 19 of the same year and by the Federal Competition Commission was closed. Médica Sur sold 100% of the shares of subsidiary LMS to SDHM, a subsidiary of Synlab.

The effects of the transaction were as follows:

i. **Discontinued operating income**

The results of the discontinued operation included in statement of income and other comprehensive income are detailed below.

	2022	2021
Base and variable selling price	$ 513,889,290	$ 2,354,842,000
Interest earned (1)	23,174,256	-
Total sales price	537,063,546	2,354,842,000
Historical stock investment	-	(1,492,328,249)
Retained earnings as of October 31, 2021	-	(469,029,903)
Dividends decreed	-	290,310,670
Book value of investment as of October 31, 2021	-	(1,671,047,482)
	-	683,794,518
Expenses associated with the transaction	(44,735,113)	(57,317,665)
ISR on the transaction	(160,296,209)	(113,857,246)
Result from January 1 to October 31, 2021	-	265,855,510
Discontinued operating income	$ 332,032,224	$ 778,475,117

(1) Interest earned for maintaining cash flows in trust.

ii. **Condensed figures**

The condensed balance sheet figures as of October 31, 2021 of LMS, including goodwill, are as follows:

	2021
Short-term asset	$ 365,767,896
Long-term asset	1,790,062,614
Total assets	$ 2,155,830,510
Short-term liabilities	$ 331,664,078
Long-term liabilities	155,564,450
Total liabilities	$ 487,228,528
Retained earnings	$ 1,405,191,972
Result of the exercise	265,855,510
Liability and equity before other items of integral result	1,671,047,482
Other end-to-end items	(2,445,500)
Total equity	1,668,601,982
Total liability and equity	$ 2,155,830,510

iii. **Statement of Income**

Report of LMS results from January 1 to October 31, 2021 and January 1 to December 31, 2020

	2021	2020
Income	$ 1,506,541,015	$ 1,272,588,399
Costs and expenses	1,107,645,057	943,365,153
Operating income	398,895,958	329,223,246
Financial income (expense), net	(21,078,711)	(42,292,699)
Profit (loss) before income tax	377,817,247	286,930,547
Income taxes	111,961,737	81,336,329
Consolidated net profit (loss)	$ 265,855,510	$ 205,594,218

iv. **Presentation of operations in the cash flow for discontinued operations**

Cash flow statement figures include items made by LMS at the close of transaction October 31, 2021 and December 31, 2020 are as follows:

	2021	2020
Items related to operation activities	$ 493,728,262	$ 339,900,954
Net cash flows by investment activities	$ (40,374,606)	$ (38,317,846)
Net cash flows by financing activities	$ (362,855,390)	$ (232,742,556)

33. Subsequent events

At the meeting of February 17, 2023, the members of the Board of Directors agreed to accept the proposal to purchase the sale of the properties located in Rio Hondo 20-26 and Aguilar y Seijas 100 and 100 bis with a net book value of $105,341,987.

34. Approval of the consolidated financial statements

The attached consolidated financial statements were authorized for issuance on March 3, 2023, by Juan Carlos Griera Hernando, General Director and C.P. Marisol Vázquez Mellado Mollón, Director of Administration and Finance, as a result these do not reflect the events that occurred after that date, And they are subject to approval by the government of the Entity and the ordinary shareholders' meeting of the Entity, who may decide to amend them in accordance with the provisions of the General Law on Commercial Companies.

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