Your BIR AFS eSubmission uploads were received

From: eafs@bir.gov.ph

To: mmmcaccg@yahoo.com

Cc: frdeguzman@mmmc.ph

Date: Monday, 29 June 2020, 03:36 pm GMT+8

Hi MEDIATRIX,

Valid files

- EAFS000958720OTH2019-02.pdf
- EAFS000958720OTH2019-04.pdf
- EAFS000958720OTH2019-03.pdf
- EAFS000958720OTH2019-01.pdf
- EAFS000958720ITR2019.pdf
- EAFS000958720AFS2019.pdf

Invalid file

- <None>

Transaction Code: **AFS-2019-3TRTQS2V0Q1PZVRWWMPV2S2QM0C6L68976**
Submission Date/Time: **Jun 29, 2020 03:26 PM**
Company TIN: **000-958-720**

Please be reminded that you accepted the terms and conditions for the use of this portal and expressly agree, warrant and certify that:

- The submitted forms, documents and attachments are complete, truthful and correct based on the personal knowledge and the same are from authentic records;
- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

This is a system-generated e-mail. Please do not reply.

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0 0 0 0 0 0 7 6 6 4 6

COMPANY NAME

MARY MEDIATRIX MEDICAL CENTER, INC.

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

J.P. Laurel Highway, Mataas na Lupa, Lipa City, Batangas

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	NA

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
robertmagmd@yahoo.com	(043) 773-6800	–

No. of Stockholders	Annual Meeting (Month / Day)	Calendar Year (Month / Day)
221	1st Saturday of June	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Robert M. Magsino	robertmagmd@yahoo.com	(043) 773-6800	–

CONTACT PERSON'S ADDRESS

J.P. Laurel Highway, Mataas na Lupa, Lipa City

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

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

**STATEMENT OF MANAGEMENT'S RESPONSIBIILITY
FOR FINANCIAL STATEMENTS**

The Management of **Mary Mediatrix Medical Center, Inc.** (the Company) is responsible for the preparation and fair presentation of the financial statements, including the additional components attached therein, as at and for the year ended December 31, 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stockholders.

Reyes Tacandong & Co., the independent auditors appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their reports to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

June 01, 2020

Ernesto O. Domingo, MD
Chairman of the Board

Robert Vincent M. Magsino, MD
President

Engr. Antonio C. Panganiban
Treasurer

BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

Citibank Tower
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Mary Mediatrix Medical Center, Inc.
J.P. Laurel Highway, Mataas na Lupa
Lipa City, Batangas

Opinion

We have audited the financial statements of Mary Mediatrix Medical Center, Inc. (the Company), which comprise the statements of financial position as at December 31, 2019 and 2018, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2019, 2018 and 2017, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years ended December 31, 2019, 2018 and 2017 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 PSA 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, these could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 the auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

REYES TACANDONG & CO.

CAROLINA P. ANGELES
Partner
CPA Certificate No. 86981
Tax Identification No. 205-067-976-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 0658-AR-3 Group A
Valid until March 23, 2025
BIR Accreditation No. 08-005144-007-2019
Valid until October 16, 2022
PTR No. 8116476
Issued January 6, 2020, Makati City

June 1, 2020
Makati City, Metro Manila

MARY MEDIATRIX MEDICAL CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2019**	2018
ASSETS			
Current Assets			
Cash and cash equivalents	4	**₱114,491,471**	₱229,278,474
Trade and other receivables	5	**119,029,214**	66,772,152
Inventories	6	**71,688,804**	66,758,891
Other current assets	7	**9,972,232**	3,021,810
Total Current Assets		**315,181,721**	365,831,327
Noncurrent Assets			
Property and equipment			
At cost	8	**1,417,499,068**	1,022,747,485
At revalued amount	8	**494,132,000**	494,132,000
Right-of-use assets	21	**13,966,266**	–
Other noncurrent assets	7	**101,608,208**	110,822,466
Total Noncurrent Assets		**2,027,205,542**	1,627,701,951
		₱2,342,387,263	₱1,993,533,278
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	9	**₱368,880,374**	₱302,979,326
Current portion of lease liabilities	21	**1,935,044**	–
Current portion of loans payable	10	**–**	500,000
Income tax payable		**22,094,037**	14,567,639
Total Current Liabilities		**392,909,455**	318,046,965
Noncurrent Liabilities			
Lease liabilities - net of current portion	21	**11,423,668**	–
Loans payable - net of current portion	10	**150,000,000**	3,625,000
Net retirement benefits liability	19	**31,528,398**	31,468,130
Net deferred tax liabilities	20	**43,415,061**	44,225,740
Other noncurrent liabilities	11	**40,767,567**	64,913,159
Total Noncurrent Liabilities		**277,134,694**	144,232,029
Total Liabilities		**670,044,149**	462,278,994
Equity			
Capital stock	12	**111,950,000**	56,500,000
Additional paid-in capital		**905,989,615**	912,713,967
Retained earnings		**458,124,796**	304,510,693
Revaluation surplus on land	8	**197,006,324**	197,006,324
Cumulative net remeasurement gain on retirement benefits liability	19	**4,552,379**	15,163,300
Treasury stock	12	**(5,280,000)**	(10,090,000)
Stock dividends distributable	12	**–**	55,450,000
Total Equity		**1,672,343,114**	1,531,254,284
		₱2,342,387,263	₱1,993,533,278

See accompanying Notes to Financial Statements.

MARY MEDIATRIX MEDICAL CENTER, INC.

STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2019**	2018	2017
REVENUE	14	**₱1,514,955,488**	₱1,342,439,044	₱1,173,247,398
COST OF SALES AND SERVICES	15	**967,327,039**	872,915,828	765,215,732
GROSS PROFIT		**547,628,449**	469,523,216	408,031,666
GENERAL AND ADMINISTRATIVE EXPENSES	16	**260,164,708**	247,882,249	212,598,670
OPERATING PROFIT		**287,463,741**	221,640,967	195,432,996
INTEREST EXPENSE	10	**(821,718)**	(176,905)	(78,879)
OTHER INCOME	18	**20,288,055**	18,752,364	18,331,643
INCOME BEFORE INCOME TAX		**306,930,078**	240,216,426	213,685,760
PROVISION FOR (BENEFIT FROM) INCOME TAX	20			
Current		**87,870,736**	74,512,855	65,257,666
Deferred		**3,736,858**	(2,307,122)	(1,699,286)
		91,607,594	72,205,733	63,558,380
NET INCOME		**215,322,484**	168,010,693	150,127,380
OTHER COMPREHENSIVE INCOME				
Not to be reclassified subsequently to profit or loss				
Remeasurement gain (loss) on retirement benefits liability - net of deferred tax	19	**(10,610,921)**	1,174,482	4,233,561
Revaluation surplus on land - net of deferred tax	8	–	39,900,304	30,388,984
		(10,610,921)	41,074,786	34,622,545
TOTAL COMPREHENSIVE INCOME		**₱204,711,563**	₱209,085,479	₱184,749,925
BASIC/DILUTED EARNINGS PER SHARE	24	**₱192**	₱151	₱134

See accompanying Notes to Financial Statements.

MARY MEDIATRIX MEDICAL CENTER, INC.

STATEMENTS OF CHANGES IN EQUITY

	Note	Years Ended December 31		
		2019	2018	2017
CAPITAL STOCK	12	**₱111,950,000**	₱56,500,000	₱56,500,000
ADDITIONAL PAID-IN CAPITAL	12			
Balance at beginning of year		**912,713,967**	750,266,563	266,871,925
Reissuance of treasury shares		**1,175,000**	12,512,000	7,820,000
Return of excess payment from sale of treasury shares		**(7,899,352)**	–	–
Conversion of due to stockholders		–	149,935,404	475,574,638
Balance at end of year		**905,989,615**	912,713,967	750,266,563
STOCK DIVIDENDS DISTRIBUTABLE	12			
Balance at beginning of year		**55,450,000**	55,450,000	–
Issuance of capital stock		**(55,450,000)**	–	–
Dividends declared		–	–	55,450,000
Balance at end of year		–	55,450,000	55,450,000
RETAINED EARNINGS				
Unappropriated	12			
Balance at beginning of year		**224,510,693**	126,627,380	105,534,616
Net income		**215,322,484**	168,010,693	150,127,380
Appropriation		**(110,000,000)**	–	(80,000,000)
Dividends declared		**(61,708,381)**	(70,127,380)	(129,034,616)
Reversal		–	–	80,000,000
Balance at end of year		**268,124,796**	224,510,693	126,627,380
Appropriated	12			
Balance at beginning of year		**80,000,000**	80,000,000	80,000,000
Appropriation		**110,000,000**	–	80,000,000
Reversal		–	–	(80,000,000)
Balance at end of year		**190,000,000**	80,000,000	80,000,000
		458,124,796	304,510,693	206,627,380

(Forward)

	Note	2019	2018	2017
		Years Ended December 31		
OTHER COMPONENTS OF EQUITY				
Revaluation Surplus on Land	8			
Balance at beginning of year		**₱197,006,324**	₱157,106,020	₱126,717,036
Revaluation surplus - net of deferred tax		**–**	39,900,304	30,388,984
Balance at end of year		**197,006,324**	197,006,324	157,106,020
Net Remeasurement Gains on Retirement Benefits Liability	19			
Balance at beginning of year		**15,163,300**	13,988,818	9,755,257
Net remeasurement gain (loss) - net of deferred tax		**(10,610,921)**	1,174,482	4,233,561
Balance at end of year		**4,552,379**	15,163,300	13,988,818
		201,558,703	212,169,624	171,094,838
TREASURY STOCK	12			
Balance at beginning of year		**(₱10,090,000)**	(₱10,290,000)	(₱9,640,000)
Reissuance of treasury stock		**4,810,000**	1,520,000	950,000
Repurchase of capital stock		**–**	(1,320,000)	(1,600,000)
Balance at end of year		**(5,280,000)**	(10,090,000)	(10,290,000)
		₱1,672,343,114	₱1,531,254,284	₱1,229,648,781

See accompanying Notes to Financial Statements.

MARY MEDIATRIX MEDICAL CENTER, INC.

STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2019**	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱306,930,078**	₱240,216,426	₱213,685,760
Adjustments for:				
Depreciation and amortization	8	**118,573,031**	102,336,699	97,699,004
Retirement expense	19	**5,994,277**	5,734,895	5,540,233
Interest income	4	**(2,923,165)**	(4,602,228)	(1,903,374)
Provision for expected credit losses	16	**2,415,008**	19,950,853	17,407,529
Interest expense	10	**821,718**	176,905	78,879
Operating income before working capital changes		**431,810,947**	363,813,550	332,508,031
Decrease (increase) in:				
Trade and other receivables		**(54,672,070)**	(2,633,482)	(18,182,240)
Inventories		**(4,929,913)**	(10,067,127)	(980,478)
Other assets		**2,263,836**	(94,758,819)	(15,464,018)
Increase (decrease) in:				
Trade and other payables		**73,978,776**	33,581,362	17,664,460
Other noncurrent liabilities		**(24,145,592)**	11,353,690	8,982,690
Net cash generated from operations		**424,305,984**	301,289,174	324,528,445
Income tax paid		**(80,344,338)**	(77,822,231)	(70,415,713)
Benefits paid	19	**(16,551,276)**	(344,217)	–
Contributions paid - net of benefits payment	19	**(4,541,191)**	(3,814,464)	–
Interest received		**2,923,165**	4,602,228	1,903,374
Interest paid	10	**(186,294)**	(176,905)	(78,879)
Net cash provided by operating activities		**325,606,050**	223,733,585	255,937,227
CASH FLOW FROM AN INVESTING ACTIVITY				
Acquisition of property and equipment	8	**(510,247,987)**	(223,748,640)	(167,609,068)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Loan payable	10	**150,000,000**	–	5,000,000
Issuances of treasury shares	12	**5,985,000**	14,032,000	8,770,000
Payments for:				
Dividends		**(69,786,109)**	(68,364,673)	(78,259,575)
Treasury stock	12	**–**	(1,320,000)	(1,600,000)
Return of excess payment from sale of treasury shares	12	**(7,899,352)**	–	–
Lease liabilities	21	**(4,319,605)**	–	–
Loans payable	10	**(4,125,000)**	(625,000)	(250,000)
Receipt of advances from stockholders		**–**	–	149,765,888
Net cash provided by (used) in financing activities		**₱69,854,934**	(₱56,277,673)	₱83,426,313

(Forward)

			Years Ended December 31	
	Note	**2019**	2018	2017
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(₱114,787,003)**	(₱56,292,728)	₱171,754,472
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**229,278,474**	285,571,202	113,816,730
CASH AND CASH EQUIVALENTS AT END OF YEAR		**₱114,491,471**	₱229,278,474	₱285,571,202
NONCASH FINANCIAL INFORMATION:				
Recognition of right-of-use assets	21	**₱17,042,893**	₱–	₱–
Conversion of due to stockholders to Additional paid-in capital	12	**–**	149,935,404	475,574,638
Stock dividend declaration	12	**–**	–	55,450,000
		₱17,042,893	₱149,935,404	₱531,024,638

See accompanying Notes to Financial Statements.

1. Corporate Information

Mary Mediatrix Medical Center, Inc. (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on November 18, 1977. The Company's primary purpose is to establish, operate, own and/or maintain a hospital or hospitals, medical and clinical laboratories and such other enterprises which may have similar or analogous undertaking or dedicated to services in connection therewith.

The Company presently operates Mary Mediatrix Medical Center (the Hospital), a level three referral tertiary hospital with 228 bed capacity in Lipa City, Batangas.

The Company's principal place of business is located at J.P. Laurel Highway, Mataas na Lupa, Lipa City, Batangas.

Events After the Reporting Period
The country is currently experiencing coronavirus disease (COVID-19) crisis resulting in a slowdown in the Philippine economy because of mandated lockdowns all over the country. While the financial impact is considered a non-adjusting subsequent event as at December 31, 2019, the effect on Company's operations and financial performance, however, cannot be reasonably determined as at our report date. Nonetheless, the Company strongly believes that it can remain a going concern given its liquidity position and its access to short-term and long-term funding.

Approval of Financial Statements
The financial statements of the Company as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017 were authorized for issue by the Board of Directors (BOD) on June 1, 2020.

2. Summary of Significant Accounting Policies

Basis of Preparation and Statement of Compliance
The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) issued by the Philippine Financial Reporting Standards Council (FRSC) and adopted by the SEC. This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS), Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC), and SEC provisions.

Measurement Bases
The financial statements are presented in Philippine Peso, the Company's functional currency. All values represent absolute amounts except when otherwise stated.

The financial statements of the Company have been prepared on the historical cost basis of accounting except for land classified as "Property and equipment" which is measured at revalued amount. Historical cost is generally based on the fair value of the consideration given in exchange for an asset and consideration received in exchange for incurring a liability.

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 transaction date.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active market for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Further information about the assumptions made in measuring fair value is included in the following notes:

- Note 3, Significant Judgments, Accounting Estimates and Assumptions
- Note 8, Property and Equipment
- Note 23, Fair Value Measurement

Adoption of New and Amended PFRS
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, *Leases* – This standard replaced PAS 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15, *Operating Leases-Incentives,* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. PFRS 16 requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17 and sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard provides two recognition exemptions for lessees from this PFRS – leases of low-value assets and short-term leases (i.e., leases with a lease term of 12 months or less).

  At the commencement date of a lease, the lessee shall recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The lessee is required to recognize the interest on the lease liability and to amortize the right-of-use (ROU) asset.

The lease liability shall be reviewed when there are changes in the lease term and other events affecting the lease, such as future lease payments resulting from a change in the index or rate used to determine those payments. The remeasurement of the lease liability should be recognized as an adjustment to the ROU asset.

Lessor accounting under PFRS 16 is substantially unchanged from accounting under PAS 17. The lessor shall continue to classify leases using the same classification principle as in PAS 17 to distinguish the two types of leases: operating and finance leases.

The Company has applied PFRS 16 for the first time as at January 1, 2019 using modified retrospective approach. Under this approach, the comparative information as at and for the year ended December 31, 2018 was not restated. Moreover, leases for which the underlying asset is of low value are not adjusted on initial date of application and the Company do not recognize a ROU asset and lease liability to leases for which the lease term ends within 2019.

The Company elected to use the practical expedient transitioning, to allow the standard to be applied only to contracts that were previously identified as leases under PAS 17 and Philippine Interpretation IFRIC 4 at the date of initial application.

The following table shows the reconciliation of lease liabilities as at January 1, 2019 (see Note 21):

Minimum lease payments under operating leases as at December 31, 2018	₱4,955,789
Effect of discounting at incremental borrowing rate as at January 1, 2019	(163,742)
	₱4,792,047

The Company opted to measure the ROU assets at an amount equal to lease liabilities amounting to ₱4.8 million as at January 1, 2019. In the recognition of ROU assets and lease liabilities, the Company has applied a weighted average incremental borrowing rate of 4.75%.

- Philippine Interpretation IFRIC 23, *Uncertainty Over Income Tax Treatments* – The interpretation provides guidance on how to reflect the effects of uncertainty in accounting for income taxes under PAS 12, *Income Taxes*, in particular (i) matters to be considered in accounting for uncertain tax treatments separately, (ii) assumptions for taxation authorities' examinations, (iii) determinants of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, and (iv) effect of changes in facts and circumstances.

- Amendments to PFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation* – The amendments clarify that a financial asset passes the "solely payments of principal and interest" criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. Consequently, financial assets with termination provisions can now be measured at amortized cost (or, depending on the business model, at fair value through other comprehensive income).

- Amendments to PAS 19, *Employee Benefits - Plan Amendment, Curtailment or Settlement* – The amendments specify how companies remeasure a defined benefit plan when a change - an amendment, curtailment or settlement - to a plan takes place during a reporting period. It requires entities to use the updated assumptions from this remeasurement to determine current service cost and net interest cost for the remainder of the reporting period after the change to the plan.

- Annual Improvements to PFRS 2015 to 2017 Cycle:

  - Amendments to PFRS 3, *Business Combinations* and PFRS 11, *Joint Arrangements - Previously Held Interest in a Joint Operation* – The amendments to PFRS 3, *Business Combinations,* clarify that when an entity obtains control of a business that is a joint operation, the acquirer applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the joint operation at its acquisition-date fair value. The amendment to PFRS 11, *Joint Arrangements,* clarifies that when an entity obtains joint control of a business that is a joint operation, the previously held interests in that business are not remeasured.

  - Amendments to PAS 12, *Income Taxes - Income Tax Consequences of Payments on Financial Instruments Classified as Equity* – The amendments require entities to recognize the income tax consequences of dividends as defined in PFRS 9 when the liability to pay dividends are recognized. The income tax consequences of dividends are recognized either in profit or loss, other comprehensive income or equity, consistently with the transactions that generated the distributable profits. This requirement applies to all income tax consequences of dividends, such as withholding taxes.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS did not have any material effect on the financial statements except for PFRS 16. Additional disclosures have been included in the notes to financial statements, as applicable.

Amended PFRS in Issue But Not Yet Effective

Relevant amended PFRS which are not yet effective for the year ended December 31, 2019 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2020:

- Amendments to References to the Conceptual Framework in PFRS – The amendments include a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance-in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurements uncertainty in financial reporting. The amendments should be applied retrospectively unless retrospective application would be impracticable or involve undue cost or effort.

- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material* – The amendments clarify the definition of "material" and how it should be applied by companies in making materiality judgments. The amendments ensure that the new definition is consistent across all PFRS standards. Based on the new definition, an information is "material" if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Under prevailing circumstances, the adoption of the foregoing amended PFRS is not expected to have any material effect on the financial statements of the Company. Additional disclosures will be included in the financial statements, as applicable.

<u>**Financial Assets and Liabilities**</u>

Date of Recognition. The Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

Initial Recognition and Measurement. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

"Day 1" Difference. Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

Classification. The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Company's business model and its contractual cash flow characteristics.

As at December 31, 2019 and 2018, the Company does not have financial assets and liabilities at FVPL and financial asset at FVOCI.

Financial Assets at Amortized Cost. Financial assets shall be measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2019 and 2018, the Company's cash and cash equivalents and trade and other receivables (excluding advances to officers and employees) are classified under this category.

Financial Liabilities at Amortized Cost. Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at December 31, 2019 and 2018, the Company's trade and other payables (excluding statutory payables and unearned income), loans payable, lease liabilities and other noncurrent liabilities (excluding unearned income) are classified under this category.

Reclassification
The Company reclassifies its financial assets when, and only when, it changes its business model for managing those financial assets. The reclassification is applied prospectively from the first day of the first reporting period following the change in the business model (reclassification date).

For a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVPL, any gain or loss arising from the difference between the previous amortized cost of the financial asset and fair value is recognized in profit or loss. Meanwhile, for a financial asset reclassified out of the financial assets at amortized cost category to financial assets at FVOCI, any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in OCI.

Impairment of Financial Assets at Amortized Cost
The Company records an allowance for expected credit loss (ECL). ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Company has applied the simplified approach and has calculated ECL based on the lifetime ECL. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other financial instruments measured at amortized cost, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECL that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;

- the Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Company has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statements of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of Financial Assets and Liabilities
Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

Classification of Financial Instrument between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;

- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or

- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Inventories
Inventories consist of medicines and medical supplies. These are measured at the lower of cost and net realizable value (NRV). Cost is determined using the moving average method. For medicines and medical supplies for sale, NRV is the estimated selling price less cost to sell. For supplies used in the operations, NRV is the current replacement cost. In determining the NRV, the Company considers any adjustment necessary for obsolescence.

Other Assets
Other assets consist of deferred input VAT, prepayments, advances to contractors and advances to suppliers. Other assets that are expected to be realized for no more than 12 months after the reporting date are classified as current assets. Otherwise, these are classified as noncurrent assets.

Deferred Input VAT. In accordance with the Revenue Regulation (RR) No. 16-2005, input VAT on purchases or imports of the Company of capital goods (depreciable assets for income tax purposes) with an aggregate acquisition cost (exclusive of VAT) in each of the calendar month exceeding ₱1.0 million are claimed as credit against output VAT over 60 months or the estimated useful lives of capital goods, whichever is shorter.

Where the aggregate acquisition cost (exclusive of VAT) of the existing or finished depreciable capital goods purchased or imported during any calendar month does not exceed ₱1.0 million, the total input VAT will be allowable as credit against output VAT in the month of acquisition.

Deferred input VAT represents the unamortized amount of input VAT on capital goods.

Prepayments. Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to expense as these are consumed in operations or expire with the passage of time.

Advances to Contractors. Advances to contractors represent funds advanced by the Company to its contractors in relation to its project. These are capitalized in the statements of financial position, upon actual receipt of services or supplies. These are charged to the construction in progress account when the goods or services for which the advances were made are received. Advances to contractors are applied from the supplier's billings as specified in the provisions of the contract.

Advances to Suppliers. Advances to suppliers are payments made to suppliers for purchase of medical equipment. These are charged to the property and equipment account when the goods for which the advances were made are received.

Interest in Joint Operation

The interest of the Company in a joint operation includes: (a) its share of the jointly controlled assets, classified according to the nature of the assets rather than as an investment; (b) any liabilities that it has incurred; (c) its share of any liabilities incurred jointly with other parties in relation to the joint operation; (d) its revenue from the sale of its share of the output arising from the joint operation, together with its share of any expenses incurred by the joint operation; and (e) any expenses that it has incurred in respect of its interest in the joint operation.

Property and Equipment

Property and equipment, except for land, are stated at cost less accumulated depreciation and any accumulated impairment in value. Land is stated at revalued amount less any impairment in value.

The initial cost of property and equipment comprises its purchase price, after deducting trade discounts and rebates, and any directly attributable costs of bringing the asset to its working condition and location for its intended use. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalized borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalized as part of the equipment.

Expenditures incurred after the property and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized in profit or loss in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment. The cost of replacing a component of an item of property and equipment is recognized if it is probable that the future economic benefits embodied within the component will flow to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized.

Subsequent to initial recognition, land is carried at revalued amount which represent fair values as determined by independent appraisers, less any accumulated impairment loss. Other property and equipment are carried at cost less accumulated depreciation and any accumulated impairment loss.

Any revaluation surplus is recognized in other comprehensive income and credited to the "Other components of equity" account in the statements of financial position. Any revaluation deficit directly offsetting a previous surplus is charged to other comprehensive income to the extent of any revaluation surplus in equity relating to the same asset and the remaining deficit, if any, is recognized in profit or loss. Upon disposal of the revalued assets, amount included in revaluation surplus is transferred to retained earnings. Revaluations are performed regularly to ensure that the carrying amount does not materially differ from that which would be determined using fair value at the end of reporting period.

Depreciation are computed using the straight-line method over the following estimated useful lives of the property and equipment:

	Number of Years
Buildings and improvements	30 years
Medical equipment	5 to 8 years
Furniture and fixtures	5 years
Computer equipment	5 years

The estimated useful lives and depreciation are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefits from items of property and equipment.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any impairment in value are removed from the accounts. Any resulting gain or loss is recognized in profit or loss.

Construction in progress represents properties under construction and is stated at cost, including cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property and equipment are capitalized during the construction period. Construction in progress is not depreciated until such time that the relevant assets are completed and ready for operational use.

Impairment of Nonfinancial Assets

The nonfinancial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount exceeds its estimated recoverable amounts, the asset or cash-generating unit is written down to its recoverable amount. The estimated recoverable amount of the asset is the higher of an asset's fair value less costs to sell or value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss.

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

Unearned Income

Unearned income consists of amounts received by the Company from its doctors as advance payments for the rent of clinic spaces. These are recorded at face amount under "Trade and Other Payables" account in the statements of financial position and recognized as revenue in profit or loss on a straight-line basis over the lease term.

Equity

Capital Stock. Capital stock is measured at par value for all shares issued. Incremental costs directly attributable to the issuance of new shares are shown in equity as a deduction from proceeds. Unpaid subscriptions are recognized as a reduction of subscribed common shares.

Additional Paid-in Capital. Additional paid-in capital includes any premium received in excess of par in the issuances of capital stock and additional contributions of stockholders without any issuance of shares. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of tax.

Stock Dividends Distributable. Stock dividends distributable represents dividends in a form of stocks which are already declared but has not yet distributed.

Retained Earnings. Retained earnings represent the cumulative balance of net income, net of any dividend declaration. Appropriated retained earnings represent the portion which has been restricted and are not available for dividend declaration. Unappropriated retained earnings represent the portion which can be declared as dividends to stockholders.

Treasury Stock. Acquisition of treasury stock by the Company is recorded at cost and shown as a deduction in the equity section of the statement of financial position. Upon reissuance of treasury stocks, the "Treasury stock" account is credited at cost. The excess of proceeds from reissuance over the cost of treasury stock is credited to additional paid-in capital. The excess of cost of treasury stock over the proceeds from reissuance is debited to additional paid-in capital but only to the extent of previously set-up additional paid-in capital for the same class of shares of stock. Otherwise, the excess is debited directly against retained earnings.

Other Components of Equity. Other components of equity comprise of revaluation surplus on land and cumulative remeasurement gains on net retirement liability which were not recognized in profit or loss. These incomes, when earned for the year, are classified as other comprehensive income and presented after net income in the statements of comprehensive income.

Basic and Diluted Earnings Per Share

Basic earnings per share is computed by dividing the net income for the period attributable to equity holders of the Company by the weighted average number of issued and outstanding and subscribed common shares during the period, with retroactive adjustment for any stock dividends declared. Diluted earnings per share is computed in the same manner, adjusted for the effects of convertible securities. The Company has no dilutive instruments.

Revenue Recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company perform its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent. The Company has assessed that it acts as a principal in all of its revenue sources.

The following specific recognition criteria must also be met before revenue is recognized:

Hospital and Ancillary Services. Revenue from hospital and ancillary services is recognized when the services are rendered and provided to patients.

Sale of Medicines and Medical Supplies. Revenue is recognized when medicines and medical supplies are delivered to outpatients.

Room and Board. Revenue from room and board is recognized based on actual room occupancy.

Discounts. Discounts pertain to patient discounts and package deal discounts. These also include senior citizen discount which is computed as 20% of the medically necessary care levels for the diagnosis and/or treatment of an illness or injury for senior citizen patients. Discounts are recognized as a reduction of the related revenues upon delivery of goods or rendering of services.

The following specific recognition criteria must also be met before other revenue items are recognized.

Rental Income. Rental income on leased property is recognized on a straight-line basis over the lease term.

Interest Income. Revenue is recognized as interest accrues, taking into consideration the effective yield on the asset.

Other Income. Other income is recognized as revenue when earned.

Cost and Expense Recognition
Costs and expenses are recognized in profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Cost of Sales and Services. Cost of sales and services are recognized as expense when the related goods are sold or services are rendered.

General and Administrative. General and administrative expenses constitute costs of administering the business and costs incurred to sell and market the goods and services. These are expensed when incurred.

Interest Expense. Interest expense is recognized in profit or loss using the effective interest method.

Leases
A contract is, or contains, a lease when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, the customers has both of the following:

- The right to obtain substantially all of the economic benefits from use of the identified asset; and

- The right to direct the use of the identified asset.

If the Company has the right to control the use of an identified asset for only a portion of the term of the contract, the contract contains a lease for that portion of the term.

The Company also assesses whether a contract contains a lease for each potential separate lease component.

Company as Lessor

Leases where the Company retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized on a straight line basis over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which these are earned.

Company as Lessee

Accounting Policies beginning January 1, 2019

At the commencement date, the Company recognizes ROU assets and a lease liabilities for all leases, except for leases with lease terms of 12 months or less (short-term leases) and leases for which the underlying asset is of low value, in which case the lease payments associated with those leases are recognized as an expense on a straight-line basis.

ROU Assets. At commencement date, the Company measures the ROU assets at cost. The cost comprises:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs incurred by the Company; and
- An estimation of costs to be incurred by the Company in dismantling and removing the underlying asset, when applicable.

The ROU assets are recognized under the same basis with property and equipment at the present value of the liability at the commencement date of the lease, adding any directly attributable costs. After the commencement date, the ROU assets are carried at cost less any accumulated amortization and accumulated impairment losses, and adjusted for any remeasurement of the related lease liability. The ROU assets are amortized over the shorter of the lease term or the useful life of the underlying asset.

Lease Liabilities. At commencement date, the Company measures lease liabilities at the present value of future lease payments using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of a lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonable certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonable certain not to terminate early.

A lease liability is subsequently measured at amortized cost. Interest on the lease liability and any variable lease payments not included in the measurement of lease liability are recognized in profit or loss unless these are capitalized as costs of another asset. Variable lease payments not included in the measurement of the lease liability are recognized in profit or loss when the event or condition that triggers those payments occurs.

If there is a change in the lease term or if there is a change in the assessment of an option to purchase the underlying asset, the lease liability is remeasured using a revised discount rate considering the revised lease payments on the basis of the revised lease term or reflecting the change in amounts payable under the purchase option. The lease liability is also remeasured using the revised lease payments if there is a change in the amounts expected to be payable under a residual value guarantee or a change in future lease payments resulting from a change in an index or a rate used to determine those payments.

Accounting Policies prior to January 1, 2019

Company as a Lessee. Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term.

Employee Benefits

Short-term Benefits. The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

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

Retirement Benefits. The Company has a funded, tax-qualified, non-contributory post-employment benefit plan covering all regular full-time employees. The retirement benefits cost is determined using the projected unit credit method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

The Company recognizes service costs, comprising of current service costs, past service costs, gains and losses on curtailments and nonroutine settlements, and net interest expense in profit or loss. Net interest is calculated by applying the discount rate to the net retirement liability.

Past service costs are recognized in profit or loss on the earlier of the date of the plan amendment or curtailment, and the date that the Company recognizes restructuring-related costs.

Net interest on the net retirement liability is the change during the period in the net retirement liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net retirement liability. Net interest is calculated by applying the discount rate to the net retirement liability.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on retirement liability or asset) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The retirement liability is the aggregate of the present value of the retirement liability on which the obligations are to be settled directly. The present value of the retirement liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

Actuarial valuations are made with sufficient regularity so that the amounts recognized in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

Income Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rate and tax laws used to compute the amount are those that have been enacted or substantively enacted as at the reporting date.

Deferred Tax. Deferred tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Deferred tax, however, is not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognized in profit or loss except to the extent that it relates to items directly recognized in other comprehensive income.

Deferred tax assets and liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Related Parties

Related party transactions consist of transfers of resources, services or obligations between the Company and its related parties, regardless of whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These include: (a) individuals who, owning directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates and, (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on legal form.

Provisions
Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that a transfer of economic benefits will be required to settle the obligation, and the amount can be reliably estimated.

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

Provisions are reviewed at the end of each financial reporting year and adjusted to reflect the current best estimate.

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

Events after the Financial Reporting Date
Events after the financial reporting date that provide additional information about the Company's financial position as at the financial reporting date (adjusting events) are reflected in the financial statements. Events after the financial reporting date that are not adjusting events are disclosed in the notes to financial statements when material.

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the Company's financial statements requires management to make judgments, accounting estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The judgments and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as at the reporting date.

While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the estimated amounts. Actual results could differ from such estimates.

The accounting estimates and underlying assumptions are reviewed on an on-going basis. Changes in accounting estimates are recognized in the period in which the estimate is revised if the change affects only that period or in the period of the change and future periods if the revision affects both current and future periods.

The following are the significant judgments, accounting estimates and assumptions made by the Company:

Judgments

Determination of Functional Currency. Based on management's assessment, the functional currency of the Company has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the operations of the Company.

Definition of Default and Credit-Impaired Financial Assets. The Company defines a financial instrument as in default, which is fully aligned with the definition of credit- impaired, when it meets one or more of the following criteria:

a. Quantitative Criteria - the borrower is more than 90 days past due on its contractual payments, which is consistent with the Company's definition of default.

b. Qualitative Criteria - The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

   - The borrower is experiencing financial difficulty or is insolvent;
   - The borrower is in breach of financial covenants;
   - Concessions have been granted by the Company, for economic or contractual reasons relating to the borrower's financial difficulty; or
   - It is probable that the borrower will enter bankruptcy or other financial reorganization.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to the determination of ECL.

Grouping of Instruments for ECL measured on a Collective Basis. For ECL provisions that are assessed on a collective basis, grouping of exposures is performed on the basis of shared credit risk characteristics, such that risk exposures within a group are homogeneous. For trade receivables, ECL is measured collectively based on type of debtor, such as self-pay, Philippine Health Insurance Corporation (Philhealth), and Health Maintenance Organizations (HMO), among others.

Determination of Lease Commitments - Company as a Lessor. Leases where the Company retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which these are earned.

Rental income amounted to ₱2.8 million, ₱0.6 million and ₱1.2 million in 2019, 2018 and 2017 respectively (see Note 21).

Determination of Lease Commitments - Company as a Lessee beginning January 1, 2019. The Company has various non-cancellable lease agreements for its medical equipment for a period of three (3) to ten (10) years. The Company has assessed that these are low value, remaining terms are short-term and the considerations are variable. Accordingly, an ROU asset has not been recognized. The Company has also entered into non-cancellable lease agreements of parking space, land, building and equipment for a period of two (2) to 15 years. Accordingly, ROU assets and lease liabilities have been recognized.

Rent expense amounted to ₱23.7 million in 2019 (see Note 21).

ROU assets and lease liabilities amounted to ₱14.0 million and ₱13.4 million, respectively, as at December 31, 2019 (see Note 21).

Determination of Lease Commitments - Company as Lessee prior to January 1, 2019. The Company has entered into lease agreements with various lessors for the use of medical equipment and parking space. The Company has determined that the arrangements are operating leases as the risks and rewards of ownership is retained by the lessor.

Rent expense amounted ₱25.5 million and ₱47.5 million 2018 and 2017, respectively (see Note 21).

Classification of Joint Arrangement. The Company has entered into joint arrangements for the purpose of operating various hospital equipment. The Company has determined that it has joint control over the arrangement and has rights to the assets, and obligations for the liabilities, relating to the agreement. Accordingly, the agreement was accounted for as a joint arrangement.

Estimates and Assumption

Estimation of ROU Assets and Lease Liabilities. The Company determines lease payments, lease term and discount rate at the commencement date of a lease. The lease term comprises non-cancellable period of a lease contract. Period covered by an option to extend a lease if the Company is reasonably certain to exercise the option, or periods covered by an option to terminate a lease if the Company is reasonably certain not to exercise that option, are included in the lease term. The Company considers all relevant facts and circumstances that create an economic incentive for the Company to exercise, or not to exercise, the option such as, but not limited to, significant leasehold improvements undertaken and the importance of the underlying asset to the Company's operations.

The Company uses its incremental borrowing rate as basis for the discount rate which is the rate that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The Company uses its general borrowing rate adjusted for the lease term, security of an item with the underlying nature of the leased asset and expectations of residual value, among others.

ROU assets and lease liabilities amounted to ₱14.0 million and ₱13.4 million, respectively, as at December 31, 2019 (see Note 21).

Estimation of Allowance for ECL on Trade Receivables. The Company uses a provision matrix based on historical default rates for trade receivables. The provision matrix specify provision rates depending on the number of days that a trade receivable is past due. The Company also uses appropriate groupings if its historical credit loss experience shows significantly different loss patterns for different customer segments. The Company then calibrates the provision matrix to adjust historical credit loss experience with forward-looking information on the basis of current observable data to reflect the effects of current and forecasted economic conditions. The Company regularly reviews the methodology and assumptions used for estimating ECL to reduce any difference between estimates and actual experience.

Provision for ECL amounted to ₱2.4 million, ₱20.0 million and ₱17.4 million in 2019, 2018 and 2017, respectively (see Note 16). The Company's trade and other receivables (excluding advances to officers and employees), net of ECL amounted to ₱110.6 million and ₱60.6 million as at December 31, 2019 and 2018, respectively (see Note 5).

Assessment of Impairment of Other Financial Assets at Amortized Cost. The Company determines the allowance for ECL based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL are provided for credit losses that result from possible default events within the next 12-months unless there has been a significant increase in credit risk since initial recognition in which case ECL are provided based on lifetime expected credit loss.

When determining if there has been a significant increase in credit risk, the Company considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- actual or expected external and internal credit rating downgrade
- existing or forecasted adverse changes in business, financial or economic conditions
- actual or expected significant adverse changes in the operating results of the borrower.

The Company's financial assets at amortized cost are considered to have low credit risk, and therefore the loss allowance is determined as 12 months expected credit losses. The Company has assessed that the ECL for financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Company only with reputable banks and counterparties with good credit standing and relatively low risk of defaults. Accordingly, no impairment loss was recognized in 2019, 2018 and 2017.

The Company's cash and cash equivalents amounted to ₱114.5 million and ₱229.3 million as at December 31, 2019 and 2018, respectively (see Note 4).

Determination of NRV of Inventories. In determining the NRV of inventories, the Company considers any adjustments for obsolescence which are due to damage, physical deterioration, changes in price levels or other causes. Management reviews on a regular basis the NRV of medicines and supplies inventories.

No allowance for inventory obsolescence was provided in 2019, 2018 and 2017. Inventories carried at lower of cost and NRV amounted to ₱71.7 million and ₱66.8 million as at December 31, 2019 and 2018, respectively (see Note 6).

Determination of Revaluation Value of Land. The land is carried at revalued amount, which approximates its fair value at the date of the revaluation less any accumulated impairment losses. The valuation of land is performed by qualified independent appraisers. The fair value was arrived at using the market data approach based on the gathered available market evidences. Revaluations are made on a regular basis to ensure that the fair value does not differ materially from its carrying amounts.

Land carried at revalued amount amounted to ₱494.1 million as at December 31, 2019 and 2018 (see Note 8).

Estimation of Useful Lives of Property and Equipment. The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimates are based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives of property and equipment are reviewed at each reporting date and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. Future results of operations could be materially affected by changes in estimates brought about by changes in the factors mentioned above. The amount and timing of recording of depreciation for any period would be affected by changes in these factors and circumstances.

The estimated useful lives of the Company's buildings and improvements and certain medical equipment were changed from 25 to 30 years and 5 to 8 years, respectively, in 2018. The effect of the change decreased depreciation by ₱11.1 in 2018. No change was made on the estimated useful lives of property and equipment in 2019.

Property and equipment - at cost, net of accumulated depreciation amounted to ₱1,417.5 million and ₱1,022.7 million and as at December 31, 2019 and 2018, respectively (see Note 8).

Assessment of Impairment of Nonfinancial Assets. The Company assesses impairment on its nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of the assets or group of assets may not be recoverable. The relevant factors that the Company considers in deciding whether to perform an asset impairment review include the following:

- significant underperformance of a business in relation to expectations;
- significant negative industry or economic trends; and
- significant changes or planned changes in the use of the assets.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

No impairment loss on nonfinancial assets was recognized by the Company in 2019, 2018 and 2017. The carrying amount of nonfinancial assets as follows:

	Note	**2019**	2018
Advances to officers and employees	5	**₱8,387,680**	₱6,148,068
Property and equipment - at cost	8	**1,417,499,068**	1,022,747,485
ROU assets	21	**13,966,266**	–
Other assets	7	**111,580,440**	113,844,276

Determination of Retirement Benefit Costs. The determination of the obligation and costs of retirement benefits is dependent on the assumptions used by the actuary in calculating such amounts. These assumptions are described in Note 19 to the financial statements and include, among others, discount rates and salary increase rates.

The net retirement benefits liability amounted to ₱31.5 million as at December 31, 2019 and 2018. The cumulative remeasurement gains on net retirement benefit liability, net of deferred tax, recognized in equity amounted to ₱4.6 million and ₱15.2 million as at December 31, 2019 and 2018, respectively (see Note 19).

Recognition of Deferred Tax Assets. The carrying amount of deferred tax assets at each reporting date are reviewed and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Company's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenue and expenses.

The Company's deferred tax assets amounted to ₱45.6 million and ₱40.6 million as at December 31, 2019 and 2018, respectively (see Note 20).

4. Cash and Cash Equivalents

This account consists of:

	2019	2018
Cash on hand	**₱30,822,673**	₱35,410,541
Cash in banks	**80,242,297**	139,413,032
Cash equivalents	**3,426,501**	54,454,901
	₱114,491,471	₱229,278,474

Cash in banks earn interest at the prevailing bank deposit rates.

Cash equivalents are short-term investments in money market placements with maturities ranging from 30 to 90 days.

Interest income earned from cash in banks and cash equivalents amounted to ₱2.9 million, ₱4.6 million and ₱1.9 million in 2019, 2018 and 2017, respectively (see Note 18).

5. Trade and Other Receivables

This account consists of:

	2019	2018
Trade	**₱139,806,095**	₱101,141,169
Advances to officers and employees	**8,387,680**	6,148,068
Others	**17,422,503**	18,401,923
	165,616,278	125,691,160
Less allowance for ECL	**46,587,064**	58,919,008
	₱119,029,214	₱66,772,152

Trade receivables are receivables from patients and guarantors such as PhilHealth and HMO. Receivables from patients are due upon discharge or on agreed payment date while receivable from guarantors are generally on a 30 to 60 days credit term. These are noninterest-bearing.

Advances to officers and employees are cash advances used for certain operating expenses not covered by the disbursement of petty cash fund. These are subject to liquidation within one (1) to three (3) months.

Others pertain to investments that have already matured and are not yet collected. These are usually settled within one year.

Movements in the allowance for ECL are as follows:

	Note	2019	2018
Balance at beginning of year		**₱58,919,008**	₱53,682,180
Provision for ECL	16	**2,415,008**	19,950,853
Write-off		**(14,746,952)**	(14,714,025)
Balance at end of year		**₱46,587,064**	₱58,919,008

6. **Inventories**

This account consists of:

	2019	2018
Medicines	**₱54,874,884**	₱55,769,740
Medical supplies	**16,813,920**	10,989,151
	₱71,688,804	₱66,758,891

As at December 31, 2019 and 2018, the costs of these inventories are lower than its NRV.

The cost of inventories charged to cost of sales amounted to ₱102.4 million, ₱90.0 million and 73.4 million in 2019, 2018 and 2017, respectively (see Note 15).

7. **Other Assets**

This account consists of:

	2019	2018
Current:		
Current portion of deferred input VAT	**₱8,702,910**	₱1,740,158
Prepaid insurance	**1,269,322**	1,281,652
	9,972,232	3,021,810
Noncurrent:		
Advances to contractors	**57,063,029**	79,663,502
Deferred input VAT - net of current portion	**29,106,286**	4,992,198
Advances to suppliers	**15,438,893**	26,166,766
	101,608,208	110,822,466
	₱111,580,440	₱113,844,276

Advances to suppliers pertain mainly to advance payments made to suppliers for purchase of medical equipment and are generally applied within 12 months or within the normal operating cycle.

Advances to contractors represent funds advanced by the Company to its contractors in relation to its project. These are charged to the construction in progress account when the goods or services for which the advances were made are received. Advances to contractors are applied from the supplier's billings as specified in the provisions of the contract.

8. Property and Equipment

This account is classified as property and equipment carried at:

	2019	2018
At cost	**₱1,417,499,068**	₱1,022,747,485
At revalued amount	**494,132,000**	494,132,000
	₱1,911,631,068	₱1,516,879,485

The balances and movements of this account are as follows:

	2019						
	At Revalued Amount	**At Cost**					
	Land	**Buildings and Improvements**	**Medical Equipment**	**Furniture and Fixtures**	**Computer Equipment**	**Construction in progress**	**Total**
Cost							
Balances at beginning of year	₱494,132,000	₱831,560,003	₱464,737,098	₱146,343,946	₱22,963,379	₱99,170,991	₱2,058,907,417
Additions	–	6,173,133	264,012,656	20,548,027	2,170,710	217,343,461	510,247,987
Balance at end of year	494,132,000	837,733,136	728,749,754	166,891,973	25,134,089	316,514,452	2,569,155,404
Accumulated Depreciation							
Balances at beginning of year	–	229,487,704	232,000,896	65,604,705	14,934,627	–	542,027,932
Depreciation	–	27,873,800	64,005,866	20,696,261	2,920,477	–	115,496,404
Balance at end of year	–	257,361,504	296,006,762	86,300,966	17,855,104	–	657,524,336
Carrying Amount	₱494,132,000	₱580,371,632	₱432,742,992	₱80,591,007	₱7,278,985	₱316,514,452	₱1,911,631,068

	2018						
	At Revalued Amount	At Cost					
	Land	Buildings and Improvements	Medical Equipment	Furniture and Fixtures	Computer Equipment	Construction in progress	Total
Cost							
Balances at beginning of year	₱437,131,566	₱756,028,089	₱342,715,470	₱130,233,071	₱19,334,543	₱92,715,604	₱1,778,158,343
Additions	–	16,111,128	122,021,628	16,110,875	3,628,836	65,876,173	223,748,640
Reclassification	–	59,420,786	–	–	–	(59,420,786)	–
Revaluations	57,000,434	–	–	–	–	–	57,000,434
Balance at end of year	494,132,000	831,560,003	464,737,098	146,343,946	22,963,379	99,170,991	2,058,907,417
Accumulated Depreciation							
Balances at beginning of year	–	202,419,749	173,594,540	52,478,865	11,198,079	–	439,691,233
Depreciation	–	27,067,955	58,406,356	13,125,840	3,736,548	–	102,336,699
Balance at end of year	–	229,487,704	232,000,896	65,604,705	14,934,627	–	542,027,932
Carrying Amount	₱494,132,000	₱602,072,299	₱232,736,202	₱80,739,241	₱8,028,752	₱99,170,991	₱1,516,879,485

Details of land carried at revalued amount and its related cost follows:

	2019	2018
Cost	**₱212,694,394**	₱212,694,394
Revaluation surplus	**281,437,606**	281,437,606
Revalued amount	**₱494,132,000**	₱494,132,000

Revaluation surplus recognized in equity are as follows:

	2019		
	Revaluation Surplus	**Deferred Tax (Note 20)**	**Net**
Balance at beginning and end of year	**₱281,437,606**	**(₱84,431,282)**	**₱197,006,324**

	2018		
	Revaluation Surplus	Deferred Tax (Note 20)	Net
Balance at beginning of year	₱224,437,172	(₱67,331,152)	₱157,106,020
Revaluation surplus	57,000,434	(17,100,130)	39,900,304
Balance at end of year	₱281,437,606	(₱84,431,282)	₱197,006,324

The latest appraisal report of the independent appraiser is dated March 4, 2019. The fair value measurement of these parcels of land has been categorized as Level 3. Fair value was based on direct sales comparison approach for land using gathered available market evidences.

The Company has an on-going construction of its parking building and cancer center with an estimated cost of ₱301.9 million. The construction is expected to be completed in 2020.

As at December 31, 2019 and 2018, fully depreciated property and equipment with aggregate cost of ₱193.0 million and ₱128.2 million, respectively, are still in use.

Depreciation and amortization consist of:

	Note	**2019**	2018	2017
Property and equipment		**₱115,496,404**	₱102,336,699	₱97,699,004
ROU assets	21	**3,076,627**	–	–
		₱118,573,031	₱102,336,699	₱97,699,004

Depreciation and amortization is charged to operations as follows:

	Note	**2019**	2018	2017
Cost of sales and services	15	**₱100,835,527**	₱84,704,360	₱84,176,102
General and administrative expenses	16	**17,737,504**	17,632,339	13,522,902
		₱118,573,031	₱102,336,699	₱97,699,004

9. Trade and Other Payables

This account consists of:

	Note	**2019**	2018
Trade		**₱202,377,956**	₱158,001,675
Dividends	13	**57,205,616**	65,283,344
Provident fund contribution		**18,649,329**	20,753,480
Retention payable		**18,150,228**	–
Accrued expenses		**11,356,580**	12,555,890
Current portion of employee benefits premium		**11,271,036**	–
Withholding taxes		**11,117,562**	10,724,082
Current portion of payable to suppliers		**6,188,971**	6,194,971
Professional fees		**3,644,351**	14,831,402
Current portion of unearned income	21	**584,796**	530,126
Output VAT		**369,542**	385,986
Others		**27,964,407**	13,718,370
		₱368,880,374	₱302,979,326

Trade payables are noninterest-bearing and are usually settled within 30 to 60 days.

Provident fund contribution payable includes employee benefits usually for regular employees working for more than five (5) years which can be withdrawn anytime or upon resignation.

Retention payable pertains to amounts retained from contractors' payable at the completion of the construction.

Accrued expenses pertain to accruals for rent, personnel costs and outside services. These are usually settled within one year.

Employee benefits premium pertains to benefits for key management personnel working for more than five years payable within the year.

Withholding taxes pertain to various taxes payable to government agencies which are normally settled in the subsequent month.

Payable to suppliers pertain to the Company's liability relating to the construction in progress and purchase of medical equipment payable in accordance with the contract terms.

10. Loans Payable

Loans payable is broken down as follows:

	2019	2018
Current portion of loan payable	**₱–**	₱500,000
Noncurrent portion of loan payable	**150,000,000**	3,625,000
Balance at end of year	**₱150,000,000**	₱4,125,000

In 2019, the Company has fully settled the loan with carrying amount of ₱4.1 million obtained on May 8, 2017. The loan was an unsecured 10-year loan from a local creditor bank amounting to ₱5.0 million to finance its working capital requirements. This loan was payable quarterly with an interest rate of 4.75% per month.

In December 2019, the Company obtained a 7-year loan from a local creditor bank amounting to ₱150.0 million to finance its capital expenditure requirements. This loan is payable quarterly starting on the second year of the loan agreement with an interest rate of 4.75% per month.

In case of an event of default in the agreement, the principal amount and accrued interest on the loans payable may be declared immediately due, payable, and defaulted in the manner and with the effect provided in the agreement, presentment, demand, protest or notice of any kind being expressly waived by the Company.

The expected loan repayments over the remaining term of the loan are as follows:

	2019	2018
Not later than one (1) year	₱–	₱500,000
Later than one (1) year but not later than five (5) years	16,666,667	2,000,000
Later than five (5) years	133,333,333	1,625,000
	₱150,000,000	₱4,125,000

The changes in liabilities arising from financing activities as at December 31, 2019 and 2018 are as follows:

	2019			
	Loans Payable	Dividends Payable (see Note 13)	Lease Liabilities (see Note 21)	Total
Balance at beginning of year	₱4,125,000	₱65,283,344	₱4,792,047	₱74,200,391
Changes from financing cash flows	145,875,000	(69,786,109)	(4,319,605)	71,769,286
Noncash changes:				
Dividend declaration	–	61,708,381	–	61,708,381
Recognition of lease liabilities	–	–	12,250,846	12,250,846
Interest expense	–	–	635,424	635,424
Balance at end of year	₱150,000,000	₱57,205,616	₱13,358,712	₱220,564,328

	2018			
	Loans Payable	Dividends Payable (see Note 13)	Lease Liabilities (see Note 21)	Total
Balance at beginning of year	₱4,750,000	₱63,520,637	₱–	₱68,270,637
Changes from financing cash flows	(625,000)	(68,364,673)	–	(68,989,673)
Noncash changes -				
Dividend declaration	–	70,127,380	–	70,127,380
Balance at end of year	₱4,125,000	₱65,283,344	₱–	₱69,408,344

Interest expense charged in the statements of comprehensive income as follows:

	Note	2019	2018	2017
Lease liabilities	21	₱635,424	₱–	₱–
Loans payable		186,294	176,905	78,879
		₱821,718	₱176,905	₱78,879

11. Other Noncurrent Liabilities

This account consists of:

	Note	2019	2018
Employee benefits premium - net of current portion		₱12,000,000	₱22,024,364
Unearned income - net of current portion	21	21,059,234	22,358,502
Payable to suppliers		6,853,333	19,675,293
Others		855,000	855,000
		₱40,767,567	₱64,913,159

Employee benefits premium includes benefits for key management personnel working for more than five years payable upon resignation.

Unearned income pertains to advance rent from medical consultants for occupying the Medical Arts building with terms of 50 years.

Payable to suppliers pertain to Company's liability relating to purchase of medical equipment.

12. Equity

Capital Stock

Details of capital stock are as follows:

	2019		2018	
	Number of Shares	Amount	Number of Shares	Amount
Authorized Capital Stock - ₱100 par				
At beginning of year	**750,000**	**₱75,000,000**	750,000	₱75,000,000
Increase in authorized capital stock	**750,000**	**75,000,000**	–	–
At end of year	**1,500,000**	**₱150,000,000**	750,000	₱75,000,000
Issued Capital Stock				
At beginning of year	**565,000**	₱56,500,000	565,000	₱56,500,000
Issuance of stock dividends distributable	**554,500**	55,450,000	–	–
At end of year	**1,119,500**	₱111,950,000	565,000	₱56,500,000

Retained Earnings

In February 2019, the SEC approved the Company's increase in authorized capital stock from 750,000 shares at ₱100 par value to 1,500,000 shares at ₱100 par value.

In December 2018 and 2017, the BOD and stockholders approved the conversion of due to stockholders amounting to ₱149.9 million and ₱475.6 million, respectively, to additional paid in capital.

The Company has 221 and 215 stockholders as at December 31, 2019 and 2018, respectively.

Appropriation

In 2014, the Company's BOD approved the appropriation of retained earnings amounting to ₱80.0 million for building expansion and renovation. The building expansion and renovation was completed in December 2016. Accordingly, the Company's BOD approved the reversal of appropriation in December 2017.

In December 2017, the Company's BOD approved the appropriation of retained earnings amounting to ₱80.0 million for the on-going construction of parking building and cancer center which will commence in July 2018 (see Note 8).

In December 2019, the Company's BOD approved the appropriation of retained earnings amounting to ₱110.0 million for the on-going construction of parking building and cancer center and loan repayment (see Note 8 and Note 10).

Dividend Declarations

On June 5, 2017, the Company's BOD approved the declaration of cash dividends amounting to ₱73.6 million or ₱130.24 per share and stock dividends of one (1) share for every stock held to all stockholders of record as at December 31, 2016. Approval of the SEC on the increase in authorized capital stock was made in February 2019, the stock dividends declared amounting to ₱55.5 million are transferred from "Stock dividends distributable" to "Capital stock" account in the statements of financial position as at December 31, 2019.

On December 31, 2018, the Company's BOD approved the declaration of cash dividends amounting to ₱70.1 million or ₱125.90 per share.

On November 25, 2019, the Company's BOD approved the declaration of cash dividends amounting to ₱61.7 million or ₱110.10 per share payable to stockholders of record as of December 31, 2018.

Treasury Stock

Movements in this account consist of:

	2019		2018	
	Number of Shares	**Amount**	Number of Shares	Amount
Balance at beginning of year	**4,500**	**₱10,090,000**	8,000	₱10,290,000
Reissuance	**(2,500)**	**(4,810,000)**	(4,000)	(1,520,000)
Repurchase of capital stock	**–**	**–**	500	1,320,000
Balance at end of year	**2,000**	**₱5,280,000**	4,500	₱10,090,000

In 2019, the Company paid ₱7.9 million to return the excess payment from sale of treasury shares.

In 2017, the Company reissued 2,500 treasury shares for ₱8.8 million. In 2018, the Company reissued 4,000 treasury shares for ₱14.0 million. In 2019, the Company reissued 2,500 treasury shares for ₱6.0 million. The excess of cost of treasury shares over the proceeds from reissuance is recorded as additional paid-in capital.

13. Related Party Transactions

In the normal course of business, the Company has transaction with its related parties as follows (see Note 9):

Related Party	Nature of Transactions	Transactions during the Year 2019	Transactions during the Year 2018	Balance at End of Year 2019	Balance at End of Year 2018	Terms and Conditions
Dividends payable						
Stockholders	Declarations of dividends	**₱61,708,381**	₱70,127,380	**₱57,205,616**	₱65,283,344	Unsecured, noninterest-bearing, payable on demand and to be settled in cash

In December 2018, the BOD and stockholders approved the conversion of due to stockholders amounting to ₱149.9 million to additional paid in capital (see Note 12).

Compensation of Key Management Personnel
The compensation paid to key management personnel pertaining to short-term employee benefits amounted to ₱22.9 million, ₱21.1 million and ₱17.2 million in 2019, 2018 and 2017, respectively. Long-term and post-employment benefits were paid to key management personnel amounting to ₱28.5 million in 2019 and nil in 2018 and 2017.

14. Revenue

The details of revenue disaggregated per revenue streams are as follows:

	2019	2018	2017
Hospital and ancillary services	**₱1,299,873,964**	₱1,158,972,477	₱1,020,930,234
Sale of medicines and medical supplies	**111,140,164**	94,368,220	79,736,850
Room and board	**103,941,360**	89,098,347	72,580,314
	₱1,514,955,488	₱1,342,439,044	₱1,173,247,398

15. Cost of Sales and Services

This account consists of costs for:

	Note	**2019**	2018	2017
Hospital and ancillary services		**₱843,080,111**	₱767,363,239	₱674,577,942
Sale of medicines and medical supplies	6	**102,361,850**	90,014,069	73,393,315
Room and board		**21,885,078**	15,538,520	17,244,475
		₱967,327,039	₱872,915,828	₱765,215,732

Cost of medicines and medical supplies comprise of:

	Note	**2019**	2018	2017
Balance at beginning of year		**₱66,758,891**	₱56,691,764	₱55,711,286
Purchases		**107,291,763**	100,081,196	74,373,793
Total available inventories		**174,050,654**	156,772,960	130,085,079
Balance at end of year	6	**(71,688,804)**	(66,758,891)	(56,691,764)
		₱102,361,850	₱90,014,069	₱73,393,315

Details of the cost of sales and services by nature are presented as follows:

	Note	2019	2018	2017
Cost of ancillary services		**₱456,828,319**	₱420,693,003	₱344,530,385
Personnel costs	17	**159,300,049**	135,650,360	120,578,616
Cost of medicines and medical supplies	6	**102,361,850**	90,014,069	73,393,315
Depreciation	8	**100,835,527**	84,704,360	84,176,102
Outside services		**63,742,224**	54,901,512	47,303,038
Professional fees		**33,880,784**	27,751,787	20,284,117
Utilities		**31,418,241**	38,934,743	30,329,430
Rent	21	**18,960,045**	20,265,994	44,620,729
		₱967,327,039	₱872,915,828	₱765,215,732

16. **General and Administrative Expenses**

This account consists of:

	Note	2019	2018	2017
Personnel costs	17	**₱112,140,306**	₱87,636,432	₱79,257,958
Office supplies		**32,041,376**	27,139,732	23,702,609
Outside services		**28,806,982**	26,438,800	22,693,978
Depreciation	8	**17,737,504**	17,632,339	13,522,902
Representation		**10,335,435**	9,315,249	9,676,139
Taxes and licenses		**9,567,244**	9,511,389	8,836,151
Professional fees		**8,556,395**	10,607,704	9,745,275
Communications		**6,152,429**	6,801,828	5,490,380
Repairs and maintenance		**5,749,072**	8,250,931	6,355,294
Transportation		**4,868,535**	3,547,870	3,828,594
Rent	21	**4,775,818**	5,233,363	2,848,829
Insurance		**2,999,219**	2,339,419	4,267,911
Provision for ECL	5	**2,415,008**	19,950,853	17,407,529
Advertisement		**557,083**	1,099,449	250,588
Others		**13,462,302**	12,376,891	4,714,533
		₱260,164,708	₱247,882,249	₱212,598,670

Others pertain to expenses on events and recreation, membership and subscription dues and donations.

17. Personnel Costs

This account consists of:

	Note	2019	2018	2017
Short-term employee benefits		**₱265,446,078**	**₱217,551,897**	₱194,296,341
Retirement benefits	19	**5,994,277**	**5,734,895**	5,540,233
		₱271,440,355	**₱223,286,792**	₱199,836,574

Personnel costs charged to operations follows:

	Note	2019	2018	2017
Cost of sales and services	15	**₱159,300,049**	₱135,650,360	₱120,578,616
General and administrative expenses	16	**112,140,306**	87,636,432	79,257,958
		₱271,440,355	₱223,286,792	₱199,836,574

18. Other Income

This account consists of:

	Note	2019	2018	2017
Rebates from suppliers		**₱10,699,402**	₱8,538,888	₱8,173,635
Interest income	4	**2,923,165**	4,602,228	1,903,374
Rental income	21	**2,764,516**	614,159	1,217,392
Affiliation fee		**339,948**	678,152	726,227
Others		**3,561,024**	4,318,937	6,311,015
		₱20,288,055	₱18,752,364	₱18,331,643

Others pertain to income from sponsorships, trainings and sale of scrap materials.

19. Retirement Benefits

The Company has a funded, non-contributory defined benefit retirement plan covering all its regular full-time employees. The normal retirement age of the employee-member shall be the first day of the month coincident with his attainment of age 60 with at least five years of credited service. Early retirement age may be availed of with the consent of the Company provided that the employee has completed at least five years of credited service.

The latest actuarial valuation report using the projected unit credit method was for the year ended December 31, 2019.

The components of the retirement benefits cost recognized in profit or loss is presented below:

	2019	2018	2017
Current service cost	**₱3,795,703**	₱4,044,132	₱3,814,465
Net interest cost	**2,198,574**	1,690,763	1,725,768
	₱5,994,277	₱5,734,895	₱5,540,233

The changes in the present value of the retirement benefits liability are as follows:

	2019	2018
Balance at beginning of year	**₱40,896,640**	₱37,244,033
Current service cost	**3,795,703**	4,044,132
Interest cost	**3,079,517**	2,122,910
Remeasurement loss (gain):		
Changes in financial assumption	**12,902,757**	(8,105,429)
Experience	**2,486,739**	5,935,211
Benefits paid	**(16,551,276)**	(344,217)
Balance at end of year	**₱46,610,080**	₱40,896,640

The changes in the fair value of plan assets are as follows:

	2019	2018
Balance at beginning of year	**₱9,428,510**	₱5,674,286
Interest income	**880,943**	432,147
Contribution	**21,092,467**	3,814,464
Benefits paid from plan assets	**(16,551,276)**	–
Remeasurement gains (losses)	**231,038**	(492,387)
Balance at end of year	**₱15,081,682**	₱9,428,510

The net retirement benefits liability recognized in the statements of financial position is as follows:

	2019	2018
Present value of retirement benefits liability	**₱46,610,080**	₱40,896,640
Fair value of plan assets	**(15,081,682)**	(9,428,510)
	₱31,528,398	₱31,468,130

The fair value of plan assets as at 2019 and 2018 is composed of cash and cash equivalents.

The cumulative net remeasurement gains on retirement benefits liability recognized in other comprehensive income follows:

	2019		
	Cumulative Remeasurement Gain	**Deferred Tax (Note 20)**	**Net**
Balance at beginning of year	**₱21,661,857**	**(₱6,498,557)**	**₱15,163,300**
Remeasurement loss	**(15,158,458)**	**4,547,537**	**(10,610,921)**
Balance at end of year	**₱6,503,399**	**(₱1,951,020)**	**₱4,552,379**

	2018		
	Cumulative Remeasurement Gain	Deferred Tax (Note 20)	Net
Balance at beginning of year	₱19,984,026	(₱5,995,208)	₱13,988,818
Remeasurement gain	1,677,831	(503,349)	1,174,482
Balance at end of year	₱21,661,857	(₱6,498,557)	₱15,163,300

The principal assumptions used to determine the retirement benefit liability as at December 31, 2019 and 2018 are as follows:

	2019	2018
Discount rate	**5.22%**	7.53%
Future salary increases	**4.00%**	4.00%
Average expected future service years	**28.3**	28.2

The sensitivity analysis of defined benefit obligation for principal assumptions used as at December 31, 2019 and 2018 follows:

	Effect to Present Value of Defined Benefit Obligation	
Principal assumptions	**2019**	2018
Discount rate:		
Increase by 1%	**(₱6,302,134)**	(₱3,374,521)
Decrease by 1%	**7,726,378**	4,069,406
Salary rate:		
Increase by 1%	**7,744,333**	4,177,471
Decrease by 1%	**(6,424,695)**	(3,509,361)

The sensitivity analysis above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The maturity analysis of the undiscounted benefit payments follow:

	2019	2018
One (1) year or less	**₱945,579**	₱17,102,260
More than one (1) year to five (5) years	**7,633,233**	3,759,805
More than five (5) years to ten (10) years	**20,423,811**	11,326,463

The average duration of the expected benefit payments at the end of the reporting period is 15 years as at December 31, 2019.

20. Income Taxes

The components of income tax expense are as follows:

	2019	2018	2017
Reported in Profit or Loss			
Regular corporate income tax	**₱87,870,736**	₱74,512,855	₱65,257,666
Deferred tax expense (benefit)	**3,736,858**	(2,307,122)	(1,699,286)
	₱91,607,594	₱72,205,733	₱63,558,380

	Note	2019	2018	2017
Reported in Other Comprehensive Income				
Deferred tax expense related to:				
Remeasurement loss (gain) on net retirement liability	19	**₱4,547,537**	(₱503,349)	(₱1,814,383)
Revaluation surplus	8	**–**	(17,100,130)	(13,023,851)
		₱4,547,537	(₱17,603,479)	(₱14,838,234)

The components of the Company's net deferred tax liabilities in the statements of financial position consist of:

	2019	2018
Deferred Tax Assets		
Allowance for ECL	**₱13,976,119**	₱17,675,702
Net retirement benefits liability	**9,458,519**	9,440,439
Employee benefits premium	**6,981,311**	6,607,309
Unearned income	**6,493,209**	6,866,588
Unamortized contribution to past service liability	**4,670,126**	–
Lease liabilities	**4,007,614**	–
	45,586,898	40,590,038
Deferred Tax Liabilities		
Revaluation surplus	**(84,431,282)**	(84,431,282)
ROU assets	**(4,189,880)**	–
Prepaid insurance	**(380,797)**	(384,496)
	(89,001,959)	(84,815,778)
Net Deferred Tax Liabilities	**(₱43,415,061)**	(₱44,225,740)

The reconciliation of the provision for income tax computed at the statutory tax rate to the provision for income tax shown in the statements of comprehensive income follows:

	2019	2018	2017
Income tax at statutory tax rate	**₱92,079,023**	₱72,064,928	₱64,105,728
Adjustments for:			
Interest income subjected to final tax	**(876,950)**	(1,380,668)	(571,012)
Nondeductible expenses	**405,521**	1,521,473	23,664
	₱91,607,594	₱72,205,733	₱63,558,380

21. Commitments

Company as a Lessor

Lease of Clinic Space

The Company, as a lessor, has existing contracts with various practicing doctors. The contract shall be effective for 50 years which shall commence upon full payment of contract price.

Unearned income as at December 31, 2019 and 2018 is broken down as follows:

	Note	2019	2018
Current portion of unearned income	9	**₱584,796**	₱530,126
Noncurrent portion of unearned income	11	**21,059,234**	22,358,502
		₱21,644,030	₱22,888,628

Total rental income earned on the above operating leases amounted to ₱2.8 million, ₱0.6 million and ₱1.2 million in 2019, 2018 and 2017, respectively (see Note 18).

Company as a Lessee

Lease of Hospital Parking Space

In May 2018, the Company has entered into lease agreement of parking space with Videco Management and Holdings, Inc. The lease shall be for a period of two (2) years.

Lease of St. James Hospital's Assets

In April 2019, the Company entered into an agreement with St. James Hospital for the lease of assets of the latter. The leased assets consist of land, building where the primary hospital is situated and all existing machines, equipment, facilities, furniture and fixtures in the primary hospital that will be needed for operations. The lease shall be for a period of ten (10) years subject to renewal by mutual agreement with an option to buy at any time. The monthly rental fee is subject to three (3) percent (3%) escalation every two years.

The balances and movements in ROU assets follow:

	Note	
Cost		
Balance at beginning of year		₱4,792,047
Additions during the year		12,250,846
Balance at end of year		17,042,893
Accumulated Amortization		
Amortization	8	3,076,627
Carrying Amount		₱13,966,266

The balance and movements in lease liabilities follow:

	Note	
Balance at beginning of year		₱4,792,047
Additions during the year		12,250,846
Rental payments		(4,319,605)
Interest expense	10	635,424
Balance at end of year		13,358,712
Current portion of lease liabilities		1,935,044
Noncurrent portion of lease liabilities		₱11,423,668

Future minimum lease payments (MLP) and maturity analysis of lease liabilities as at December 31, 2019 are as follows:

	Future MLP	Present Value
Within one (1) year	₱2,488,816	₱1,935,044
Between one (1) and five (5) years	4,322,788	2,346,536
More than five (5) years	11,333,518	9,077,132
	₱18,145,122	₱13,358,712

Lease of Hospital and Clinic Equipment
In 2015, the Company entered into various lease contracts with terms between three (3) to five (5) years, renewable upon mutual agreement of parties and are subject to escalation rate depending on the agreed terms. Rentals for hospital and clinic equipment are on a per usage basis.

Joint Arrangements for Medical Equipment
In February 2011, the Company and HB Calleja National Heart Institute (HBHNI) entered into a Memorandum of Agreement (MOA) whereby the parties agreed to jointly undertake the management and operation of the cardiovascular equipment and facility. The cardiovascular equipment is to equip a catheterization laboratory, a cardiovascular operating room suite, and a coronary care unit for the Company's heart institute. Under the MOA, HBHNI will provide a complete package of cardiovascular equipment and the management and operation of the cardiovascular equipment. The contract expired in October 2019.

The Company applies the short-term leases and low-value assets recognition exemption for the lease of hospital and clinic equipment and medical equipment.

Rent expense charged to operations follows:

	Note	**2019**	2018	2017
Cost of sales and services	15	**₱18,960,045**	₱20,265,994	₱44,620,729
General and administrative expenses	16	**4,775,818**	5,233,363	2,848,829
		₱23,735,863	₱25,499,357	₱47,469,558

Joint Arrangements for Medical Equipment
In January 2019, the Company and Lipa Dent Digital Xray, Inc. entered into a joint venture including the acquisition, operation and maintenance of Cone Beam Computed Tomography Machine to be stationed within the premises of the Company. The agreement shall be for a period of five (5) years.

22. Financial Risk Management

<u>Financial Risk Management Objectives and Policies</u>

The Company's principal financial instruments consist of cash and cash equivalents, trade and other receivables (excluding advances to officers and employees), trade and other payables (excluding statutory payables and unearned income), loans payable, lease liabilities and other noncurrent liabilities (excluding unearned income).

The main risks arising from the Company's financial instruments are liquidity risk and credit risk. The BOD regularly reviews and approves policies for managing each of these financial risks as summarized below.

<u>Liquidity Risk</u>

The Company's exposure to liquidity risk relates primarily to the Company's ability to settle its financial liabilities. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. Upon availability of cash, the principal amounts of the loans are paid immediately.

The following table summarizes the maturity profile of the Company's financial liabilities as at December 31, 2019 and 2018 based on contractual undiscounted principal and interest payments:

	2019					
	Due and Demandable	**Less than 30 Days**	**31-60 Days**	**61-90 Days**	**Over 90 Days**	**Total**
Trade and other payables*	₱160,009,254	₱67,465,438	₱19,161,966	₱44,494,469	₱65,677,347	₱356,808,474
Loans payable	–	–	–	–	186,218,750	186,218,750
Lease liabilities	–	379,868	379,868	379,868	17,005,518	18,145,122
Other noncurrent liabilities**	–	–	–	–	19,708,333	19,708,333
	₱160,009,254	₱67,845,306	₱19,541,834	₱44,874,337	₱288,609,948	₱580,880,679

**Excluding statutory payables and unearned income amounting to ₱11.5 million and ₱0.6 million, respectively.*
***Excluding unearned income amounting to ₱21.1 million.*

	2018					
	Due and Demandable	Less than 30 Days	31-60 Days	61-90 Days	Over 90 Days	Total
Trade and other payables*	₱157,263,444	₱57,975,439	₱15,202,604	₱32,585,610	₱28,312,035	₱291,339,132
Loans payable	–	129,214	140,833	140,339	4,440,234	4,850,620
Other noncurrent liabilities**	–	–	–	–	42,554,657	42,554,657
	₱157,263,444	₱58,104,653	₱15,343,437	₱32,725,949	₱75,306,926	₱338,744,409

**Excluding statutory payables and unearned income amounting to ₱11.1 million and ₱0.5 million, respectively.*
***Excluding unearned income amounting to ₱22.4 million.*

<u>Credit Risk</u>

The Company's exposure to credit risk relates to the Company's cash and cash equivalents and trade and other receivables. As an entity engaged in providing hospital and health care services, the Company is exposed to an uncontrollable risk that these debtors, mainly patients, may fail to settle their obligations.

An impairment analysis on trade receivables is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due and historical default rates, which are then adjusted for forward looking estimates through the use of macroeconomic information.

The ECL were measured on a collective basis through disaggregation of trade receivables by type of debtors with similar default risks and loss patterns.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

The carrying amount of financial assets at amortized cost recorded in the financial statements represents the Company's maximum exposure to credit risk.

The table below show the credit risk concentrations of the Company's financial assets as at December 31, 2019 and 2018. The amounts are presented by credit risk rating grades and represent the gross carrying amounts of the financial assets.

	2019	2018
Cash in banks and cash equivalents	**₱83,668,798**	₱193,867,933
Trade and other receivables*	**157,228,598**	119,543,092
	₱240,897,396	₱313,411,025

**Excluding advances to officers and employees amounting to ₱8.4 million and ₱6.1 million as at December 31, 2019 and 2018, respectively.*

The Company has no significant concentration of credit risk. As a policy, the Company requires patients to make down payments depending on the severity of the medical procedure to be performed. Personal properties, of whatever kind, are also accepted by the Company as collaterals. The Company monitors the receivable balances on an on-going basis. For those receivables that are doubtful of collection, the Company provides adequate allowance for ECL.

The analysis of credit quality per class of financial assets as at December 31, 2019 and 2018 follows:

	2019					
			Past Due			
	High Grade	**Standard Grade**	**1 - 60 Days**	**61 - 90 Days**	**More than 90 Days**	**Total**
Simplified approach - Trade and other receivables*	**₱–**	**₱37,373,180**	**₱37,053,318**	**₱14,086,051**	**₱68,716,049**	**₱157,228,598**
12-month ECL:						
Cash in banks and cash equivalents	**83,668,798**	**–**	**–**	**–**	**–**	**83,668,798**
	₱83,668,798	**₱37,373,180**	**₱37,053,318**	**₱14,086,051**	**₱68,716,049**	**₱240,897,396**

**Excluding advances to officers and employees amounting to ₱8.4 million.*

	2018					
			Past Due			
	High Grade	Standard Grade	1 - 30 Days	31 - 90 Days	More than 90 Days	Total
Simplified approach - Trade and other receivables*	₱–	₱29,072,891	₱28,061,628	₱20,244,867	₱42,163,706	₱119,543,092
12-month ECL:						
Cash in banks and cash equivalents	193,867,933	–	–	–	–	193,867,933
	₱193,867,933	₱29,072,891	₱28,061,628	₱20,244,867	₱42,163,706	₱313,411,025

**Excluding advances to officers and employees amounting to ₱6.1 million.*

The Company's financial assets are categorized by credit risk rating grades based on the Company's collection experience with the counterparties as follows:

- High Grade - settlements are obtained from counterparty following the terms of the contracts without much collection effort.
- Standard Grade - other financial assets not belonging to high grade financial assets and are not past due are included in this category.
- Past Due - items with history of frequent default.

Capital Management Policy

The Company's capital management objective is to ensure that the Company maintains a strong credit rating and optional capital structure to reduce the cost of capital, to support its business and maximize stockholder value.

The Company considers its total equity as its capital.

The Company's dividend declaration is dependent on the availability of earnings and operating requirements. The Company manages its capital structure and makes adjustments whenever there are changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the dividend payment to stockholders or issue additional shares.

There were no changes in the Company's approach to capital management in 2019 and 2018.

23. Fair Value Measurement

The following is a comparison by category of carrying amounts and fair value of the Company's financial instruments as at December 31, 2019 and 2018:

	2019		2018	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash in banks and cash equivalents	**₱83,668,798**	**₱83,668,798**	₱193,867,933	₱193,867,933
Trade and other receivables*	**110,641,534**	**110,641,534**	60,624,084	60,624,084
	₱194,310,332	**₱194,310,332**	₱254,492,017	₱254,492,017
Financial Liabilities				
Trade and other payables**	**₱356,808,474**	**₱356,808,474**	₱291,339,132	₱291,339,132
Loans payable	**150,000,000**	**184,377,759**	4,125,000	4,800,927
Lease liabilities	**13,358,712**	**13,358,712**	–	–
Other noncurrent liabilities***	**19,708,333**	**19,708,333**	42,554,657	42,554,657
	₱388,620,664	**₱574,253,278**	₱388,620,664	₱338,694,716

**Excluding advances to officers and employees amounting to ₱8.4 and ₱6.1 million as at December 31, 2019 and 2018, respectively.*

*** Excluding statutory payables and unearned income totaling ₱12.1 million and ₱11.6 million as at December 31, 2019 and 2018, respectively.*

**** Excluding unearned income amounting to ₱21.1 million and ₱22.4 million as at December 31, 2019 and 2018, respectively.*

Cash in banks and Cash Equivalents, Trade and Other Receivables and Trade and Other Payables. Due to the short-term nature of transactions, the fair values approximate the amount of consideration at reporting period.

Loans Payable and Lease liabilities. Estimated fair values have been calculated on the instruments' expected cash flows using the prevailing BVAL rates that are specific to the tenor of the instruments' cash flows at reporting dates (Level 2).

Land

The Company's land carried at fair value amounted to ₱494.1 million as at December 31, 2019 and 2018. The significant unobservable inputs used in the fair value measurement are categorized within Level 3 of the fair value hierarchy.

24. Earnings Per Share

Basic and diluted earnings per share are computed as follows:

	2019	2018	2017
Net income	**₱215,322,484**	₱168,010,693	₱150,127,380
Weighted average number of outstanding common shares	**1,123,833**	1,114,042	1,116,833
Basic and diluted earnings per share	**₱192**	₱151	₱134

25. Reclassification

The December 31, 2018 and 2017 financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on the reported results of operations.

BOA/PRC Accreditation No. 4782
October 4, 2018, valid until August 15, 2021
SEC Accreditation No. 0207-FR-3 (Group A)
August 29, 2019, valid until August 28, 2022

Citibank Tower
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

REPORT OF INDEPENDENT AUDITORS
TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE
SECURITIES AND EXCHANGE COMMISSION

The Stockholders and the Board of Directors
Mary Mediatrix Medical Center, Inc.
J.P. Laurel Highway, Mataas na Lupa
Lipa City, Batangas

We have audited the accompanying financial statements of Mary Mediatrix Medical Center, Inc. (the Company) as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017, on which we have rendered our report dated June 1, 2020.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has 216 stockholders owning one hundred (100) or more shares each as at December 31, 2019.

REYES TACANDONG & CO.

CAROLINA P. ANGELES
Partner
CPA Certificate No. 86981
Tax Identification No. 205-067-976-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 0658-AR-3 Group A
Valid until March 23, 2025
BIR Accreditation No. 08-005144-007-2019
Valid until October 16, 2022
PTR No. 8116476
Issued January 6, 2020, Makati City

June 1, 2020
Makati City, Metro Manila

REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULES FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Stockholders and the Board of Directors
Mary Mediatrix Medical Center, Inc.
J.P. Laurel Highway, Mataas na Lupa
Lipa City, Batangas

We have audited in accordance with Philippine Standards in Auditing, the financial statements of Mary Mediatrix Medical Center, Inc. (the Company) as at December 31, 2019 and 2018 and for the years ended December 31, 2019, 2018 and 2017, and have issued our report thereon dated June 1, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Supplementary Schedules for submission to the Securities and Exchange Commission are the responsibility of the Company's management. These supplementary schedules include the following:

- Schedule of Retained Earnings Available for Dividend Declaration as at December 31, 2019
- Schedules Required under SRC Rule 68 Part 4E and 4F as at December 31, 2019 and 2018

The supplementary schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. The supplementary schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, fairly state, in all material respects, the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

REYES TACANDONG & CO.

Carolina P. Angeles

CAROLINA P. ANGELES
Partner
CPA Certificate No. 86981
Tax Identification No. 205-067-976-000
BOA Accreditation No. 4782; Valid until August 15, 2021
SEC Accreditation No. 0658-AR-3 Group A
Valid until March 23, 2025
BIR Accreditation No. 08-005144-007-2019
Valid until October 16, 2022
PTR No. 8116476
Issued January 6, 2020, Makati City

June 1, 2020
Makati City, Metro Manila

MARY MEDIATRIX MEDICAL CENTER, INC.

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

DECEMBER 31, 2019 AND 2018

Ratio	Formula	2019	2018
Current Ratio			
	Total current assets	**₱315,181,721**	₱365,831,327
	Divided by: Total current liabilities	**392,909,455**	318,046,965
	Current Ratio	**0.80:1**	1.15:1
Acid Test Ratio			
	Total current assets	**₱315,181,721**	₱365,831,327
	Less: Inventories	**71,688,804**	66,758,891
	Other current assets	**9,972,232**	3,021,810
	Quick assets	**233,520,685**	296,050,626
	Divide by: Total current liabilities	**392,909,455**	318,046,965
	Acid Test Ratio	**0.59:1**	0.93:1
Solvency Ratio			
	Net income	**₱215,322,484**	₱168,010,693
	Add: Depreciation and amortization	**118,573,031**	102,336,699
	Net income before depreciation and amortization	**333,895,515**	270,347,392
	Divided by: Total liabilities	**670,044,149**	462,278,994
	Solvency Ratio	**0.50:1**	0.58:1
Debt-to-Equity Ratio			
	Total liabilities	**₱670,044,149**	₱462,278,994
	Divided by: Total equity	**1,672,343,114**	1,531,254,284
	Debt-to-Equity Ratio	**0.40:1**	0.30:1
Asset-to-Equity Ratio			
	Total assets	**₱2,342,387,263**	₱1,993,533,278
	Divided by: Total equity	**1,672,343,114**	1,531,254,284
	Asset-to-Equity Ratio	**1.40:1**	1.30:1
Return on Equity			
	Net income	**₱215,322,484**	₱168,010,693
	Divided by: Total equity	**1,672,343,114**	1,531,254,284
	Return on Equity	**0.13:1**	0.11:1
Return on Assets			
	Net income	**₱215,322,484**	₱168,010,693
	Divided by: Average total assets	**2,167,960,271**	1,888,719,167
	Return on Assets	**0.10:1**	0.09:1
Net Profit Margin			
	Net income	**₱215,322,484**	₱168,010,693
	Divided by: Revenue	**1,514,955,488**	1,342,439,044
	Net Profit Margin	**0.14:1**	0.13:1

MARY MEDIATRIX MEDICAL CENTER, INC.

SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2019

Unappropriated retained earnings, beginning	₱224,510,693
Adjustments:	
Deferred tax assets	(40,590,038)
Treasury shares	(10,090,000)
Unappropriated Retained Earnings, as adjusted, beginning	173,830,655
Net income	215,322,484
Deferred tax assets	(4,996,860)
Net income actually earned/realized during the year	210,325,624
Unappropriated retained earnings, as adjusted, ending	384,156,279
Adjustments:	
Dividends declared	(61,708,381)
Reissuance of treasury stock	4,810,000
Appropriations	(110,000,000)
Unappropriated retained earnings available for dividend declaration, end of year	₱217,257,898

Reconciliation:

Unappropriated retained earnings as shown in the financial statements of the Company at end of year	₱268,124,796
Adjustments for:	
Treasury shares	(5,280,000)
Deferred tax assets	(45,586,898)
Unappropriated retained earnings available for dividend declaration, end of year	₱217,257,898

MARY MEDIATRIX MEDICAL CENTER, INC.

SEC Supplementary Schedule as Required by Part II of Revised SRC Rule 68

DECEMBER 31, 2019

Table of Contents

MARY MEDIATRIX MEDICAL CENTER, INC.

D. Long-term Debt
DECEMBER 31, 2019

Title of Issue and Type of Obligation	*Amount Authorized by Indenture*	*Amount shown under caption "Loans payable" in related balance sheet*	*Amount shown under caption "Loans payable - net of current portion" in related balance sheet*
Unsecured loans	₱–	₱–	₱150,000,000

MARY MEDIATRIX MEDICAL CENTER, INC.

E. Indebtedness to Related Parties

DECEMBER 31, 2019

Name of related party	Balance at beginning of the period	Balance at end of the period
Stockholders	₱65,283,344	₱57,205,616

MARY MEDIATRIX MEDICAL CENTER, INC.

G. Capital Stock

DECEMBER 31, 2019

				Number of shares held by		
Title of Issue	*Number of shares authorized*	*Number of shares issued and outstanding as shown under the related statements of financial position caption*	*Number of shares reserved for options, warrants, conversion and other rights*	*Related parties*	*Directors, officers and employees*	*Others*
Capital Stock - ₱100 par value	1,500,000	1,117,500	–	–	617,162	500,338