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Hi MARY MEDIATRIX MEDICAL CENTER, INC.,

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Company TIN: **000-958-720**

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# COVER SHEET

## for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0 0 0 0 0 0 7 6 6 4 6

## COMPANY NAME

M	A	R	Y		M	E	D	I	A	T	R	I	X		M	E	D	I	C	A	L		C	E	N	T	E	R	,		I	N	C	.		

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

J	.	P	.		L	a	u	r	e	l		H	i	g	h	w	a	y	,		M	a	t	a	a	s		n	a		L	u	p	a	,		
					L	i	p	a		C	i	t	y	,		B	a	t	a	n	g	a	s														

Form Type

A A F S

Department requiring the report

C R M D

Secondary License Type, If Applicable

N A

## COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
jlu@callejalaw.com	-	0917-538-5291
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
258	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
Jean Marie I. Uy	jlu@callejalaw.com	-	0917-538-5291

## 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.



# MARY MEDIATRIX MEDICAL CENTER

THE HUB OF HEALTHCARE EXPERTS

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Mary Mediatrix Medical Center (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2022 and 2021, 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 to 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 auditor appointed by the stockholders, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Clinton Campos Hess  
Chairman of the Board

Jose Santiago Dela Cruz Jr.  
Chief Executive Officer / President

Godofredo V. Cruz, CPA  
Chief Financial Officer

SUBSCRIBED AND SWORN TO, before me  
this APR 28 2023 at Lipa City, Province  
of Batangas, Philippines, affiant exhibiting  
me his/her. \_\_\_\_\_

Doc. No.: 51  
Page No.: 1  
Book No.: 9  
Series of 2023

**LOUIE MARK M. DALAWAMPU**  
Notarial Commission No. 2022-0001/3-7-2022  
Notary Public Until December 31, 2023  
IBP No. 261763/01-03-2023/Pasig City  
PTR No. 6239569/01-04-2023/Lipa City  
Roll No. 58518/5-5-2010

Signed this 29<sup>th</sup> day of March, 2023



## 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, 2022 and 2021, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2022, 2021 and 2020, 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, 2022 and 2021, and its financial performance and its cash flows for the years ended December 31, 2022, 2021 and 2020 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, 2021, 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, 2022 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 April 13, 2024

SEC Accreditation No. 86981-SEC Group A

Issued March 24, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-007-2022

Valid until October 16, 2025

PTR No. 9564562

Issued January 3, 2023, Makati City

March 29, 2023

Makati City, Metro Manila

**MARY MEDIATRIX MEDICAL CENTER, INC.**

**STATEMENTS OF FINANCIAL POSITION**

		December 31	
	Note	2022	2021
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	₱251,577,916	₱104,734,145
Trade and other receivables	5	136,637,362	187,100,115
Inventories	6	64,090,162	65,336,570
Other current assets	7	24,703,630	13,433,598
Total Current Assets		477,009,070	370,604,428
<b>Noncurrent Assets</b>			
Property and equipment			
At cost	8	1,418,335,025	1,515,725,946
At revalued amount	8	494,132,000	494,132,000
Right-of-use assets	21	9,120,074	9,936,797
Other noncurrent assets	7	46,098,535	62,593,719
Total Noncurrent Assets		1,967,685,634	2,082,388,462
		<b>₱2,444,694,704</b>	<b>₱2,452,992,890</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	9	₱278,416,269	₱404,600,185
Current portion of lease liabilities	21	619,648	1,064,261
Current portion of loans payable	10	11,111,111	16,666,666
Income tax payable		6,368,941	3,590,816
Total Current Liabilities		296,515,969	425,921,928
<b>Noncurrent Liabilities</b>			
Lease liabilities - net of current portion	21	9,748,549	9,863,700
Loans payable - net of current portion	10	118,611,111	193,888,890
Net retirement benefits liability	19	22,956,104	32,369,898
Net deferred tax liabilities	20	35,167,613	27,095,003
Other noncurrent liabilities	11	20,148,650	29,763,021
Total Noncurrent Liabilities		206,632,027	292,980,512
Total Liabilities		503,147,996	718,902,440
<b>Equity</b>			
Capital stock	12	111,950,000	111,950,000
Additional paid-in capital		902,487,967	902,487,967
Retained earnings		703,046,935	504,897,476
Revaluation surplus on land	8	211,078,204	211,078,204
Cumulative net remeasurement gain on retirement benefits liability	19	18,263,602	8,956,803
Treasury stock		(5,280,000)	(5,280,000)
Total Equity		1,941,546,708	1,734,090,450
		<b>₱2,444,694,704</b>	<b>₱2,452,992,890</b>

*See accompanying Notes to Financial Statements.*



**MARY MEDIATRIX MEDICAL CENTER, INC.**  
**STATEMENTS OF COMPREHENSIVE INCOME**

	Note	Years Ended December 31		
		2022	2021	2020
<b>REVENUES</b>	14	<b>₱1,551,932,425</b>	₱1,495,394,209	₱1,022,444,967
<b>COST OF SALES AND SERVICES</b>	15	<b>934,290,079</b>	985,276,364	803,785,628
<b>GROSS PROFIT</b>		<b>617,642,346</b>	510,117,845	218,659,339
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	16	<b>328,296,868</b>	280,405,850	253,912,166
<b>OPERATING PROFIT (LOSS)</b>		<b>289,345,478</b>	229,711,995	(35,252,827)
<b>INTEREST EXPENSE</b>	10	<b>(8,151,820)</b>	(10,801,831)	(6,293,290)
<b>OTHER INCOME</b>	18	<b>23,202,660</b>	2,109,887	8,565,485
<b>INCOME (LOSS) BEFORE INCOME TAX</b>		<b>304,396,318</b>	221,020,051	(32,980,632)
<b>PROVISION FOR (BENEFIT FROM) INCOME TAX</b>	20			
Current		<b>71,104,015</b>	56,844,062	6,318,834
Deferred		<b>4,970,344</b>	7,003,274	(15,025,156)
		<b>76,074,359</b>	63,847,336	(8,706,322)
<b>NET INCOME (LOSS)</b>		<b>228,321,959</b>	157,172,715	(24,274,310)
<b>OTHER COMPREHENSIVE INCOME</b>				
<i>Not to be reclassified subsequently to profit or loss, net of deferred tax</i>				
Remeasurement gain on retirement benefits liability	19	<b>9,306,799</b>	2,915,905	1,488,519
Effect of change in tax rate on revaluation surplus on land	8	-	14,071,880	-
		<b>9,306,799</b>	16,987,785	1,488,519
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<b>₱237,628,758</b>	₱174,160,500	(₱22,785,791)
<b>BASIC/DILUTED EARNINGS (LOSS) PER SHARE</b>	24	<b>₱204</b>	₱141	(₱22)

*See accompanying Notes to Financial Statements.*

**MARY MEDIATRIX MEDICAL CENTER, INC.**  
**STATEMENTS OF CHANGES IN EQUITY**

	Note	Years Ended December 31		
		2022	2021	2020
<b>CAPITAL STOCK</b>	12	<b>₱111,950,000</b>	₱111,950,000	₱111,950,000
<b>ADDITIONAL PAID-IN CAPITAL</b>				
Balance at beginning of year		902,487,967	902,487,967	905,989,615
Return of excess payment from sale of treasury shares		-	-	(3,501,648)
Balance at end of year		<b>902,487,967</b>	902,487,967	902,487,967
<b>RETAINED EARNINGS</b>				
<b>Unappropriated</b>	12			
Balance at beginning of year		204,897,476	133,850,486	268,124,796
Net income (loss)		228,321,959	157,172,715	(24,274,310)
Dividends declared		(30,172,500)	(86,125,725)	-
Appropriation		-	-	(110,000,000)
Balance at end of year		<b>403,046,935</b>	204,897,476	133,850,486
<b>Appropriated</b>	12			
Balance at beginning of year		300,000,000	300,000,000	190,000,000
Appropriation		-	-	110,000,000
Balance at end of year		<b>300,000,000</b>	300,000,000	300,000,000
		<b>703,046,935</b>	504,897,476	433,850,486
<b>OTHER COMPONENTS OF EQUITY</b>				
<b>Revaluation Surplus on Land</b>	8			
Balance at beginning of year		211,078,204	197,006,324	197,006,324
Effect of change in tax rate on revaluation surplus on land		-	14,071,880	-
Balance at end of year		<b>211,078,204</b>	211,078,204	197,006,324
<b>Net Remeasurement Gains on Retirement Benefits Liability</b>	19			
Balance at beginning of year		8,956,803	6,040,898	4,552,379
Remeasurement gain - net of deferred tax		9,306,799	2,915,905	1,488,519
Balance at end of year		<b>18,263,602</b>	8,956,803	6,040,898
		<b>229,341,806</b>	220,035,007	203,047,222
<b>TREASURY STOCK</b>		<b>(5,280,000)</b>	(5,280,000)	(5,280,000)
		<b>₱1,941,546,708</b>	₱1,734,090,450	₱1,646,055,675

See accompanying Notes to Financial Statements.

**MARY MEDIATRIX MEDICAL CENTER, INC.**

**STATEMENTS OF CASH FLOWS**

	Note	Years Ended December 31		
		2022	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income (loss) before income tax		<b>₱304,396,318</b>	₱221,020,051	(₱32,980,632)
Adjustments for:				
Depreciation and amortization	8	<b>164,304,600</b>	145,917,827	128,735,097
Provision for expected credit losses	16	<b>20,726,215</b>	28,242,592	22,726,485
Retirement expense	19	<b>7,524,487</b>	7,315,089	8,347,798
Interest expense	10	<b>8,151,820</b>	10,801,831	6,293,290
Interest income	4	<b>(131,842)</b>	(88,868)	(153,445)
Operating income before working capital changes		<b>504,971,598</b>	413,208,522	132,968,593
Decrease (increase) in:				
Trade and other receivables		<b>29,736,538</b>	(95,775,970)	(23,264,008)
Inventories		<b>1,246,408</b>	8,262,063	(1,909,829)
Other assets		<b>5,225,152</b>	(13,505,139)	49,058,262
Increase (decrease) in:				
Trade and other payables		<b>(30,416,832)</b>	(47,053,119)	49,204,720
Other noncurrent liabilities		<b>(9,614,371)</b>	(1,891,328)	(9,113,218)
Net cash generated from operations		<b>501,148,493</b>	263,245,029	196,944,520
Income tax paid		<b>(68,325,890)</b>	(32,851,900)	(44,075,094)
Interest paid	10	<b>(7,644,721)</b>	(10,269,603)	(5,731,663)
Contributions paid	19	<b>(4,162,758)</b>	(4,541,191)	(4,541,191)
Benefits paid	19	<b>(366,458)</b>	–	(300,000)
Interest received		<b>131,842</b>	88,868	153,445
Net cash provided by operating activities		<b>420,780,508</b>	215,671,203	142,450,017
<b>CASH FLOWS FROM AN INVESTING ACTIVITY</b>				
Acquisition of property and equipment	8	<b>(66,096,956)</b>	(117,641,008)	(251,209,325)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payments for:				
Dividends	10	<b>(125,939,584)</b>	(48,865,008)	(3,692,507)
Loans payable	10	<b>(80,833,334)</b>	(19,444,444)	–
Lease liabilities	21	<b>(1,066,863)</b>	(1,035,789)	(2,488,817)
Return of excess payment from sale of treasury shares		–	–	(3,501,648)
Proceeds from loan payable		–	–	80,000,000
Net cash provided by (used) in financing activities		<b>(₱207,839,781)</b>	(₱69,345,241)	₱70,317,028

(Forward)

	<b>Years Ended December 31</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>₱146,843,771</b>	<b>₱28,684,954</b>	<b>(₱38,442,280)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>104,734,145</b>	<b>76,049,191</b>	<b>114,491,471</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>₱251,577,916</b>	<b>₱104,734,145</b>	<b>₱76,049,191</b>

*See accompanying Notes to Financial Statements.*

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## MARY MEDIATRIX MEDICAL CENTER, INC.

### NOTES TO FINANCIAL STATEMENTS

AS AT AND FOR THE YEARS ENDED DECEMBER 31, 2022, 2021 AND 2020

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#### 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 120-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.

#### Approval of Financial Statements

The financial statements of the Company as at December 31, 2022 and 2021 and for the years ended December 31, 2022, 2021 and 2020 were authorized for issue by the Board of Directors (BOD) on March 29, 2023 upon recommendation of the audit committee on the same date.

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#### 2. Summary of Significant Accounting Policies

##### Basis of Preparation and Statement of Compliance

The financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). This financial reporting framework includes PFRS, Philippine Accounting Standards (PAS) and Philippine Interpretation from International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial and Sustainability Reporting Standards Council (formerly Financial Reporting Standards Council) and adopted by the SEC, including SEC pronouncements.

##### 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 in the "Property and equipment" account 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 Amended PFRS**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following amended PFRS:

- Amendment to PFRS 16, *Leases - COVID-19-Related Rent Concessions beyond June 30, 2021* – In 2020, PFRS 16 was amended to provide practical expedient to lessees from applying the requirements on lease modifications for eligible rent concessions that is a direct consequence of COVID-19 pandemic. A lessee may elect not to assess whether eligible rent concessions from a lessor is a lease modification. A lessee that makes this election account for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for a change that is not a lease modification, e.g., as a variable lease payment. This amendment is effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted, and covers eligible rent concessions until June 30, 2021.

Due to continuing impact of the pandemic, another amendment to PFRS 16 was issued in 2021, which allows lessees to extend the application of the practical expedient regarding COVID-19-related rent concessions to reduction in lease payments that are due on or before June 30, 2022.

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. There is no transition relief for first-time adopters.

Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments specify which costs shall be included when assessing whether a contract is onerous or loss-making. The ‘costs of fulfilling’ a contract comprise the ‘costs that relate directly to the contract’. These costs can either be incremental (e.g., the costs of direct labor and materials) or can be an allocation of costs directly related to fulfilling a contract (e.g., depreciation of fixed assets).

- Annual Improvements to PFRS 2018 to 2020 Cycle:
  - Amendment to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Subsidiary as a First-time Adopter* – The amendment permits a subsidiary that becomes a first-time adopter later than its parent and measures its assets and liabilities in accordance with paragraph D16 (a) of PFRS 1 to measure cumulative translation differences for all foreign operations using the amounts reported by its parent, based on the parent’s date of transition to PFRS.
  - Amendment to PFRS 9, *Financial Instruments - Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity shall include when it applies the ‘10 per cent’ test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other’s behalf. The amendment applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applied the amendment.

The adoption of the amended PFRS did not materially affect the financial statements of the Company. Additional disclosures were included in the financial statements, as applicable.

#### **Amended PFRS Issued But Not Yet Effective**

Relevant amended PFRS, which are not yet effective as at December 31, 2022 and have not been applied in preparing the financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity’s financial statements would need it to understand other material information in the financial statements, and (3) if an

entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.
- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments should be applied on a modified retrospective basis. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2024:

- Amendments to PFRS 16, *Leases - Lease Liability in a Sale and Leaseback* – The amendments clarify that the liability that arises from a sale and leaseback transaction, that satisfies the requirements in PFRS 15, *Revenue from Contracts with Customers*, to be accounted for as a sale, is a lease liability to which PFRS 16 applies and give rise to a right-of-use asset. For the subsequent measurement, the seller-lessee shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying this subsequent measurement does not prevent the seller-lessee from recognizing any gain or loss relating to the partial or full termination of a lease. Any gain or loss relating to the partial or full termination of the lease does not relate to the right of use retained but to the right of use terminated. The amendments must be applied retrospectively. Earlier application is permitted.
- Amendments to PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Noncurrent* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Noncurrent Liabilities with Covenants* for that period.



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.

### **Financial Assets and Liabilities**

*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, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021, 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 other comprehensive income (OCI).

#### **Impairment of Financial Assets at Amortized Cost**

The Company records an allowance for expected credit loss (ECL). ECL 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.

**Classification of Assets and Liabilities between Current and Noncurrent**

The Company presents current and noncurrent assets, and current and noncurrent liabilities, as separate disclosure in the notes to financial statements.

*Current Assets.* The Company classifies an asset as current when:

- a. it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;
- b. it holds the asset primarily for the purpose of trading;
- c. it expects to realise the asset within twelve months after the reporting period; or
- d. the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

Otherwise, the Company will classify all other assets as noncurrent.

*Current Liabilities.* The Company classifies a liability as current when:

- a. it expects to settle the liability in its normal operating cycle;
- b. it holds the liability primarily for the purpose of trading;
- c. the liability is due to be settled within twelve months after the reporting period; or
- d. it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Otherwise, the Company will classify all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

### **Inventories**

Inventories consist of medicines and medical supplies. These are measured at the lower of cost and net realizable value (NRV). Cost includes all cost of purchase which comprise of purchase price, import duties, taxes (other than those recoverable from taxing authorities), transport and handling and other costs directly attributable to the acquisition of inventories. 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 value-added tax (VAT), prepayments, advances to suppliers and advances to contractors. Other assets that are expected to be realized for no more than 12 months after the reporting date are classified as other current assets. Otherwise, these are classified as other 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.

Under Section 4-110-3(c) of RR No. 13-2018, the amortization of the input VAT are only allowed until December 31, 2021. Any unutilized input VAT on capital goods as at December 31, 2021 are allowed to be amortized as scheduled until fully utilized.

*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 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.

*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 against the supplier's billings as specified in the provisions of the contract.

**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 "Revaluation surplus on land" account in the statements of financial position. Any revaluation deficit directly offsetting a previous surplus is charged to OCI 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 is computed using the straight-line method over the following estimated useful lives of the property and equipment:

	<u>Number of Years</u>
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. Unearned income that are expected to be realized for no more than 12 months after the reporting date are classified under "Trade and other payables" account in the statement of financial position. Otherwise, these are classified under "Other noncurrent liabilities" in the statement of financial position. Unearned income is 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.

*Retained Earnings.* Retained earnings represent the cumulative balance of net income or loss, 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.

*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 OCI and presented after net income in the statements of comprehensive income.

*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.

### **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 customer 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**

At the commencement date, the Company recognizes right-of-use (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.

### **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 reduced by the fair value of plan assets out of 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.

Plan assets are assets that are held in trust and managed by a trustee bank. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. The fair value of the plan assets is based on the market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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 nor 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.

**Basic and Diluted Earnings (Loss) Per Share**

Basic earnings (loss) per share is computed by dividing the net income (loss) 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 (loss) per share is computed in the same manner, adjusted for the effects of convertible securities. The Company has no dilutive instruments.

**Related Parties**

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 includes: (a) individuals 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 the legal form.

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

**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.

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### 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.

*Determining Fair Value of Land.* Land is stated in the statements of financial position at revalued amount, being the fair value at the date of revaluation and any impairment. Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using the fair values at the end of each reporting period.

The latest appraisal report was made on March 4, 2019. Management assessed that the valuation is still relevant for purposes of current year measurement since there were no changes in assumptions used since last valuation.

*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 in 2022, 2021 and 2020 are disclosed in Note 21 to the financial statements.

*Determination of Lease Commitments - Company as a Lessee* 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 in 2022, 2021 and 2020 are disclosed in Note 21 to the financial statements.

ROU assets and lease liabilities as at December 31, 2022 and 2021 are disclosed in Note 21 to the financial statements.

*Classification of Joint Arrangement.* The Company has entered into joint arrangements for the purpose of operating various hospital and medical 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 the Allowance for ECL on Trade Receivables.* The Company uses a provision matrix based on historical default rates for trade receivables. The provision matrix specifies 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 in 2022, 2021 and 2020 are disclosed in Note 16 to the financial statements. The Company's trade and other receivables (excluding advances to officers and employees), net of ECL as at December 31, 2022 and 2021 are disclosed in Note 5 to the financial statements.

*Assessment of the 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 other 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 2022, 2021 and 2020.

The Company's cash and cash equivalents as at December 31, 2022 and 2021 are disclosed in Note 4 to the financial statements.

*Determination of the 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 2022, 2021 and 2020. Inventories carried at lower of cost and NRV as at December 31, 2022 and 2021 are disclosed in Note 6 to the financial statements.

*Determination of the 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 as at December 31, 2022 and 2021 is disclosed in Note 8 to the financial statements.



*Estimation of the 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.

No change was made on the estimated useful lives of property and equipment in 2022 and 2021.

Property and equipment - at cost, net of accumulated depreciation as at December 31, 2022 and 2021 are disclosed in Note 8 to the financial statements.

*Estimation of the 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 as at December 31, 2022 and 2021 are disclosed in Note 21 to the financial statements.

*Assessment of the 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 2022, 2021 and 2020. The carrying amount of nonfinancial assets are disclosed in Notes 5, 7, 8, 21 to the financial statements.

*Determination of the 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.

Retirement benefits cost in 2022, 2021 and 2020, net retirement benefits liability and cumulative rereasurement gains on net retirement benefit liability, net of deferred tax, recognized in equity as at December 31, 2022 and 2021 are disclosed in see Note 19 to the financial statements.

*Recognition of the 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 as at December 31, 2022 and 2021 are disclosed in Note 20 to the financial statements.

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#### 4. Cash and Cash Equivalents

This account consists of:

	<b>2022</b>	2021
Cash on hand	<b>₱14,466,253</b>	₱8,921,076
Cash in banks	<b>212,544,234</b>	91,315,019
Cash equivalents	<b>24,567,429</b>	4,498,050
	<b>₱251,577,916</b>	₱104,734,145

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 ₱0.1 million, ₱0.1 million and ₱0.2 million in 2022, 2021 and 2020, respectively (see Note 18).

## 5. Trade and Other Receivables

This account consists of:

	2022	2021
Trade	<b>₱216,014,804</b>	₱269,268,760
Advances to officers and employees	<b>10,748,772</b>	11,186,896
Others	<b>1,000,000</b>	1,000,000
	<b>227,763,576</b>	281,455,656
Less allowance for ECL	<b>91,126,214</b>	94,355,541
	<b>₱136,637,362</b>	₱187,100,115

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 90 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	2022	2021
Balance at beginning of year		<b>₱94,355,541</b>	₱69,313,549
Provision for ECL	16	<b>20,726,215</b>	28,242,592
Write-off		<b>(23,955,542)</b>	(3,200,600)
Balance at end of year		<b>₱91,126,214</b>	₱94,355,541

## 6. Inventories

This account consists of:

	2022	2021
Medicines	<b>₱44,645,012</b>	₱47,056,353
Medical supplies	<b>19,445,150</b>	18,280,217
	<b>₱64,090,162</b>	₱65,336,570

As at December 31, 2022 and 2021, the costs of these inventories are lower than its NRV.

The cost of inventories charged to cost of sales amounted to ₱72.0 million, ₱75.9 million and ₱67.8 million in 2022, 2021 and 2020, respectively (see Note 15).

## 7. Other Assets

This account consists of:

	2022	2021
<b>Current:</b>		
Current portion of deferred input VAT	<b>₱19,918,795</b>	₱12,875,663
Prepaid insurance	<b>4,784,835</b>	557,935
	<b>24,703,630</b>	13,433,598
<b>Noncurrent:</b>		
Advances to suppliers and contractors	<b>36,241,873</b>	41,877,433
Deferred input VAT - net of current portion	<b>9,856,662</b>	20,716,286
	<b>46,098,535</b>	62,593,719
	<b>₱70,802,165</b>	₱76,027,317

Advances to contractors represent funds advanced by the Company to its contractors in relation to construction in progress. 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 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.

## 8. Property and Equipment

This account is classified as property and equipment carried at:

	2022	2021
Cost	<b>₱1,418,335,025</b>	₱1,515,725,946
Revalued amount	<b>494,132,000</b>	494,132,000
	<b>₱1,912,467,025</b>	₱2,009,857,946

The balances and movements of this account are as follows:

	2022						Total
	At Revalued Amount	At Cost					
	Land	Buildings and Improvements	Medical Equipment	Furniture and Fixtures	Computer Equipment	Construction in progress	
<b>Cost</b>							
Balances at beginning of year	₱494,132,000	₱1,265,708,920	₱852,716,807	₱243,637,037	₱27,545,952	₱54,265,021	₱2,938,005,737
Additions	-	11,254,679	26,334,466	15,976,486	4,301,609	8,229,716	66,096,956
Balances at end of year	494,132,000	1,276,963,599	879,051,273	259,613,523	31,847,561	62,494,737	3,004,102,693
<b>Accumulated Depreciation</b>							
Balances at beginning of year	-	335,271,881	434,679,285	135,515,598	22,681,027	-	928,147,791
Depreciation	-	47,149,983	82,487,760	30,758,109	3,092,025	-	163,487,877
Balances at end of year	-	382,421,864	517,167,045	166,273,707	25,773,052	-	1,091,635,668
Carrying Amount	₱494,132,000	₱894,541,735	₱361,884,228	₱93,339,816	₱6,074,509	₱62,494,737	₱1,912,467,025

	2021						
	At Revalued Amount	At Cost					Total
	Land	Buildings and Improvements	Medical Equipment	Furniture and Fixtures	Computer Equipment	Construction in progress	
<b>Cost</b>							
Balances at beginning of year	₱494,132,000	₱957,956,817	₱818,926,771	₱232,852,863	₱26,527,236	₱289,969,042	₱2,820,364,729
Additions	-	36,042,103	33,790,036	10,784,174	1,018,716	36,005,979	117,641,008
Reclassifications	-	271,710,000	-	-	-	(271,710,000)	-
Balances at end of year	494,132,000	1,265,708,920	852,716,807	243,637,037	27,545,952	54,265,021	2,938,005,737
<b>Accumulated Depreciation</b>							
Balances at beginning of year	-	292,203,234	364,384,238	105,787,483	20,671,732	-	783,046,687
Depreciation	-	43,068,647	70,295,047	29,728,115	2,009,295	-	145,101,104
Balances at end of year	-	335,271,881	434,679,285	135,515,598	22,681,027	-	928,147,791
<b>Carrying Amount</b>	<b>₱494,132,000</b>	<b>₱930,437,039</b>	<b>₱418,037,522</b>	<b>₱108,121,439</b>	<b>₱4,864,925</b>	<b>₱54,265,021</b>	<b>₱2,009,857,946</b>

Details of the land at revalued amount are follows:

	2022	2021
At cost	<b>₱212,694,394</b>	₱212,694,394
Revaluation surplus at gross	<b>281,437,606</b>	281,437,606
Revalued amount	<b>₱494,132,000</b>	₱494,132,000

Revaluation surplus recognized in equity as at December 31, 2022 and 2021 are as follows:

	Note	2022	2021
Revaluation surplus		<b>₱281,437,606</b>	₱281,437,606
Deferred tax		<b>(70,359,402)</b>	(84,431,282)
Change in tax rates	20	-	14,071,880
Balance at the end of the year		<b>₱211,078,204</b>	₱211,078,204

#### Fair Value Measurement

The valuation technique used in measuring the fair value of the land classified under Level 3 of the fair value hierarchy is the direct sales comparison approach. Significant unobservable inputs include price per square meter and value adjustments.

Under the direct sales comparison approach, fair value is estimated based on sales and listings of comparable property registered within the vicinity. The comparison was adjusted on the factors of location, shape, desirability, utility, size and time element, among others.

The latest appraisal report was made March 4, 2019.

*Sensitivity Analysis.* Generally, significant increases (decreases) in rental rate (per sq.m.) and rent escalation rate p.a. in isolation would result in a significantly higher (lower) fair value measurement. Significant increases (decreases) in discount rate in isolation would result in a significantly lower (higher) fair value measurement. The inputs to fair valuation are as follows:

- *Price per sq.m.* - estimated value prevailing in the real estate market depending on the location, area, shape and time element.
- *Value adjustments* - adjustments are made to the comparative values in approximation to the investment property taking into account the location, size and features among others.

The Company's portion of land with total area of 8,836 square meters is held as a real estate mortgage for the loan obtained from a local bank on October 19, 2020 (see Note 10).

The Company's construction in progress consists of various renovations in the hospital which were completed in 2020. It also includes the construction of the parking building and cancer center which was completed in the first quarter of 2021. The construction is expected to be completed in the second quarter of 2023.

As at December 31, 2022 and 2021, fully depreciated property and equipment with aggregate cost of ₱383.0 million and ₱362.5 million, respectively, are still in use.

Depreciation and amortization consist of:

	Note	2022	2021	2020
Property and equipment		<b>₱163,487,877</b>	₱145,101,104	₱125,522,351
ROU assets	21	<b>816,723</b>	816,723	3,212,746
		<b>₱164,304,600</b>	₱145,917,827	₱128,735,097

Depreciation and amortization is charged to operations as follows:

	Note	2022	2021	2020
Cost of sales and services	15	<b>₱144,829,203</b>	₱129,009,974	₱112,319,552
General and administrative expenses	16	<b>19,475,397</b>	16,907,853	16,415,545
		<b>₱164,304,600</b>	₱145,917,827	₱128,735,097

## 9. Trade and Other Payables

This account consists of:

	Note	2022	2021
Trade			
Third parties		<b>₱190,374,635</b>	₱197,998,074
Related party	13	<b>911,333</b>	2,546,443
Dividends	13	<b>5,692,239</b>	101,459,323
Provident and employee benefits premium payable		<b>26,208,052</b>	28,653,717
Accrued expenses		<b>25,235,932</b>	27,040,687
Professional fee payable		<b>19,955,352</b>	24,693,738
Statutory payables		<b>5,781,116</b>	14,413,579
Unearned income	21	<b>549,839</b>	549,839
Others		<b>3,707,771</b>	7,244,785
		<b>₱278,416,269</b>	₱404,600,185

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

Provident and employee benefits premium payable includes employee benefits usually for regular employees working for more than five (5) years which can be withdrawn anytime or upon resignation. Employee benefits premium pertains to benefits for key management personnel working for more than five years payable within the year.

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

Professional fees pertain to the service fee of doctors received by the Company on behalf of the doctors which is normally settled within one (1) year.

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

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

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## 10. Loans Payable

Loans payable is broken down as follows:

	2022	2021
Current portion of loan payable	<b>₱11,111,111</b>	₱16,666,666
Noncurrent portion of loan payable	<b>118,611,111</b>	193,888,890
Balance at end of year	<b>₱129,722,222</b>	₱210,555,556

In December 2019, the Company was granted by a local bank an unsecured term loan facility for ₱200.0 million to partially finance the construction of the parking building and cancer center and acquisitions of medical equipment. The term loan is for seven (7) years, payable in quarterly installments beginning from the second year of drawdown. The loan bears an annual interest of 4.75% and is subject to compliance with certain financial ratio requirements.

As at December 31, 2022 and 2021, the Company is compliant with the required ratios. Outstanding balance on this loan facility amounted to ₱99.7 million and ₱180.6 million as at December 31, 2022 and 2021, respectively.

On October 19, 2020, the Company was granted by another local bank a term loan facility for ₱220.0 million to partially finance the construction of the Cancer Center. Drawdown from the facility amounting to ₱30.0 million was made on October 20, 2020. This loan is to be paid through equal quarterly amortization of ₱0.9 million from October 20, 2022 up to July 20, 2027 and a lump sum payment of ₱12.2 million on October 20, 2027. The loan bears interest at 4.75% annually and is covered by an unregistered real estate mortgage on a lot with a total area of 8,836 square meters (see Note 8). Outstanding balance on this loan facility amounted to ₱30.0 million as at December 31, 2022 and 2021.

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

	2022	2021
Not later than one (1) year	<b>₱11,111,111</b>	₱16,666,666
Later than one (1) year but not more than five (5) years	<b>118,611,111</b>	193,888,890
	<b>₱129,722,222</b>	₱210,555,556

The changes in liabilities arising from financing activities as at December 31, 2022 and 2021 are as follows:

	2022			Total
	Loans Payable	Dividends Payable (see Note 13)	Lease Liabilities (see Note 21)	
Balance at beginning of year	P210,555,556	P101,459,323	P10,927,961	P322,942,840
Changes from financing cash flows	(80,833,334)	(125,939,584)	(1,066,863)	(207,839,781)
Noncash changes:				
Dividend declaration	-	30,172,500	-	30,172,500
Interest expense	-	-	507,099	507,099
<b>Balance at end of year</b>	<b>P129,722,222</b>	<b>P5,692,239</b>	<b>P10,368,197</b>	<b>P145,782,658</b>

	2021			Total
	Loans Payable	Dividends Payable (see Note 13)	Lease Liabilities (see Note 21)	
Balance at beginning of year	P230,000,000	P64,198,606	P11,431,522	P305,630,128
Changes from financing cash flows	(19,444,444)	(48,865,008)	(1,035,789)	(69,345,241)
Noncash changes:				
Dividend declaration	-	86,125,725	-	86,125,725
Interest expense	-	-	532,228	532,228
<b>Balance at end of year</b>	<b>P210,555,556</b>	<b>P101,459,323</b>	<b>P10,927,961</b>	<b>P322,942,840</b>

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

	Note	2022	2021	2020
Loans payable		P7,644,721	P10,269,603	P5,731,663
Lease liabilities	21	507,099	532,228	561,627
		<b>P8,151,820</b>	<b>P10,801,831</b>	<b>P6,293,290</b>

#### 11. Other Noncurrent Liabilities

This account consists of:

	Note	2022	2021
Unearned income - net of current portion	21	P19,293,650	P19,241,354
Employee benefits premium - net of current portion		-	9,666,667
Others		855,000	855,000
		<b>P20,148,650</b>	<b>P29,763,021</b>

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

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



## 12. Equity

### Capital Stock

Details of capital stock are as follows:

	2022		2021		2020	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Authorized Capital Stock - ₱100 par	1,500,000	₱150,000,000	1,500,000	₱150,000,000	1,500,000	1,500,000
Issued Capital Stock	1,119,500	₱111,950,000	1,119,500	₱111,950,000	1,119,500	1,119,500

The Company has 258 and 241 stockholders as at December 31, 2022 and 2021, respectively.

### Retained Earnings

#### Appropriation

In December 2020 and 2019, the Company's BOD approved the additional appropriation of retained earnings amounting to ₱110.0 million of each year to complete the construction of the parking building and the cancer center and for the loan repayments. The construction is expected to be completed in the second quarter of 2023. (see Note 8 and Note 10).

#### Dividend Declarations

##### Cash Dividends

Cash dividends declared in 2022, 2021 and 2020 are summarized below.

Declaration Date	Stockholders on Record Date	Dividend Per Share	Amount
June 24, 2022	December 31, 2021	₱27.00	₱30,172,500
December 2, 2021	December 31, 2019	77.07	86,125,725
November 25, 2019	December 31, 2018	110.10	61,708,381
December 31, 2018	December 31, 2017	125.90	70,127,380

## 13. Related Party Transactions

In the normal course of business, the Company has transaction with its related parties as follows:

Related Party	Nature of Transactions	Transactions during the Year		Balance at End of Year		Terms and Conditions
		2022	2021	2022	2021	
<b>Trade Payables</b>						
Entity under common control	Purchase of goods and services	₱2,927,379	₱1,232,350	₱911,333	₱2,546,443	Unsecured, noninterest-bearing, payable on demand and to be settled in cash
<b>Dividends Payable</b>						
Stockholders	Declarations of dividends	₱30,172,500	₱86,125,725	₱5,692,239	₱101,459,323	Unsecured, noninterest-bearing, payable on demand and to be settled in cash

### Compensation of Key Management Personnel

The compensation paid to key management personnel are as follows:

	2022	2021	2020
Short-term employee benefits	P13,967,719	P21,219,177	P19,133,185
Long-term and post-employment benefits	14,000,000	4,000,000	5,282,793
	<b>P27,967,719</b>	<b>P25,219,177</b>	<b>P24,415,978</b>

### 14. Revenue

The details of disaggregated revenue streams are as follows:

	2022	2021	2020
Hospital and ancillary services	P1,362,145,155	P1,319,744,346	P811,705,045
Sale of medicines and medical supplies	119,811,827	112,883,608	156,214,633
Room and board	69,975,443	62,766,255	54,525,289
	<b>P1,551,932,425</b>	<b>P1,495,394,209</b>	<b>P1,022,444,967</b>

### 15. Cost of Sales and Services

This account consists of costs for:

	Note	2022	2021	2020
Hospital and ancillary services		P841,422,612	P887,340,913	P718,220,120
Sale of medicines and medical supplies	6	71,970,621	75,898,218	67,840,915
Room and board		20,896,846	22,037,233	17,724,593
		<b>P934,290,079</b>	<b>P985,276,364</b>	<b>P803,785,628</b>

Cost of medicines and medical supplies comprise of:

	Note	2022	2021	2020
Balance at beginning of year		P65,336,570	P73,598,633	P71,688,804
Purchases		70,724,213	67,636,155	69,750,744
Total available inventories		136,060,783	141,234,788	141,439,548
Balance at end of year	6	(64,090,162)	(65,336,570)	(73,598,633)
		<b>P71,970,621</b>	<b>P75,898,218</b>	<b>P67,840,915</b>

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

	Note	2022	2021	2020
Cost of ancillary services		<b>₱422,088,831</b>	₱502,182,207	₱370,560,039
Personnel costs	17	<b>176,893,981</b>	164,878,895	154,162,775
Depreciation	8	<b>144,829,203</b>	129,009,974	112,319,552
Cost of medicines and medical supplies		<b>71,970,621</b>	75,898,218	67,840,915
Outside services		<b>60,798,544</b>	62,675,384	43,484,030
Utilities		<b>32,055,114</b>	31,145,242	30,092,356
Professional fees		<b>20,329,614</b>	13,664,378	22,573,342
Rent	21	<b>5,324,171</b>	5,822,066	2,752,619
		<b>₱934,290,079</b>	₱985,276,364	₱803,785,628

#### 16. General and Administrative Expenses

This account consists of:

	Note	2022	2021	2020
Personnel costs	17	<b>₱140,786,647</b>	₱107,458,215	₱94,606,820
Office supplies		<b>32,165,798</b>	29,210,343	19,120,851
Input tax expense		<b>30,819,402</b>	30,328,284	25,232,804
Outside services		<b>23,491,173</b>	20,105,708	22,280,693
Provision for ECL	5	<b>20,726,215</b>	28,242,592	22,726,485
Depreciation	8	<b>19,475,397</b>	16,907,853	16,415,545
Taxes and licenses		<b>17,301,978</b>	10,463,930	9,472,942
Transportation		<b>10,345,067</b>	6,787,546	6,083,212
Professional fees		<b>7,472,790</b>	6,255,209	6,231,973
Communications		<b>7,460,982</b>	6,154,563	8,638,768
Rent	21	<b>6,764,094</b>	4,559,089	5,501,361
Repairs and maintenance		<b>3,781,719</b>	2,947,017	2,821,347
Representation		<b>3,332,589</b>	5,309,659	2,772,902
Insurance		<b>3,136,911</b>	4,221,270	3,462,697
Advertisement		<b>708,760</b>	468,711	563,945
Others		<b>527,346</b>	985,861	7,979,821
		<b>₱328,296,868</b>	₱280,405,850	₱253,912,166

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

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**17. Personnel Costs**

This account consists of:

	Note	2022	2021	2020
Short-term employee benefits		<b>₱310,156,141</b>	₱265,022,021	₱240,421,797
Retirement benefits	19	<b>7,524,487</b>	7,315,089	8,347,798
		<b>₱317,680,628</b>	₱272,337,110	₱248,769,595

Personnel costs charged to operations follows:

	Note	2022	2021	2020
Cost of sales and services	15	<b>₱176,893,981</b>	₱164,878,895	₱154,162,775
General and administrative expenses	16	<b>140,786,647</b>	107,458,215	94,606,820
		<b>₱317,680,628</b>	₱272,337,110	₱248,769,595

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**18. Other Income**

This account consists of:

	Note	2022	2021	2020
Rental income	21	<b>₱10,354,658</b>	₱412,379	₱1,718,710
Rebates from suppliers		<b>6,583,581</b>	707,935	5,108,148
Affiliation fee		<b>196,151</b>	151,210	1,585,182
Interest income	4	<b>131,842</b>	88,868	153,445
Others		<b>5,936,428</b>	749,495	—
		<b>₱23,202,660</b>	₱2,109,887	₱8,565,485

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

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**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, 2022.

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

	2022	2021	2020
Current service cost	<b>₱5,985,830</b>	₱6,090,543	₱6,809,808
Net interest cost	<b>1,538,657</b>	1,224,546	1,537,990
	<b>₱7,524,487</b>	₱7,315,089	₱8,347,798

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

	2022	2021
Balance at beginning of year	<b>₱52,845,726</b>	₱49,634,432
Current service cost	<b>5,985,830</b>	6,090,543
Interest cost	<b>2,684,563</b>	1,960,560
Remeasurement loss (gain):		
Changes in financial assumption	<b>(16,383,534)</b>	(1,030,259)
Experience	<b>3,705,458</b>	(3,075,927)
Changes in demographic assumption	-	(7,212)
Benefits paid	<b>(366,458)</b>	(726,411)
Balance at end of year	<b>₱48,471,585</b>	₱52,845,726

Expected contribution to the fund for 2022 and 2021 amounted to ₱4.5 million.

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

	2022	2021
Balance at beginning of year	<b>₱20,475,828</b>	₱16,725,883
Interest income	<b>1,145,906</b>	736,014
Contribution	<b>4,162,758</b>	4,541,191
Remeasurement losses	<b>(269,011)</b>	(800,849)
Benefits paid from plan assets	-	(726,411)
Balance at end of year	<b>₱25,515,481</b>	₱20,475,828

The plan is being administered by a trustee-bank which is authorized to invest the fund as it deems proper. The fair value of plan assets approximates their carrying value as at December 31, 2022 and 2021. There are no risks that to which the plan assets expose the Company.

The plan assets as at December 31, 2022 and 2021 consists of:

	2022	2021
Cash and cash equivalents	<b>3.93%</b>	2.05%
Government bonds	<b>65.90%</b>	35.28%
Other bonds	<b>12.74%</b>	19.81%
Unit investment trust funds	<b>17.51%</b>	41.62%
Others	<b>(0.08%)</b>	1.24%
	<b>100%</b>	100%

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

	2022	2021
Present value of retirement benefits liability	P48,471,585	P52,845,726
Fair value of plan assets	(25,515,481)	(20,475,828)
	<b>P22,956,104</b>	<b>P32,369,898</b>

The cumulative net remeasurement gains on retirement benefits liability recognized in OCI follows:

	2022		
	Cumulative Remeasurement Gain	Deferred Tax (Note 20)	Net
Balance at beginning of year	P11,942,404	(P2,985,601)	P8,956,803
Remeasurement gain	12,409,065	(3,102,266)	9,306,799
Balance at end of year	<b>P24,351,469</b>	<b>(P6,087,867)</b>	<b>P18,263,602</b>

  

	2021		
	Cumulative Remeasurement Gain	Deferred Tax (Note 20)	Net
Balance at beginning of year	P8,629,855	(P2,588,957)	P6,040,898
Remeasurement loss	3,312,549	(828,137)	2,484,412
Change in tax rates	-	431,493	431,493
Balance at end of year	<b>P11,942,404</b>	<b>(P2,985,601)</b>	<b>P8,956,803</b>

The principal assumptions used to determine the retirement benefit liability as at December 31, 2022 and 2021 are as follows:

	2022	2021
Discount rate	7.22%	5.08%
Future salary increases	5.00%	5.00%
Average expected future service years	25.7	25.8

The sensitivity analysis of defined benefit obligation for principal assumptions used as at December 31, 2022 and 2021 follows:

Principal assumptions	Effect to Present Value of Defined Benefit Obligation	
	2022	2021
Discount rate:		
Increase by 1%	(P5,671,860)	(P7,036,235)
Decrease by 1%	6,820,329	8,649,354
Salary rate:		
Increase by 1%	6,906,590	8,566,290
Decrease by 1%	(5,831,807)	(7,129,547)

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 follows:

	<b>2022</b>	2021
One (1) year or less	<b>₱419,984</b>	₱329,072
More than one (1) year to five (5) years	<b>10,801,644</b>	9,315,404
More than five (5) years to ten (10) years	<b>35,306,811</b>	19,477,617

The average duration of the expected benefit payments at the end of the reporting period is 12.9 years as at December 31, 2022.

## 20. Income Taxes

The components of income tax expense are as follows:

	<b>2022</b>	2021	2020
<b>Reported in Profit or Loss</b>			
Provision for current income tax:			
Regular corporate income tax (RCIT)	<b>₱71,104,015</b>	₱58,423,770	₱-
Minimum corporate income tax (MCIT)	-	-	6,318,834
(Benefit from) deferred income tax	<b>4,970,344</b>	(3,185,420)	(15,025,156)
Effect of change in tax rates	-	8,608,986	-
	<b>₱76,074,359</b>	₱63,847,336	(₱8,706,322)
<b>Reported in Other Comprehensive Income</b>			
Provision for (benefit from) deferred income tax related to:			
Remeasurement loss (gain) on net retirement liability	19 <b>(₱3,102,266)</b>	(₱828,137)	(₱637,937)
Effect of change in tax rates on:			
Revaluation surplus	8 -	14,071,880	-
Remeasurement loss (gain) on net retirement liability	19 -	431,493	-
	<b>(₱3,102,266)</b>	₱13,675,236	(₱637,937)

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

	2022	2021
<b>Deferred Tax Assets</b>		
Allowance for ECL from receivables	<b>₱22,781,554</b>	₱23,588,885
Retirement benefits liability	<b>5,739,027</b>	8,092,475
Unearned income	<b>4,960,872</b>	4,947,798
Unamortized contribution to past service liability	<b>2,594,515</b>	3,026,934
Lease liability	<b>2,592,049</b>	2,731,990
Other employee benefits	-	3,500,000
	<b>38,668,017</b>	45,888,082
<b>Deferred Tax Liabilities</b>		
Revaluation surplus	<b>70,359,402</b>	70,359,402
ROU assets	<b>2,280,019</b>	2,484,199
Prepaid insurance	<b>1,196,209</b>	139,484
	<b>73,835,630</b>	72,983,085
<b>Net Deferred Tax Liabilities</b>	<b>₱35,167,613</b>	₱27,095,003

The Company incurred excess MCIT over RCIT in 2020 amounting to ₱6.3 million which was utilized in 2021. Moreover, NOLCO incurred in 2020 amounting to ₱10.4 million was applied in 2021.

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

	2022	2021	2020
Income tax at statutory tax rate	<b>₱76,099,080</b>	₱55,255,013	(₱9,894,190)
Adjustments for:			
Interest income subjected to final tax	<b>(32,961)</b>	(22,217)	(46,034)
Nondeductible interest	<b>8,240</b>	5,554	19,181
Nondeductible expenses	-	-	1,214,721
Effect of change in tax rates on:			
Current income tax	-	(1,579,709)	-
Deferred income tax	-	10,188,695	-
	<b>₱76,074,359</b>	₱63,847,336	(₱8,706,322)

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises (CREATE) was approved and signed into law by the country's President. Under the CREATE, RCIT of domestic corporations was revised from 30% to 25% or 20% depending on the amount of total assets or total amount of taxable income. In addition, the MCIT was changed from 2% to 1% of gross income for a period of three (3) years. The changes in the income tax rates became effective beginning July 1, 2020.

The subsequent approval of CREATE, however, is considered as a non-adjusting event for financial reporting purposes. Accordingly, the income tax rates used in preparing the financial statements as at and for the year ended December 31, 2020 are 30% and 2% for RCIT and MCIT, respectively. The income tax rates used for the years ended December 31, 2022 and 2021 are 25% and 1% for RCIT and MCIT, respectively. The effect of changes in income tax rates in 2020 was reflected in 2021.



## 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, 2022 and 2021 is broken down as follows:

	Note	2022	2021
Current portion of unearned income	9	<b>₱549,839</b>	₱549,839
Noncurrent portion of unearned income	11	<b>19,293,650</b>	19,241,354
		<b>₱19,843,489</b>	₱19,791,193

Total rental income earned on the above operating leases amounted to ₱10.4 million, ₱0.4 million and ₱1.7 million in 2022, 2021 and 2020, respectively (see Note 18).

### Company as a Lessee

#### Lease of Hospital and Clinic Equipment

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.

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	2022	2021	2020
General and administrative expenses	16	<b>₱6,764,094</b>	₱4,559,089	₱5,501,361
Cost of sales and services	15	<b>5,324,171</b>	5,822,066	2,752,619
		<b>₱12,088,265</b>	₱10,381,155	₱8,253,980

#### 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 15 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	2022	2021
<b>Cost</b>			
Balance at beginning and end of year		<b>₱17,042,893</b>	₱17,042,893
<b>Accumulated Amortization</b>			
Balance at beginning of year		<b>(7,106,096)</b>	(6,289,373)
Amortization	8	<b>(816,723)</b>	(816,723)
Balance at end of year		<b>(7,922,819)</b>	(7,106,096)
<b>Carrying Amount</b>		<b>₱9,120,074</b>	₱9,936,797

The balance and movements in lease liabilities follow:

	Note	2022	2021
Balance at beginning of year		<b>₱10,927,961</b>	₱11,431,522
Rental payments		<b>(1,066,863)</b>	(1,035,789)
Interest expense	10	<b>507,099</b>	532,228
Balance at end of year		<b>10,368,197</b>	10,927,961
Current portion of lease liabilities		<b>619,648</b>	1,064,261
Noncurrent portion of lease liabilities		<b>₱9,748,549</b>	₱9,863,700

Future minimum lease payments (MLP) and maturity analysis of lease liabilities are as follows:

	2022	2021
Within one (1) year	<b>₱1,098,869</b>	₱1,066,863
Between one (1) and five (5) years	<b>4,735,176</b>	4,597,258
More than five (5) years	<b>7,635,397</b>	8,872,184
	<b>₱13,469,442</b>	₱14,536,305

#### **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 was renewed in October 2019 for another period of five (5) years.

In 2022, the Company and Careview Corporation (PC) entered into a Memorandum of Agreement (MOA) whereby the parties agreed to jointly undertake the management and operation of a positron emission tomography-computed (PET/CT) facility. Under the MOA, PC will independently operate and manage the PET/CT facility subject to existing administrative policies of the Company. The agreement shall be for a period of s(7) years.

**Joint Arrangements for Medical Equipment**

In January 2019, the Company and Lipa Dent Digital Xray, Inc. entered into a joint operation 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**

**Financial Risk Management Objectives and Policies**

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.

**Liquidity Risk**

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, 2022 and 2021 based on contractual undiscounted principal and interest payments:

	2022					Total
	Due and Demandable	Less than 30 Days	31-60 Days	61-90 Days	Over 90 Days	
Trade and other payables*	₱43,112,445	₱26,418,764	₱20,864,987	₱13,580,185	₱168,108,933	₱272,085,314
Loans payable***	–	17,754,250	1,061,339	1,026,022	156,531,229	176,372,840
Lease liabilities***	–	86,737	86,737	86,737	10,467,410	10,727,621
Other noncurrent liabilities**	–	–	–	–	855,000	855,000
	<b>₱43,112,445</b>	<b>₱44,259,751</b>	<b>₱22,013,063</b>	<b>₱14,692,944</b>	<b>₱335,962,572</b>	<b>₱460,040,775</b>

\*Excluding statutory payables and unearned income amounting to ₱5.8 million and ₱0.5 million, respectively.

\*\*Excluding unearned income amounting to ₱19.3 million.

\*\*\*Including interest

	2021					Total
	Due and Demandable	Less than 30 Days	31-60 Days	61-90 Days	Over 90 Days	
Trade and other payables*	₱49,531,483	₱32,207,149	₱23,970,411	₱15,581,939	₱268,345,785	₱389,636,767
Loans payable***	–	17,754,250	1,061,339	1,026,022	227,248,047	247,089,658
Lease liabilities***	–	86,737	86,737	86,737	14,241,061	14,501,272
Other noncurrent liabilities**	–	–	–	–	10,521,667	10,521,667
	<b>₱49,531,483</b>	<b>₱50,048,136</b>	<b>₱25,118,487</b>	<b>₱16,694,698</b>	<b>₱520,356,560</b>	<b>₱661,749,364</b>

\*Excluding statutory payables and unearned income amounting to ₱14.4 million and ₱0.5 million, respectively.

\*\*Excluding unearned income amounting to ₱19.2 million.

\*\*\*Including interest

### Credit Risk

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

	2022	2021
Cash in banks and cash equivalents	<b>₱237,111,663</b>	₱95,813,069
Trade and other receivables*	<b>217,014,804</b>	270,268,760
	<b>₱454,126,467</b>	₱366,081,829

\*Excluding advances to officers and employees amounting to ₱10.7 million and ₱11.2 million as at December 31, 2022 and 2021, 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 table below show the credit risk of the Company's financial assets as at December 31, 2022 and 2021. The amounts are presented by credit risk rating grades and represent the gross carrying amounts of the financial assets:

	2022					Total
	High Grade	Standard Grade	Past Due but Not Impaired		Impaired	
			31 - 60 Days	61 - 120 Days		
Simplified approach -						
Trade and other receivables*	P-	₱55,494,436	₱41,235,368	₱29,158,786	₱91,126,214	₱217,014,804
12-month ECL:						
Cash in banks and cash equivalents		237,111,663	-	-	-	237,111,663
		<b>₱237,111,663</b>	<b>₱55,494,436</b>	<b>₱41,235,368</b>	<b>₱29,158,786</b>	<b>₱454,126,467</b>

\*Excluding advances to officers and employees amounting to ₱10.7 million.

	2021					
	High Grade	Standard Grade	Past Due but Not Impaired			Total
			31 - 60 Days	61 - 120 Days	Impaired	
Simplified approach - Trade and other receivables*	₱-	₱73,771,277	₱57,086,220	₱45,055,722	₱94,355,541	₱270,268,760
12-month ECL: Cash in banks and cash equivalents	95,813,069	-	-	-	-	95,813,069
	₱95,813,069	₱73,771,277	₱57,086,220	₱45,055,722	₱94,355,541	₱366,081,829

\*Excluding advances to officers and employees amounting to ₱11.2 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.

The Company is subject to externally imposed capital requirement in connection with the financial covenants of its loan agreements with creditor banks (see Note 10).

There were no changes in the Company's approach to capital management in 2022 and 2021.

### 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, 2022 and 2021:

	2022		2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash in banks and cash equivalents	₱237,111,663	₱237,111,663	₱95,813,069	₱95,813,069
Trade and other receivables*	217,014,804	217,014,804	270,268,760	270,268,760
	<b>₱454,126,467</b>	<b>₱454,126,467</b>	<b>₱366,081,829</b>	<b>₱366,081,829</b>
<b>Financial Liabilities</b>				
Trade and other payables**	₱272,085,314	₱272,085,314	₱389,636,767	₱389,636,767
Loans payable	129,722,222	132,316,666	230,000,000	233,512,477
Lease liabilities	10,368,197	10,368,197	10,927,961	11,325,966
Other noncurrent liabilities***	855,000	855,000	10,521,667	10,521,667
	<b>₱413,030,733</b>	<b>₱415,625,177</b>	<b>₱641,086,395</b>	<b>₱644,996,877</b>

\*Excluding advances to officers and employees amounting to ₱10.7 million and ₱11.2 million as at December 31, 2022 and 2021, respectively.

\*\* Excluding statutory payables and unearned income totaling ₱6.3 million and ₱14.9 million as at December 31, 2022 and 2021, respectively.

\*\*\* Excluding unearned income amounting to ₱19.3 million and ₱19.2 million at December 31, 2022 and 2021, 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, 2022 and 2021. The significant unobservable inputs used in the fair value measurement are categorized within Level 3 of the fair value hierarchy (see Note 8).

No transfers in level of fair value hierarchy was made in 2022 and 2021.

### 24. Earnings (Loss) Per Share

Basic and diluted earnings (loss) per share are computed as follows:

	2022	2021	2020
Net income (loss)	₱228,321,959	₱157,172,715	(₱24,274,310)
Weighted average number of outstanding common shares	1,117,500	1,117,500	1,117,500
Basic/diluted earnings (loss) per share	<b>₱204</b>	<b>₱141</b>	<b>(₱22)</b>



**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, 2022 and 2021 and for the years ended December 31, 2022, 2021 and 2020, on which we have rendered our report dated March 29, 2023.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has 251 stockholders owning one hundred (100) or more shares each.

**REYES TACANDONG & Co.**

  
CAROLINA P. ANGELES

Partner

CPA Certificate No. 86981

Tax Identification No. 205-067-976-000

BOA Accreditation No. 4782; Valid until April 13, 2024

SEC Accreditation No. 86981-SEC Group A

Issued March 24, 2020

Valid for Financial Periods 2019 to 2023

BIR Accreditation No. 08-005144-007-2022

Valid until October 16, 2025

PTR No. 9564562

Issued January 3, 2023, Makati City

March 29, 2023

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, 2022 and 2021 and for the years ended December 31, 2022, 2021 and 2020, and have issued our report there on dated March 29, 2023. 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, 2022
- Schedules Required under Revised SRC Rule 68 Part 4D and 4G as at December 31, 2022 and 2021

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

Partner

CPA Certificate No. 86981

Tax Identification No. 205-067-976-000

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Issued January 3, 2023, Makati City

March 29, 2023

Makati City, Metro Manila



**MARY MEDIATRIX MEDICAL CENTER, INC.**  
**SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
**DECEMBER 31, 2022 AND 2021**

Ratio	Formula	2022	2021
Current Ratio	Total current assets	₱477,009,070	₱370,604,428
	Divided by: Total current liabilities	296,515,969	425,921,928
	Current Ratio	1.61:1	0.87:1
Acid Test Ratio	Total current assets	₱477,009,070	₱370,604,428
	Less: Inventories	64,090,162	65,336,570
	Other current assets	24,703,630	13,433,598
	Quick assets	388,215,278	291,834,260
	Divide by: Total current liabilities	296,515,969	425,921,928
	Acid Test Ratio	1.31:1	0.69:1
Solvency Ratio	Net income (loss)	₱228,321,959	₱157,172,715
	Add: Depreciation and amortization	164,304,600	145,917,827
	Net income before depreciation and amortization	392,626,559	303,090,542
	Divided by: Total liabilities	503,147,996	718,902,440
	Solvency Ratio	0.78:1	0.42:1
Debt-to-Equity Ratio	Total liabilities	₱503,147,996	₱718,902,440
	Divided by: Total equity	1,941,546,708	1,734,090,450
	Debt-to-Equity Ratio	0.26:1	0.41:1
Asset-to-Equity Ratio	Total assets	₱2,444,694,704	₱2,452,992,890
	Divided by: Total equity	1,941,546,708	1,734,090,450
	Asset-to-Equity Ratio	1.26:1	1.41:1
Return on Equity	Net income (loss)	₱228,321,959	₱157,172,715
	Divided by: Total equity	1,941,546,708	1,734,090,450
	Return on Equity	0.12:1	0.09:1
Return on Assets	Net income (loss)	₱228,321,959	₱157,172,715
	Divided by: Average total assets	2,448,843,797	2,424,231,706
	Return on Assets	0.09:1	0.06:1
Net Profit Margin	Net income (loss)	₱228,321,959	₱157,172,715
	Divided by: Revenue	1,551,932,425	1,495,394,209
	Net Profit Margin	0.15:1	0.11:1

**MARY MEDIATRIX MEDICAL CENTER, INC.**

**SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS  
AVAILABLE FOR DIVIDEND DECLARATION  
DECEMBER 31, 2022**

Unappropriated retained earnings, beginning	₱204,897,476
Adjustments:	
Deferred tax assets	(45,888,082)
Treasury shares	(5,280,000)
Unappropriated retained earnings, as adjusted, beginning	153,729,394
Net Income	228,321,959
Deferred tax assets	7,220,065
Net income actually realized during the year	235,542,024
Unappropriated retained earnings, as adjusted, ending	389,271,418
Dividend declaration during the year	(30,172,500)
Unappropriated retained earnings available for dividend declaration, end of year	₱359,098,918

***Reconciliation:***

Unappropriated retained earnings as shown in the financial statements of the Company at end of year	₱403,046,935
Adjustments for:	
Treasury shares	(5,280,000)
Deferred tax assets	(38,668,017)
Unappropriated retained earnings available for dividend declaration, end of year	₱359,098,918

**MARY MEDIATRIX MEDICAL CENTER, INC.**

**SEC Supplementary Schedule as Required by Part II of Revised SRC Rule 68  
DECEMBER 31, 2022**

**Table of Contents**

<u>Schedule</u>	<u>Description</u>	<u>Page</u>
A	Financial Assets	<u>N/A</u>
B	Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)	<u>N/A</u>
C	Amounted Receivable from Related Parties which are Eliminated During the Consolidation of the Financial Statements	<u>N/A</u>
D	Long-term Debt	<u>1</u>
E	Indebtedness to Related Parties (Long-Term Loans from Related Parties)	<u>N/A</u>
F	Guarantees of Securities of Other Issuers	<u>N/A</u>
G	Capital Stock	<u>2</u>

**MARY MEDIATRIX MEDICAL CENTER, INC.**

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**D. Long-term Debt**  
**DECEMBER 31, 2022**

<i>Title of Issue and Type of Obligation</i>	<i>Amount Authorized by Indenture</i>	<i>Amount shown under caption "Loans payable" in related balance sheet</i>	<i>Amount shown under caption "Loans payable - net of current portion " in related balance sheet</i>
Unsecured loans	₱-	₱6,423,611	₱93,298,611
Secured loans	-	4,687,500	25,312,500

**MARY MEDIATRIX MEDICAL CENTER, INC.**

**G. Capital Stock  
DECEMBER 31, 2022**

<i>Title of Issue</i>	<i>Number of shares authorized</i>	<i>Number of shares issued and outstanding as shown under the related statements of financial position caption</i>	<i>Number of shares reserved for options, warrants, conversion and other rights</i>	<i>Number of shares held by</i>		
				<i>Related parties</i>	<i>Directors, officers and employees</i>	<i>Others</i>
Capital Stock - ₱100 par value	1,500,000	1,117,500	–	569,784	85,258	462,458