

COVER SHEET

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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 .

(Company's Full Name)

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 C I T Y

Business Address: No., Street City / Town / Province)

JEAN MARIE L. UY

633-6113

Contact Person

Company Telephone Number

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Form Type

2<sup>nd</sup> Monday of June

Month

Annual

Month

Day

Form Type

Month

Annual

Day

Fiscal Year

Meeting

SEC FORM 17-A

Dept. Requiring this Doc

Amended Articles Number/ Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

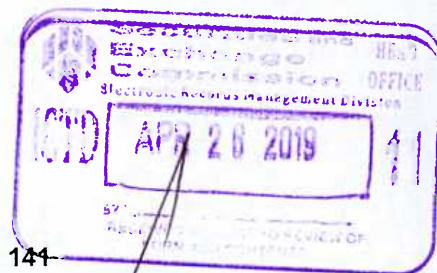
Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES



1. For the fiscal year ended December 31, 2018
2. SEC Identification Number 76646      3. BIR Tax Identification No. 000-958-720-000
4. Exact name of issuer as specified in its charter      Mary Mediatrix Medical Center, Inc.
5. Republic of the Philippines      6.      (SEC Use Only)  
Province, Country or other jurisdiction      Industry Classification Code:  
of incorporation or organization
7. J.P. Laurel Highway, Mataas Na Lupa, Lipa City      4217  
Address of principal office      Postal Code
8. +63 043 7736800  
Issuer's telephone number, including area code
9.  
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
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Common	561,000 shares as of 31 December 2018
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11. Are any or all of these securities listed on a Stock Exchange.

Yes [ ]      No [X]

If yes, state the name of such stock exchange and the classes of securities listed therein:

Not applicable

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [X]      No [ ]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [X]      No [ ]

## **PART I - BUSINESS AND GENERAL INFORMATION**

### **Item 1: Business**

#### **Business Development**

Mary Mediatrix Medical Center, Inc. (MMMCI or the Company) was originally incorporated and registered with the Philippine Securities and Exchange Commission (SEC) as a close corporation under the name Magsino General Hospital, Inc. on November 16, 1977.

The Company's primary purpose was 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 (MMMC or the Hospital), a tertiary level four hospital with 228 bed capacity in Lipa City, Batangas.

The Company started operations of the Hospital in the 1960's as Magsino General Hospital, a two-storey facility with 30 bed capacity and adequate basic needs. In 1994, the Company amended its name to Mary Mediatrix Medical Center, Inc. and increased its bed capacity to 100 and offered advanced diagnostic services to cater to its large patient base.

In 2013, the Company received the ISO 9001:2008 certification, which attests to international quality standards of the Hospital, enhancing customer satisfaction. In 2014, the Company added an annex building housing its new dialysis center, more patient rooms and a larger emergency room. This symbolizes the relentless commitment of the Company to provide healthcare of the highest standards to the people of the region.

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

In February 2016, the Company and Mount Grace Hospitals, Inc. (MGHI), a stock corporation whose main purpose is to invest in the medical and healthcare industry, entered into a Share Acquisition Agreement wherein MGHI subscribed to at most twenty percent (20%) of the Company's total issued and outstanding capital stock when taken together with Health Delivery Systems, Inc. (HDSI), which is a related party of MGHI and an already existing stockholder of the Company.

The Company is not involved in any bankruptcy, receivership or any similar proceedings; and there is no material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business.

#### **Business Description**

The Company was incorporated to establish, operate, own and/or maintain a hospital or hospitals, medical and clinic laboratories and such other enterprises which may have similar or analogous undertakings or dedicated to services in connection therewith, subject to the condition that purely professional, medical or surgical services shall be performed by duly qualified physicians or surgeons who may or may not be connected to the Company and whose services be freely and individually contracted by the patients.

### ***Principal Services***

The principal services offered by the Hospital are divided into ancillary services and nursing services. Ancillary services include the cardiovascular center, food and nutrition, physical medicine & rehabilitation center, weight management, skin center, industrial corporate center, hearing and balance center, eye center, radiology, pulmonary center, nuclear medicine center, neuroscience center, dental clinic, laboratory medicine and clinical pharmacy. Nursing services include cardiovascular operating room, catheterization laboratory, dialysis services, surgical services, emergency medicine, nursery & well baby facilities, neonatal intensive care unit, cardiac care unit, chemotherapy & blood transfusion unit, bone competence center, intensive care unit, infection control, diagnostic & therapeutic endoscopy unit and diabetes educational clinic. The Hospital also caters to the growing industrial and corporate sector of the Calabarzon region with an average of 9,000 patients per month for preventive and therapeutic health care.

The contributions of these services to revenues are discussed in the Management Discussion and Analysis section of this report.

### ***Competition***

The Hospital is strategically located along J.P. Laurel Highway, Lipa City to catch patients in Lipa City and nearby towns.

The primary competitors of the Hospital are Lipa Medix Medical Center (LMMC) and N.L. Villa Memorial Medical Center (NLVMC). These hospitals are located near MMMC.

LMMC is a level 2 hospital with a 125 bed capacity. Its recent ISO 9000:2008 QMS certification in 2015 has given it a strong position in the market. It ranks 2<sup>nd</sup> for all private hospitals in Lipa and 1<sup>st</sup> among Level 2 hospitals.

NLVMC is also a level 2 hospital with a 90 bed capacity and is one of the pioneer modern hospitals in Lipa and is located in the center of the city. It occupies 3<sup>rd</sup> place in market share among private hospitals in Lipa, Batangas.

MMMC can effectively compete with the other hospitals in the area because of its high quality patient care with the most number of medical specialists on its roster at 300 doctors actively practicing in the institution. MMMC also has accredited training programs in Internal Medicine, Pediatrics as well as Cardiology Fellowship training. MMMC has the most modern and updated equipment with the widest range of ancillary services available in the area, and has the highest number of accredited HMOs and Insurances. Furthermore, MMMC's organizational and functional structure results in very efficient operations and financial management which makes it a consistent market leader.

### ***Sources and Availability of Materials and Principal Suppliers***

The Company's primary suppliers of medicines are Zuellig Pharma Corp., United Laboratories, Inc. and Metro Drug, Inc. while medical supplies are sourced from Miles Company, AMSCO and FAF.

The Company chooses from a variety of reputable manufacturers of hospital equipment depending on its need.

### ***Patients***

The Company is not dependent on any single or few patients within the locality. It is widely spread among both the locals and foreigners in Lipa City and other nearby towns and cities within the Calabarzon Region.

### ***Transactions with and/or Dependence on Related Parties***

The Company received advances from its stockholders for the purchase of medical equipment and construction of building and building improvements. These are noninterest-bearing and are due and demandable.

### ***Government Approvals***

The license to operate the Hospital is secured from the Department of Health (DOH) annually. The Company has obtained all the necessary local government permits and certifications.

### ***Government Regulations***

The Company has adopted the following laws in its operations.

Under Republic Act No. 7432, otherwise known as the Senior Citizens Act, senior citizens are granted a 20% discount on goods and services, including medical and dental services in private facilities including diagnostic laboratory fees and professional fees of attending doctors in all private hospitals and medical facilities. The law also applies to drug stores, hospital pharmacies and similar establishments dispensing medicines. This law allows the deduction of the senior citizen discount from the Company's gross revenues for the same taxable year.

This law was amended by Republic Act 9994, or the Expanded Senior Citizens Act, which provides additional benefits and privileges to senior citizens. This law granted senior citizens additional benefits such as the exemption from the 12% expanded value added tax (EVAT). The EVAT exemption for the senior citizens, applies to, among others, purchases of medicines and essential medical supplies. This law also provides the sharing of the burden between the Hospital and the manufacturer. Hence, the Hospital is able to manage its exposure.

Republic Act No. 7277, otherwise known as the Magna Carta for Disabled Persons and for Other Purposes, was amended by Republic Act. No. 9442. This law provides additional privileges to persons with disability which entitles the person with disability a 20% discount for the purchase of medicines, medical and dental services, including diagnostic and laboratory fees and professional fees of attending doctors in all private hospitals and medical facilities.

Executive Order No. 821 prescribed the maximum retail prices for selected drugs and medicines. This executive order reduced the Company's revenues but with appropriate cost reductions, the Company was able to maintain its margins.

The Patient's Illegal Detention Act which makes it unlawful for any hospital or medical clinic to detain patients who are financially incapable to settle in part or in full their hospitalization expenses and Anti Hospital Deposit Law has caused the increase in receivable from promissory notes.

The Company has been registered with the National Privacy Commission for the implementation of Data Privacy Act of 2012. It is an act to ensure that the personal data in information and communication systems in the government and in the private sector are secured and protected.

A periodic review of the Company's operating margins is being undertaken to ensure that the Company will not suffer any significant financial burden as a result of the foregoing laws and regulations.

### ***Research and Development***

The Company spent minimal amount for research and development activities in 2018, 2017 and 2016, respectively.

**Compliance with Environmental Laws**

The Department of Environment and Natural Resources (DENR) and the Environmental Management Bureau (EMB) are the regulating bodies for waste management. Reports on the Hospital's compliance with waste disposal are being submitted quarterly since the treatment and disposal of the Hospital's waste is still the responsibility of the Hospital.

**Employees**

As of December 31, 2018, the Company has a total of 771 personnel with 104 in management and 667 as rank and file, and 0 being contractual.

There is no existing labor organization or union among the employees of the Company and there was no employee strike for the past years. The Company has adopted a performance-based compensation scheme for its employees.

It cannot be determined whether additional employees will be hired for the succeeding year but the same will be closely aligned with the Company's actual and programmed growth.

**Item 2: Properties**

The Company operates the Hospital through the following real properties:

Description of Property:		
<b>Owner</b>	<b>Location</b>	<b>Description</b>
Mary Mediatrix Medical Center (MMMC)	J.P. Laurel Highway, Mataas na Lupa, Lipa City	Hospital buildings & land covered under TCT Nos. 86308, 102978, 73942, 150566, 072-2013000398, 072-2016007850, 072-2015000972, 072-2015001005, 072-2015001006, 072-2015002244, 072-2015002243, 072-2015000988 with a total area of 19,262 square meters, including 2 pending transfer of titles for 2,500 sqm. and 759 sqm.
TCT Nos. 86308, 102978 and 73942 with a total of 8,836 square meters are held as collateral under Metrobank Loan.		

The Company is leasing a parcel of land located in Mataas na Lupa covered under TCT No. 102641 as parking space, with a net monthly rental of Php280,000.00, and five percent (5%) escalation on the second year, which lease shall expire on May 14, 2019.

**Item 3: Legal Proceedings**

On May 25, 2017, the Labor Arbiter dismissed for lack of merit the complaint filed by Jose B. Nulial for alleged illegal dismissal, non-payment of salaries and unfair labor practice. Mr. Nulial filed a Motion for Reconsideration of said dismissal, which was denied for lack of merit by the National Labor Relations Commission on January 19, 2018. Mr. Nulial elevated the case to the Court of Appeals by way of special civil action of certiorari under Rule 65. The parties submitted their respective memoranda. On 30 October 2018, the Court of Appeals rendered a decision dismissing Mr. Nulial's Petition for Certiorari for lack of merit. On 27 November 2018, Mr. Nulial filed a Motion for Reconsideration which is still pending to date.

#### Item 4: Submission of Matters to a Vote of Security Holder

There were no matters submitted to the vote of security holders during the fourth quarter of the fiscal year covered by this annual report. The Annual Meeting of the Stockholders of the Company was held on August 4, 2018 and the results thereof were duly submitted to the SEC in the corresponding General Information Sheet.

### PART II - OPERATIONAL AND FINANCIAL INFORMATION

#### Item 5: Market for Issuer's Common Equity and Related Stockholder Matters

##### Market Information

The common stock of the Company is not listed in any stock exchange nor it is actively traded.

##### Stockholders

As at December 31, 2018, the Company has 215 stockholders. Below is the list of the top 20 stockholders.

No.	Stockholder	No. of Shares	%
1	MOUNT GRACE HOSPITALS, INC.	71,524	12.74
2	MAGSINO, VICENTE M. JR.	41,155	7.34
3	PANGANIBAN, MARY ANN FRANCES M.	41,155	7.34
4	MAGSINO, JAIME AMADO	40,655	7.25
5	MAGSINO, ROBERT M.	40,654	7.25
6	HEALTH DELIVERY SYSTEM, INC.	39,999	7.13
7	PANGANIBAN, MARISSA PATRICIA M.	39,165	6.98
8	MANALO, MA. TERESA M.	33,925	6.05
9	SONGCO, MARILOU M.	31,935	5.70
10	MAGSINO, LILLIAN	27,525	4.91
11	PARRENAS, HEDDA	20,000	3.57
12	VILLANUEVA, JOSE TEODORO	10,000	1.78
13	HIDALGO, MARY ANNA.	8,500	1.52
14	MERCADO, EDWIN M.	5,000	0.89
15	POMPA, REENA SEGUNDINA K.	2,500	0.45
16	REYES, ROSA	2,000	0.36
17	LAT, SUSAN MERCADO	2,000	0.36
18	COMIA, MA. CRISTINA T.	1,500	0.27
19	MAGSINO, CELSO L.	1,500	0.27
20	ANDAL, ZILLIEN C.	1,000	0.18

## Dividends

The Company has declared the following dividends:

Date of Declaration	Record Date	Type	Payment Date	Amount
12 December 2018	31 December 2017	Cash	To be paid no later than December 31, 2018	₱125.90. per share
5 June 2017	31 December 2016	Stock	To be issued upon approval of increase in authorized capital stock	1 share per share
2016	31 December 2015	Cash	To be paid in two equal installments on July 2018 and on December 2018	₱130.24 per share

## Recent Sales of Unregistered Securities

The Company does not have any unregistered securities.

## Item 6: Management's Discussion and Analysis

The following discussion and analysis should be read in conjunction with the accompanying financial statements and the related notes. The financial statements, and the financial information below, have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS).

Below are the financial highlights of the Company's operation for the years ended December 31, 2018, 2017, and 2016 and financial position as at December 31, 2018, 2017, and 2016.

<i>(in Millions)</i>	2018	2017	2016
<b>Statement of Comprehensive Income</b>			
Revenue	1,342.44	1,173.25	989.32
Cost of sales and services	872.92	(765.40)	(638.48)
Operating expenses	(247.88)	(212.41)	(209.88)
Other income	18.75	18.33	15.74
Provision for income tax	72.21	(63.56)	(50.48)
Net income	168.01	150.13	106.23
Other comprehensive income	41.07	34.62	9.76



### Statement of Financial Position

Cash and cash equivalents	229.28	285.57	113.82
Trade and other receivables	92.94	96.47	81.92
Inventories	66.76	56.69	55.71
Advances to contractors	79.66	—	—
Other current assets	3.02	2.45	5.02
Total Current Assets	471.66	441.19	256.46
Property and equipment	1,516.88	1,338.47	1,225.14
Deferred input VAT	4.99	4.25	—
Total Assets	1,993.53	1,783.91	1,481.61
Total Current Liabilities	318.05	435.95	753.32
Total Noncurrent Liabilities	144.23	118.31	92.55
Total Liabilities	462.28	554.26	845.87
Capital stock	56.50	56.50	56.50
Additional paid-in capital	912.71	750.27	266.87
Stock dividends distributable	55.45	55.45	—
Retained earnings	304.51	206.63	185.53
Revaluation surplus on land	197.01	157.11	126.72
Cumulative remeasurement gain	15.16	13.99	9.76
Treasury stock	(10.09)	(10.29)	(9.64)
Total Equity	1,531.25	1,229.65	635.74
Total Liabilities and Equity	1,993.53	1,783.91	1,481.61

*\*Differences are due to rounding off*

### COMPARING DECEMBER 31, 2018 AND 2017

#### Statement of Comprehensive Income

Revenue increased by 14% from 1,173.2 million in 2017 to 1,342.4 million in 2018. This is mainly from the increase in revenues earned from sale of drugs and medicines which grew by 34% to 152.4 million in 2018 from the 113.8 million in 2017. Moreover, room and board revenues during the year increased by 22%. This increase is brought by the increase in inpatient days averaging 4 percent and increase in room rates averaging 15 percent.

Cost of sales, consequently, increased by 14% from 765.4 million in 2017 to 872.9 million in 2018.

Further, operating expenses posted an increase of 17%. This is mainly due to the following:

- Additional supply allowance for employees;

- Wage increase during the year; and
- Increase in depreciation expense brought by acquisition of medical equipment

The Company registered a net income after tax of 168.0 million, an increase of 17.9 million or 12% compared to 2017 of 150.1 million.

### **Statement of Financial Position**

The Company's total assets for the year ended December 31, 2018 amounted to 1,993.5 million which increased by 12% from the 1,783.9 million in 2017. The increase was mainly due to the continuous renovation and acquisition of fixed assets. Assets were heavily banked on land, building and investments on medical equipment which amounted to 1,328.9 million or 67% of the total assets. Moreover, payments were made in advance to contractors amounted to 79.7 for the construction of parking building and cancer center which will commence in 2019.

Total liabilities amounted to 462.3 million which decreased by 17% from the 554.3 million in 2017. The decrease was due mainly to the decrease in due to stockholders as a result of the conversion to additional paid in capital account. Consequently, stockholders' equity amounted to 1,531.3 million which increased by 25% from the 1,229.6 million in 2017. Also, the Company has been consistently paying its obligations to creditors for capital expenditures while consistently maintaining a healthy level of cash flows for operations.

### **Key Performance Indicators**

#### **A. Hospital Census**

The Company's inpatient days increased by 4% from 59,042 in 2017 to 61,349 in 2018. The Company's revenue from admissions grew by 22% from 72.7 million in 2017 to 89.1 million in 2018.

#### **B. Receivables Management**

The Company provided allowance for doubtful accounts based on a certain percentage of revenue. The Company write-off doubtful accounts amounting to 14.7 million and 19.0 million in 2018 and 2017, respectively, through specific identification of uncollectable accounts.

#### **C. Inventory Management**

On a regular basis, the Company maintains its inventories at a level appropriate to efficiently continue its operations. The Company regularly reviews the reorder quantity and lead-time to ensure that inventory is kept at an optimum level.

#### **D. Payables Management**

The Company has been consistently paying obligations to creditors while consistently maintaining a healthy level of cash flows for our operations. In 2017, the Company invested in money market funds to help maintain this balance.

## **COMPARING DECEMBER 31, 2017 AND 2016**

### **Statement of Comprehensive Income**

Revenue increased by 19% from 989.3 million in 2016 to 1,173.2 million in 2017. This is mainly from the increase in revenues earned from laboratory services which grew by 13% to 239.4 million in 2017 from the 211.9 million in 2016. Moreover, admissions during the year increased by 2%. This increase is attributable to the continuous improvements on the hospital's building and major additions to equipment such as ultrasound machines stellaris and telemetry systems and capillary electrophoresis machines.

Cost of sales, consequently, increased by 20% from 638.5 million in 2016 to 765.4 million in 2017.

Further, operating expenses posted an increase of 1%. This is mainly due to the additional incentives given out during the year, some of which are:

- Provision of free meal for all trainees;
- Allowances for nurse trainees;
- Free uniforms; and
- Removal of the contractual employments hospital wide.

The Company registered a net income after tax of 150.1 million, an increase of 43.9 million or 41% compared to 2016 of 106.2 million.

#### **Statement of Financial Position**

The Company's total assets for the year ended December 31, 2017 amounted to 1,783.9 million which increased by 20% from the 1,481.6 million in 2016. The increase was mainly due to the continuous renovation and acquisition of fixed assets. Assets were heavily banked on land, building and investments on medical equipment which amounted to 1,159.9 million or 65% of the total assets. Moreover, cash and cash equivalents increased by 171.8 million which is attributable to the short term investments to money market funds.

Total liabilities amounted to 554.3 million which decreased by 34% from the 845.9 million in 2016. The decrease was due mainly to the decrease in due to stockholders as a result of the conversion to an equity account. Consequently, stockholders' equity amounted to 1,229.6 million which increased by 93% from the 635.7 million in 2016. Also, the Company has been consistently paying its obligations to creditors for capital expenditures while consistently maintaining a healthy level of cash flows for operations.

#### **Item 7: Financial Statements**

The financial statements of the Company as of and for the year ended December 31, 2018 are incorporated herein by reference and hereto attached.

#### **Item 8: Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

##### **External Auditor**

The financial statements of the Company as of and for the year ended December 31, 2016 have been audited by Mr. Gil C. Bermudez.

The financial statements of the Company for the years ended December 31, 2018 and 2017 has been audited by Reyes Tacandong & Co. and the partner in-charge is Ms. Carolina P. Angeles.

There have been no disagreements on accounting and financial disclosures between the Company and its current and past external auditors.

##### **Audit Fees and Other Arrangements**

The Company's external auditors are Reyes Tacandong & Co. in 2018 and 2017 and Mr. Gil C. Bermudez in 2016.

The aggregate external audit fees amounted to ₱2.3 million in 2017, 2016 and 2015. The fees are exclusive of value-added tax and out-of-pocket expenses.

There were no other services rendered by the external auditors for the Company as of and for the years ended December 31, 2018, 2017 and 2016.

### PART III – CONTROL AND COMPENSATION INFORMATION

#### Item 9: Directors and Executive Officers

Below is the list of the Company's directors and officers for 2018-2019 with their corresponding positions. The directors assumed their directorship during the Company's Annual Stockholders' Meeting in 2018 for a term of one (1) year.

Name	Age	Position	Citizenship
Dr. Ernesto O. Domingo	88	Chairman of the Board / Independent Director	Filipino
Dr. Robert M. Magsino	65	President	Filipino
Engr. Antonio Panganiban	64	Treasurer	Filipino
Dr. Vicente M. Magsino, Jr.	60	Director	Filipino
Mary Ann M. Panganiban	53	Director	Filipino
Dr. Marilou M. Songco	59	Director	Filipino
Dr. Fernando Tabora	76	Director	Filipino
Clarito Magsino	59	Independent Director	Filipino
Rhais Gamboa	68	Director	Filipino
Carlos Ejercito	73	Director	Filipino
Jose Ronaldo Delos Santos	51	Director	Filipino
Anthony B. Peralta	58	Corporate Secretary	Filipino
Jean Marie L. Uy	33	Assistant Corporate Secretary & Compliance Officer	Filipino
Marissa M. Panganiban	62	Senior Vice President - Administrative Services	Filipino
Erika Cheska Go Martirez	35	Chief Financial Officer	Filipino

The business experience of the members of the Board and Executive Officers for the last five (5) years is as follows:

**Dr. Ernesto O. Domingo**  
 Chairman of the Board / Independent Director  
 17 September 2016 to present

Dr. Domingo had his medical degree in 1961 at the University of the Philippines where he also had his Internal Medicine residency. He had his Gastroenterology and Hepatology, residency in 1967 at Case Western Reserve University, Cleveland, Ohio, U.S.A.

He is currently a University Professor Emeritus (highest academic rank) at the University of the Philippines aside from his practice.

**Dr. Robert M. Magsino**  
 President / Director

2000 to present

Dr. Robert M. Magsino obtained his medical degree in 1979 at the Pontifical University of Santo Tomas. His stellar medical career began as an Intern in Makati Medical Center.

He trained in several prestigious medical centers particularly Raritan Bay Medical Center where he finished his Internal Medicine residency training in New Jersey. His persistence and dedication to his job landed him a coveted position as Chief Resident at Raritan Bay.

He advanced his medical career by passing the rigorous Diplomate exams given by the American Board of Internal Medicine and later pursued his fellowship training in Gastroenterology and Hepatology at the renowned University of Rochester School of Medicine, Strong Memorial Hospital. He is a recognized Fellow of the American College of Physicians and member of the American College of Gastroenterology, and the American College of Physicians Executive.

In 2002, Dr. Magsino passed his Diplomate exams in Internal Medicine and later became a fellow of the Philippine College of Physicians (PCP). He is also a diplomate and fellow of the Philippine Society of Gastroenterology and Philippine Society of Digestive Endoscopy.

Dr. Magsino is founder and current President of the Private Hospital Association of Lipa City which aims to unite hospital owners and address health concerns to help the local government and the community as well.

**Engr. Antonio Panganiban**

Public Relations Officer / Director / Treasurer & Director  
1992-1995 / 2011 to 2015 / 2016 to present

Engr. Panganiban earned his BS Metallurgical Engineering degree in 1977 from the University of the Philippines and an MBA degree in 1985 from La Salle Business School.

He has solid exposure in Operations Management, Sales & Marketing Management, Product Management, Cross Functional Team Leadership and Executing Strategic Plans for Business Growth.

He was the managing partner of KC Industrial Corporation from 2010 to 2017, president/country manager of GE Lighting Philippines and GE Consumer and Industrial from 2004 to 2009 and country manager of Fuji/GE Private Ltd. from 1995 to 2003.

He is a director of Mary Mediatrix Medical Center, Inc., Quad - Am Inc., UP Gamma Sigma Pi Alumni Association and Malarayat Golf and Country Club.

**Dr. Vicente M. Magsino, Jr.**

Director  
17 September 2016 to present

Dr. Vicente Magsino, Jr. had his medical degree in 1983 at the University of Perpetual College of Medicine. He had his Residency Training in Internal Medicine at St. Luke's Medical Center - Quezon City in 1988. He had his fellowship in Cardiology at the same institution in 1990. He trained in Raritan Bay Medical Center where he finished his Internal Medicine residency training and became Assistant Chief Resident in 1999. He is a recognized fellow of the American College of Physicians and a diplomate of American College of Internal Medicine. He has been a bonafide stockholder of Mary Mediatrix Medical Center since 1994.

**Mary Ann M. Panganiban**

Director  
2014 to present

Ms. Panganiban had her degree in Psychology at the University of Santo Tomas in March of 1986.

She had her Master of Arts Degree on Occupational Therapy at the New York University in 1994 and obtained a Certificate in Neurodevelopmental Treatment of Adults with Hemiplegia in Neuro-developmental Treatment Association in Boston, USA in 1999 and a Graduate Certificate in Applied Behavioral Analysis in September 2012 at Penn State University, State College, USA.

She is currently active in several professional organizations both local and international such as a member of the Occupational Therapy Association of the Philippines since 2008; an adviser on the Autism Society of the Philippines – Lipa Chapter since 2008; and a member of the American Occupational Therapy Association since 1994.

**Dr. Marilou M. Songco**

Corporate Secretary & Director / Director  
1992 to 2011 / 2011 to 2014; 1 July 2017 to present

Dr. Songco obtained her medical degree in 1984 at the University of Perpetual Help Biñan. She had her Residency Training in Pediatrics at Makati Medical in 1990 and became Chief Resident in 1995 in the said institution. A Diplomate and Fellow member of Philippine Pediatric Society. She has been a bonafide stockholder of Mary Mediatrix Medical Center since 1994.

**Dr. Fernando Tabora**

Director  
17 September 2016 to present

Dr. Tabora obtained his medical degree in 1969 at the Manila Central University. He had his residency training program in Harlem Hospital Center at Columbia University, College of Physicians & Surgeons, New York City in 1984. He had his fellowship in trauma and critical care at the same institution in 1987. He has been a bonafide stockholder of Mary Mediatrix Medical Center since 1994.

**Clarito Magsino**

Independent Director  
4 August 2018 to present

Mr. Clarito D. Magsino spent more than two decades of his professional life as an IT Professional. He was the Chief Information Officer (CIO) of the Development Bank of the Philippines from 1993 until his early retirement as Senior Vice President and CIO in 2012. Since 2002, he was concurrently President and CEO of the DBP Data Center, Inc., the Bank's IT Subsidiary until 2012. Upon his retirement, he headed the CIOF Foundation, Inc, composed of former government CIOs in their advocacy to promote eGovernance and the efficient use of information and communications technology in government.

In 2013, he also served as Independent Management and IT Consultant, Information Systems Support for the Bureau of Treasury. In 2017, he was appointed as Independent Management Consultant of the National Irrigation Authority. In 2017 to present, he was appointed Assistant Secretary, ICT Management Group of the Department of Budget and Management.

He also previously served as a member of the Board of Directors of the Philippine Dealing and Exchange Corporation (PDEX) and the Philippine Central Depository, Inc. (PCD).

He obtained his MBA degree from the Ateneo Graduate School of Business, Regis Program, in 2015 and his Bachelor of Science in Mechanical Engineering from the University of the Philippines under a National Science Development Board (NSDB) Scholarship in 1981.

**Rhais Gamboa**

Director  
2002 to present

Rhais Gamboa has worked in the health sector for most of his professional career, giving him the depth of perspective in various facets of the sector: private health insurance, social health insurance, health policy formulation and implementation, health policy research, pharmaceutical marketing and distribution, health facility acquisition, health facility management.

Mr. Gamboa is presently the Executive Vice President & Chief Operating Officer of Mt. Grace Hospitals, Inc., a company investing in hospitals. He is a member of the board of directors of several private-tertiary hospitals and of Manila Southwoods Golf and Country Club.

He was previously a Vice-President of United Laboratories Inc. assigned to the Business Development Group. Prior to said posting, he was successively appointed to the Office of Regulatory Affairs and the Sales & Distribution Division. He likewise oversaw the business operations of a health benefit management company affiliated with Unilab.

He worked with Aetna Philippines as president of its HMO subsidiary. He was also previously President of CARRA Inc., a research outfit that specialized in the areas of health policy, health financing and social health insurance.

He also worked with the government, having been Undersecretary of Health and Vice-Chairman of the Philippine Medical Care Commission, the country's national social health insurance program now transformed into the Philippine Health Insurance Corporation.

Mr. Gamboa obtained his B.S. Management Engineering degree from Ateneo de Manila University and finished his secondary education from the Philippine Science High School.

**Carlos Ejercito**

Director  
17 September 2016 to present

Mr. Ejercito is currently the President and Chief Executive Officer of Mount Grace Hospitals, Inc. He is an Independent Director and a member of the Board Audit Committee of Bloomberry Resorts Corporation, Century Properties Group, Inc., and Aboitiz Power Corporation, all publicly-listed companies, and an Independent Director of Monte Oro Resources and Energy Corporation. Mr. Ejercito is the Chairman and Chief Executive Officer of Forum Cebu Coal Corporation. Mr. Ejercito is a Board Member of eight hospitals including Medical Center Manila, VR Potenciano Medical Center, Tagaytay Medical Center, Pinehurst Medical Services Inc., and Silvermed Corporation. He is also the President of Pinehurst Medical Services, Inc. Mr. Ejercito was formerly the Chairman of the Board of United Coconut Planters Bank and a former Director of the National Grid Corporation of the Philippines. He served as President and Chief Executive Officer of United Laboratories, Inc., Unilab Group of Companies, Univet Agricultural Products, Inc. and Greenfield Development Corporation. He was a member of the Board of Governors of the Management Association of the Philippines.

Mr. Ejercito graduated cum laude from the University of the East with a degree in Bachelor of Science in Business Administration. He completed the Management Development Program of Harvard Business School in 1983 and the coursework for Master's in Business Administration at the Ateneo Graduate School of Business. Mr. Ejercito is a certified public accountant.

**Jose Ronaldo Delos Santos**

Director  
4 August 2018 to present

Mr. Delos Santos was a money market trader of the Treasury Department of China Banking Corporation, and the Head of Research and Licenses Stockbroker of Meridian Securities at the Philippine Stock Exchange. He began his career in the medical field when was appointed to various management positions at the De los Santos Medical Center, as hospital operations manager, finance director, COO and CFO. He also became the Managing Director of Megaclinic, and a member of the Board of DLS-STI Medical Center and College, as well as a member of the Board and management consultant of Fe Del Mundo Hospital. In 2013, he became the Operations Group Head of ManilaMed Medical Center, Manila, tasked to study the feasibility of businesses and acquisitions while improving organization setups, processes and management team capabilities in profit centers and support services. In 2015 to 2018, Mr. delos Santos was promoted to President, to oversee the financial, operational and Medical success of the hospital in line with annual strategic objectives crafted by the organization and approved by the Board.

Mr. Delos Santos has a Bachelor of Arts in Economics from the De La Salle University, Masters in Hospital Administration from the Ateneo Graduate School of Business and a Masters in Business Administration from Duke University, Fuqua School of Business.

**Anthony B. Peralta**

Corporate Secretary

4 August 2018 to present

Atty. Peralta is a senior partner in Calleja Law Office. He is also Corporate Secretary of Pulse Asia, Inc., Pulse Asia Research, Inc., Teknikos Consulting, Inc. and the Jose W. Diokno Foundation, Inc. His practice areas include Corporate Law, Foreign Investments Law, Intellectual Property, Litigation, Mergers & Acquisitions, Real Estate, Securities, Taxation, Technology Media & Telecommunications, He serves as President of the Licensing Executives Society of the Philippines. He is a Director of Accor Advantage Plus Philippines, Inc. and Country Representative of Dermalog Information Systems GmbH. He is a member of IP PRO Philippines, International Trademark Association, Asian Patent Attorneys Association, International Technology Law Association and Intellectual Property Association of the Philippines. He received his Bachelor of Arts degree in 1982 and his Bachelor of Laws degree in 1986 from the University of the Philippines. He was the author of the Philippine section of International Telecommunications Law, published by BNA in London, U.K. He is also a co-author of the Philippine section of Global Privacy and Security Law published by Aspen Publishers/Wolters Kluwer in New York City.

**Jean Marie L. Uy**

Assistant Corporate Secretary / Compliance Officer

19 September 2016 to present

Atty. Uy is an associate with Calleja Law Office. She obtained her Bachelor of Arts degree in Political Science from Ateneo de Manila University in 2007. She received her Juris Doctor degree from the Ateneo de Manila School of Law in 2011 where she graduated with Second Honors.

**Marissa M. Panganiban**

Senior Vice President for Administrative Services

2016 to present

Mrs. Panganiban has been with the Company since 1999 as Vice President for Hospital Administration. She was promoted in 2016 to SVP for Administrative Services. She previously worked for Philippine Airlines as SR Controller and Philippine Banking Corporation as a management trainee.

She has been a member of the Philippine Hospital Association since 1999, and the Philippine College of Hospital Administrators, Inc. since 2000.



She obtained her Bachelor of Arts and Sciences degree in Commerce in Business Administration from the University of Sto. Tomas in 1978, and received her Master of Health Administration from the Ateneo Graduate School of Business in 1999.

**Erika Cheska Go Martinez**

Chief Financial Officer

19 September 2016 to present

Mrs. Martinez is an experienced finance practitioner specializing in financial analysis and planning, business development and strategies and a certified six sigma green-belt. Currently, she serves as the Finance Director of United Laboratories and Group Chief Finance Officer of Mount Grace Hospitals, Inc.

At present, she holds various positions in several companies. She is a director of the hospitals under the Mount Grace network.

Mrs. Martinez has a Bachelor of Science in Management and Applied Chemistry from the Ateneo de Manila University, Masters in Business Administration from Asian Institute of Management and MBA in Finance Concentration from University of St. Gallen, Switzerland.

All Directors shall hold office until a new Board of Directors is elected during the Company's Annual Stockholders' Meeting to be held on July 6, 2019. The Annual Stockholders' Meeting as provided in the By-Laws of the Company is scheduled on the 1<sup>st</sup> Saturday of June of each year, however due conflicts in schedules of some of the directors and officers, the Board of Directors postponed the Annual Stockholders' Meeting to July 6, 2019.

***Nominations for Independent and Regular Directors and Procedure for Nomination***

The procedure for the nomination and election of Independent and Regular Directors, which is embodied in the Rules for Nomination and Election of Directors as promulgated by the Nomination and Election Committee, is in accordance with SEC Memorandum Circular No. 16, series of 2002.

The nomination of all directors shall be conducted by the Committee prior to a stockholders' meeting and the Committee shall pre-screen the qualifications and prepare a final list of all candidates, which shall contain all the information about all the nominees for independent directors, as required under Part IV(A) and (C) of Annex "C" of SRC Rule 12, which list shall be submitted to the Corporate Secretary, and shall be made available to the Commission and to all stockholders through the filing and distribution of the Company's Definitive Information Statement. No other nominations shall be entertained after the Final List of nominees has been prepared. No other nominations for both Independent and Regular Directors shall be accepted at the floor during the Annual Stockholders' Meeting. The name of the person or group of persons who nominates an Independent Director shall be identified in such report including any relationship with the nominee.

***Significant Employees***

The Company considers the contribution of every employee important to the fulfillment of its goals.

***Family Relationships***

Dr. Robert M. Magsino, Dr. Vicente M. Magsino, Jr., Dr. Marilou M. Songco, Mary Ann M. Panganiban and Marissa M. Panganiban are siblings.

Engr. Antonio Panganiban and Mrs. Marissa M. Panganiban are spouses.

There are no other family relationships within the fourth degree of consanguinity known to the registrant other than those that have been disclosed above.

### ***Involvement in Certain Legal Proceedings***

To the best of the Company's knowledge and belief and after due inquiry, and except as otherwise disclosed, None of the directors or the executive officers has, during the last five years and to date, been subject to any of the following:

- (a) Any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
- (b) Any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
- (c) Being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
- (d) Being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

### **Item 10: Executive Compensation**

The following summarizes the executive compensation received by the President and the top four (4) most highly compensated officers of the Company for 2016, 2017 and 2018. It also summarizes the aggregate compensation received by all the officers and directors, unnamed.

<b>Name and Position</b>	<b>Year</b>	<b>Salaries</b>	<b>Bonuses</b>	<b>Others</b>	<b>Total</b>
President and the top four (4) officers	2018	13,674,167	1,678,158	1,553,333	16,905,658
	2017	12,779,129	1,642,720	1,519,999	15,941,849
	2016	11,942,218	957,520	1,519,999	14,419,738
	2015	8,763,635	920,000	2,546,666	12,230,301
Aggregate compensation paid to all officers and directors as a group unnamed	2018	16,284,909	1,977,297	3,737,777	21,999,984
	2017	15,190,818	1,924,185	4,762,802	21,877,806
	2016	14,153,782	1,129,904	3,552,514	18,836,200
	2015	10,447,128	1,054,513	5,075,606	16,577,247

### **Compensation of Directors**

The directors of the Company do not receive any compensation as director except for per diem for attendance at board meetings.

### **Standard Arrangements and Other Arrangements**

Other than the per diem as stated above, as at December 31, 2018, 2017 and 2016, the Company has no existing arrangements with members of the Board of Directors, executive officers, and employees.

### **Employment Contracts, Termination of Employment, and Change in Control of Arrangements**

There are no special employment contracts between the Company and its executive officers. There is also no arrangement for compensation to be received from the Company in case of resignation or any other termination of employment or from a change in the management or control of the Company.

### **Warrants and Options Outstanding**

There are no outstanding warrants or options held by directors and officers nor are there any adjustments in the exercise price of said warrants or options.

### **Item 11: Security Ownership of Certain Record and Beneficial Owners and Management**

Security ownership of certain record and beneficial owners (more than 5% of voting securities) as of December 31, 2018 is as follows:

<b>Title of Class</b>	<b>Name and Address of Record Owner/ Relationship with Issuer</b>	<b>Name of Beneficial Owner/ Relationship with Record Owner</b>	<b>Citizenship</b>	<b>No. of Shares</b>	<b>Percent of Class</b>
Common	Mount Grace Hospitals, Inc.  2/F Bayanihan Center Annex 132 Pioneer Street Mandaluyong City	UL HealthSERVICES, Inc.	Filipino	71,524	12.74%
Common	Magsino, Vicente M. Jr.  31 Pitch Lane, Howell, New Jersey 07731  Individual Shareholder	Magsino, Vicente M. Jr.	Filipino	41,155	7.34%
Common	Panganiban, Mary Ann Frances M.  Antipolo Del Norte, Lipa City  Individual Shareholder	Panganiban, Mary Ann Frances M.	Filipino	41,155	7.34%

Common	Magsino, Jaime Amado Antipolo Del Norte, Lipa City Individual Shareholder	Magsino, Jaime Amado	Filipino	40,655	7.25%
Common	Magsino, Robert M. Antipolo Del Norte, Lipa City Individual Shareholder	Magsino, Robert M.	Filipino	40,654	7.25%
Common	Health Delivery System, Inc. 66 United St. Mandaluyong City	UL HealthSERVICES, Inc.	Filipino	39,999	7.13%
Common	Marissa Patricia M. Panganiban Lot 8 Blk 11, Malarayat Country Club, Dagatan, Lipa City Individual Shareholder	Marissa Patricia M. Panganiban	Filipino	39,165	6.98%
Common	Manalo, Ma. Teresa M. Antipolo Del Norte, Lipa City Individual Shareholder	Manalo, Ma. Teresa M.	Filipino	33,925	6.05%
Common	Songco, Marilou M. 308 Dingalan St. Ayala Alabang Village, Muntinlupa City Individual Shareholder	Songco, Marilou M.	Filipino	31,935	5.70%

**Security Ownership of Management as of December 31, 2018:**

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizen ship	Percent of Class
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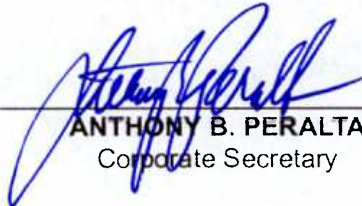
**SIGNATURES**

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of QUEZON CITY on APR 26 2020

  
**ROBERT M. MAGSINO, M.D.**  
 Principal Executive Officer

  
**DEXTER M. RECIO**  
 Principal Accounting Officer


  
**ERIKA CHESKA GO MARTIREZ**  
 Principal Financial Officer

  
**ANTHONY B. PERALTA**  
 Corporate Secretary

**SUBSCRIBED AND SWORN** to before me this APR 26 2020 day of \_\_\_\_\_ affiant(s) exhibiting to me his/their Competent Evidence of identities, as follows:

Name	ID	Valid Until
Robert M. Magsino	Passport No. EC8481676	04 AUG 21
Dexter M. Recio	PRC No. 0130465	02/27/2021
Erika Cheska Go Martirez	Passport No. PLS78832A	04 JAN 2028
Anthony B. Peralta	Passport No. P2919514A	05 MAY 2022

Doc. No. 209;  
 Page No. 67;  
 Book No. 1;  
 Series of 2019.

  
**AIHRUZ LYNELL A. MALLARI**  
 Notary Public for and in Quezon City  
 Commission No. NP-211  
 No. 85 Mabituan St., Brgy. Masambong, Quezon City  
 Roll of Attorneys No. 71558  
 IBP No. 066996 / 01.11.19 / Quezon City  
 PTR No. 5236343 / 01.07.19 / Pasig City  
 MCLE Compliance VI-0016771 /  
 Valid until April 14, 2022

# 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
robertmagmd@yahoo.com	(043) 773-6800	-
No. of Stockholders	Annual Meeting (Month / Day)	Calendar Year (Month / Day)
215	1st Saturday of June	December 31

## CONTACT PERSON INFORMATION

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

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

## CONTACT PERSON'S ADDRESS

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

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

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



# MARY MEDIATRIX MEDICAL CENTER

THE HUB OF HEALTHCARE EXPERTS

J.P. Laurel Highway, Lipa City Batangas, Philippines 4217

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

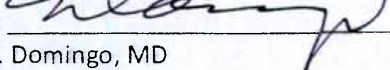
The Management of **Mary Mediatrix Medical Center, Inc.** (the Company) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, as at and for the year ended **December 31, 2018**, in accordance with the prescribed financial reporting 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.

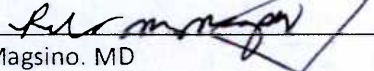
In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or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

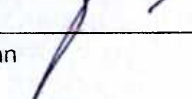
The Board of Directors is responsible in overseeing the Company's financial reporting process.

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.

Signature:   
Ernesto O. Domingo, MD  
Chairman of the Board

Signature:   
Robert M. Magsino, MD  
President

Signature:   
Engr. Antonio C. Panganiban  
Treasurer

Signed this 3rd day of April 2019





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

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended 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 audits 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, 2018, 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, 2018 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 the financial statements.

As part of an audit in accordance with PSA, we exercise professional judgment and maintain professional skepticism throughout the audits. 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 audits 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 our 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

**REYES TACANDONG & Co.**



CAROLINA P. ANGELES

Partner

CPA Certificate No. 86981

Tax Identification No. 205-067-976-000

BOA Accreditation No. 4782; Valid until August 15, 2021

SEC Accreditation No. 0658-AR-3 Group A

Valid until May 17, 2020

BIR Accreditation No. 08-005144-007-2017

Valid until January 13, 2020

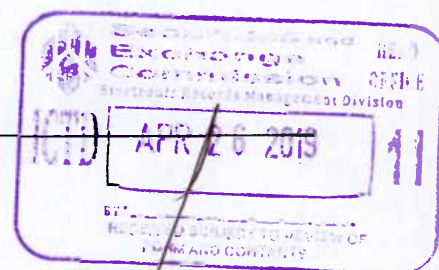
PTR No. 7334336

Issued January 3, 2019, Makati City

April 3, 2019

Makati City, Metro Manila

**MARY MEDIATRIX MEDICAL CENTER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**



December 31

	Note	2018	2017
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	P229,278,474	P285,571,202
Trade and other receivables	5	92,938,918	96,473,146
Inventories	6	66,758,891	56,691,764
Advances to contractors		79,663,502	-
Other current assets	7	3,021,810	2,449,070
Total Current Assets		471,661,595	441,185,182
<b>Noncurrent Assets</b>			
Property and equipment			
At cost	8	1,022,747,485	901,335,544
At revalued amount	8	494,132,000	437,131,566
Deferred input VAT - net of current portion		4,992,198	4,252,764
Total Noncurrent Assets		1,521,871,683	1,342,719,874
		<b>P1,993,533,278</b>	<b>P1,783,905,056</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	9	P302,979,326	P267,635,257
Current portion of loan payable	10	500,000	500,000
Due to stockholders	13	-	149,935,404
Income tax payable		14,567,639	17,877,015
Total Current Liabilities		318,046,965	435,947,676
<b>Noncurrent Liabilities</b>			
Loan payable - net of current portion	10	3,625,000	4,250,000
Net deferred tax liabilities	20	44,225,740	28,929,383
Net retirement benefits liability	19	31,468,130	31,569,747
Other noncurrent liabilities	11	64,913,159	53,559,469
Total Noncurrent Liabilities		144,232,029	118,308,599
Total Liabilities		462,278,994	554,256,275
<b>Equity</b>			
Capital stock	12	56,500,000	56,500,000
Additional paid-in capital		912,713,967	750,266,563
Stock dividends distributable	12	55,450,000	55,450,000
Retained earnings		304,510,693	206,627,380
Revaluation surplus on land	8	197,006,324	157,106,020
Cumulative net remeasurement gain on retirement benefits liability	19	15,163,300	13,988,818
Treasury stock	12	(10,090,000)	(10,290,000)
Total Equity		1,531,254,284	1,229,648,781
		<b>P1,993,533,278</b>	<b>P1,783,905,056</b>

See accompanying Notes to Financial Statements.

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

	Note	Years Ended December 31		
		2018	2017	2016
<b>REVENUE</b>	14	<b>₱1,342,439,044</b>	₱1,173,247,398	₱989,322,533
<b>COST OF SALES AND SERVICES</b>	15	<b>872,915,828</b>	765,401,266	638,482,694
<b>GROSS PROFIT</b>		<b>469,523,216</b>	407,846,132	350,839,839
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	16	<b>247,882,249</b>	212,413,136	209,876,238
<b>OPERATING PROFIT</b>		<b>221,640,967</b>	195,432,996	140,963,601
<b>INTEREST EXPENSE</b>	10	<b>(176,905)</b>	(78,879)	-
<b>OTHER INCOME</b>	18	<b>18,752,364</b>	18,331,643	15,744,554
<b>INCOME BEFORE INCOME TAX</b>		<b>240,216,426</b>	213,685,760	156,708,155
<b>PROVISION FOR INCOME TAX</b>	20			
Current		74,512,855	65,257,666	61,864,588
Deferred		<b>(2,307,122)</b>	(1,699,286)	(11,381,609)
		<b>72,205,733</b>	63,558,380	50,482,979
<b>NET INCOME</b>		<b>168,010,693</b>	150,127,380	106,225,176
<b>OTHER COMPREHENSIVE INCOME</b>				
<i>Not to be reclassified subsequently to profit or loss</i>				
Revaluation surplus on land - net of deferred tax	8	<b>39,900,304</b>	30,388,984	-
Remeasurement gain on retirement benefits liability - net of deferred tax	19	<b>1,174,482</b>	4,233,561	9,755,257
		<b>41,074,786</b>	34,622,545	9,755,257
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>₱209,085,479</b>	₱184,749,925	₱115,980,433
<b>BASIC/DILUTED EARNINGS PER SHARE</b>	24	<b>₱151</b>	₱135	₱95

*See accompanying Notes to Financial Statements.*

**MARY MEDIATRIX MEDICAL CENTER, INC.**

**STATEMENTS OF CHANGES IN EQUITY**

	Note	Years Ended December 31		
		2018	2017	2016
<b>CAPITAL STOCK</b>	12	<b>₱56,500,000</b>	₱56,500,000	₱56,500,000
<b>ADDITIONAL PAID-IN CAPITAL</b>	12			
Balance at beginning of year		750,266,563	266,871,925	19,025,125
Issuance of shares		-	-	247,846,800
Reissuance of treasury shares		12,512,000	7,820,000	-
Conversion of due to stockholders		149,935,404	475,574,638	-
Balance at end of year		912,713,967	750,266,563	266,871,925
<b>STOCK DIVIDENDS DISTRIBUTABLE</b>	12			
Balance at beginning of year		55,450,000	-	-
Dividends declared		-	55,450,000	-
Balance at end of year		55,450,000	55,450,000	-
<b>RETAINED EARNINGS</b>				
<b>Unappropriated</b>	12			
Balance at beginning of year		126,627,380	105,534,616	64,309,440
Net income		168,010,693	150,127,380	106,225,176
Dividends declared		(70,127,380)	(129,034,616)	(65,000,000)
Reversal		-	(80,000,000)	-
Appropriation		-	80,000,000	-
Balance at end of year		224,510,693	126,627,380	105,534,616
<b>Appropriated</b>	12			
Balance at beginning of year		80,000,000	80,000,000	80,000,000
Reversal		-	(80,000,000)	-
Appropriation		-	80,000,000	-
Balance at end of year		80,000,000	80,000,000	80,000,000
		<b>304,510,693</b>	<b>206,627,380</b>	<b>185,534,616</b>
<b>OTHER COMPONENTS OF EQUITY</b>				
<b>Revaluation Surplus on Land</b>	8			
Balance at beginning of year		157,106,020	126,717,036	126,717,036
Revaluation surplus - net of deferred tax		39,900,304	30,388,984	-
Balance at end of year		197,006,324	157,106,020	126,717,036
<b>Net Remeasurement Gains on Retirement Benefits Liability</b>	19			
Balance at beginning of year		13,988,818	9,755,257	-
Net remeasurement gain - net of deferred tax		1,174,482	4,233,561	9,755,257
Balance at end of year		15,163,300	13,988,818	9,755,257
		<b>212,169,624</b>	<b>171,094,838</b>	<b>136,472,293</b>

(Forward)

		Years Ended December 31		
	Note	2018	2017	2016
<b>TREASURY STOCK</b>	12			
Balance at beginning of year		(P10,290,000)	(P9,640,000)	(P3,040,000)
Repurchase of capital stock		(1,320,000)	(1,600,000)	(6,600,000)
Reissuance of treasury stock		1,520,000	950,000	-
Balance at end of year		(10,090,000)	(10,290,000)	(9,640,000)
		<b>P1,531,254,284</b>	<b>P1,229,648,781</b>	<b>P635,738,834</b>

See accompanying Notes to Financial Statements.

**MARY MEDIATRIX MEDICAL CENTER, INC.**

**STATEMENTS OF CASH FLOWS**

		Years Ended December 31		
	Note	2018	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax		<b>₱240,216,426</b>	₱213,685,760	₱156,708,155
Adjustments for:				
Depreciation	8	<b>102,336,699</b>	97,699,004	75,889,838
Provision for doubtful accounts	5	<b>19,950,853</b>	17,407,529	23,879,792
Retirement benefits	19	<b>5,734,895</b>	5,540,233	3,539,664
Interest income	4	<b>(4,602,228)</b>	(1,903,374)	(795,267)
Interest expense	10	<b>176,905</b>	78,879	-
Operating income before working capital changes		<b>363,813,550</b>	332,508,031	259,222,182
Decrease (increase) in:				
Trade and other receivables		<b>(16,416,625)</b>	(31,965,383)	(36,206,113)
Inventories		<b>(10,067,127)</b>	(980,478)	(20,343,871)
Prepayments		<b>(76,569)</b>	(227,155)	5,523,540
Deferred input VAT		<b>(1,235,605)</b>	(1,453,720)	(2,809,153)
Advances paid to contractors		<b>(79,663,502)</b>	-	-
Increase (decrease) in:				
Trade and other payables		<b>33,581,362</b>	17,664,460	(34,050,158)
Other noncurrent liabilities		<b>11,353,690</b>	8,982,690	16,095,847
Net cash generated from operations		<b>301,289,174</b>	324,528,445	187,432,274
Income tax paid		<b>(77,822,231)</b>	(70,415,713)	(56,042,290)
Interest received		<b>4,602,228</b>	1,903,374	795,267
Interest paid		<b>(176,905)</b>	(78,879)	-
Contributions paid	19	<b>(3,814,464)</b>	-	-
Benefits paid	19	<b>(344,217)</b>	-	-
Net cash provided by operating activities		<b>223,733,585</b>	255,937,227	132,185,251
<b>CASH FLOW FROM AN INVESTING ACTIVITY</b>				
Acquisition of property and equipment	8	<b>(223,748,640)</b>	(167,609,068)	(425,611,732)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from:				
Issuances of treasury shares	12	<b>14,032,000</b>	8,770,000	-
Loan payable	10	-	5,000,000	-
Issuances of shares	12	-	-	255,119,300
Payments for:				
Dividends		<b>(68,364,673)</b>	(78,259,575)	(76,781,417)
Treasury stock	12	<b>(1,320,000)</b>	(1,600,000)	(6,600,000)
Loans payable	10	<b>(625,000)</b>	(250,000)	-
Receipt of advances from stockholders		-	149,765,888	176,826,465
Net cash provided by (used in) financing activities		<b>(56,277,673)</b>	83,426,313	348,564,348

(Forward)

	Note	Years Ended December 31		
		2018	2017	2016
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(P56,292,728)</b>	<b>P171,754,472</b>	<b>P55,137,867</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>285,571,202</b>	<b>113,816,730</b>	<b>58,678,863</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>P229,278,474</b>	<b>P285,571,202</b>	<b>P113,816,730</b>
<b>NONCASH FINANCIAL INFORMATION:</b>				
Stock dividend declaration	12	<b>P-</b>	<b>P55,450,000</b>	<b>P-</b>
Conversion of due to stockholders to Additional paid-in capital	12	<b>149,935,404</b>	<b>475,574,638</b>	<b>-</b>
		<b>P149,935,404</b>	<b>P531,024,638</b>	<b>P-</b>

*See accompanying Notes to Financial Statements.*



## MARY MEDIATRIX MEDICAL CENTER, INC.

### NOTES TO FINANCIAL STATEMENTS

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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 228 bed capacity in Lipa City, Batangas.

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

The financial statements of the Company as at and for the years ended December 31, 2018 and 2017 were authorized for issue by the Board of Directors (BOD) on April 3, 2019.

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#### 2. Summary of Significant Accounting Policies

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

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

##### **Measurement Bases**

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

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

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

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

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

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

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

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

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

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

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

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

#### **Adoption of New and Amended PFRS**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2018:

- PFRS 9, *Financial Instruments* – This standard replaces PAS 39, *Financial Instruments: Recognition and Measurement* (and all the previous versions of PFRS 9). It provides requirements for the classification and measurement of financial assets and liabilities, impairment, hedge accounting, recognition, and derecognition.

PFRS 9 requires all recognized financial assets to be subsequently measured at amortized cost or fair value (through profit or loss or through other comprehensive income), depending on their classification by reference to the business model within which these are held and its contractual cash flow characteristics.

For financial liabilities, the most significant effect of PFRS 9 relates to cases where the fair value option is taken: the amount of change in fair value of a financial liability designated as at fair value through profit or loss that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch.

For the impairment of financial assets, PFRS 9 introduces an “expected credit loss” (ECL) model based on the concept of providing for expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.

For hedge accounting, PFRS 9 introduces a substantial overhaul allowing financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures.

The derecognition provisions are carried over almost unchanged from PAS 39.

Based on the Company’s analysis, the Company has concluded that all of its financial assets and liabilities shall be measured on the same basis as under PAS 39.

Cash and cash equivalents, trade and other receivables (excluding advances to officers and employees and advances to suppliers) that were classified as loans and receivables under PAS 39 are now classified as financial assets at amortized cost under PFRS 9. These financial assets are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest.

Trade and other payables (excluding nonfinancial liabilities), loans payable and due to stockholders that were classified as other financial liabilities under PAS 39 are now classified as financial liabilities at amortized cost under PFRS 9. The Company has not designated any financial liabilities at FVPL.

The carrying amount of the Company’s cash and cash equivalents, trade and other receivables (excluding advances to officers and employees and advances to suppliers), trade and other payables (excluding nonfinancial liabilities), loans payable and due to stockholders under PAS 39 is the same with the carrying amount under PFRS 9.

The Company adopted the full retrospective approach in accordance with the transition provisions of PFRS 9. The full retrospective approach of PFRS 9 does not require restatements in the Company’s financial statements.

The Company assessed that the adoption of PFRS 9, specifically on determining impairment loss using simplified approach, has no impact on the carrying amounts of the Company’s financial assets carried at amortized cost.

There is no material impact on the basic and diluted earnings per share as a result of the Company’s adoption of PFRS 9.

- PFRS 15, *Revenue from Contracts with Customers* – The new standard replaces PAS 11, *Construction Contracts*, PAS 18, *Revenue*, and their related interpretations. It establishes a single comprehensive framework for revenue recognition to apply consistently across transactions, industries and capital markets, with a core principle (based on a five-step model to be applied to all contracts with customers), enhanced disclosures, and new or improved guidance (e.g. the point at which revenue is recognized, accounting for variable considerations, costs of fulfilling and obtaining a contract, etc.).

The Company adopted PFRS 15 using full retrospective method. The Company's contracts with its customers mainly consist of rendering hospital and ancillary services, sale of medicine and medical supplies, and room and board services.

Prior to adoption of PFRS 15, the Company recognizes revenue from sale of medicine and medical supplies separately from revenue generated from hospital and ancillary services, regardless of whether or not medicines and medical supplies are used as inputs to provide hospital and ancillary services. Upon adoption of PFRS 15, the Company assessed that medicines and medical supplies used as inputs to provide hospital and ancillary services are bundle of goods and services that should be recognized as a single performance obligation. Accordingly, in 2017 and 2016, revenue from hospital and ancillary services increased by ₱368.9 million and ₱310.9 million, respectively while revenue from sale of medicine and medical supplies decreased by the same amounts.

The Company grants discounts to qualified customers which is computed based on a fixed percentage of transaction price. Before adoption of PFRS 15, the Company recognizes discounts as a contra-revenue account. Under PFRS 15, the Company should allocate a discount proportionately to all performance obligations in a contract on the basis of the relative stand-alone selling prices of the underlying distinct goods or services. Accordingly, discounts amounting to ₱98.7 million and ₱83.0 million were allocated to related revenues in 2017 and 2016, respectively.

All of the Company's revenues have fixed transaction price. Revenue from hospital and ancillary services and room and board services are recognized as the related services are performed while revenue from sale of medicine and medical supplies is recognized at a point in time, similar with the requirements of PFRS 15 to recognize these revenues at a point in time or over a period of time. Accordingly, the allocation of transaction price to separate performance obligations and the timing of revenue recognition have no significant impact on the Company's revenue recognition.

- Amendments to PFRS 15, *Revenue from Contract with Customers - Clarification to PFRS 15* – The amendments provide clarifications on the following topics: (a) identifying performance obligations; (b) principal versus agent considerations; and (c) licensing. The amendments also provide some transition relief for modified contracts and completed contracts.
- Philippine Interpretation IFRIC 22, *Foreign Currency Transactions and Advance Consideration* – The interpretation provides guidance clarifying that the exchange rate to use in transactions that involve advance consideration paid or received in a foreign currency is the one at the date of initial recognition of the non-monetary prepayment asset or deferred income liability.

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

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

Relevant new and amended PFRS which are not yet effective for the year ended December 31, 2018 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2019:

- PFRS 16, *Leases* – This standard will replace PAS 17, *Leases* and its related interpretations. The most significant change introduced by the new standard is that almost all leases will be brought onto lessees' statement of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Lessor accounting, however, remains largely unchanged and the distinction between operating and finance lease is retained.

For the Company's non-cancellable operating lease commitments as at December 31, 2018, a preliminary assessment indicates that these arrangements will continue to meet the definition of a lease under PFRS 16. Thus, the Company will have to recognize a right-of-use asset and a corresponding liability in respect of all these leases - unless these qualify for low value or short-term leases upon the application of PFRS 16 – which might have a significant impact on the amounts recognized in the Company's financial statements. However, it is not practicable to provide a reasonable estimate of that effect until the Company complete the review.

### **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, 2018 and 2017, 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, 2018 and 2017, the Company's cash and cash equivalents and trade and other receivables (excluding advances to officers and employees and advances to suppliers) 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, 2018 and 2017, the trade and other payables (excluding nonfinancial liabilities), loans payable and due to stockholders are classified under this category.

### **Reclassification**

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

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

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

The Company records an allowance for ECL. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

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

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

### **Derecognition of Financial Assets and Liabilities**

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

- the right to receive cash flows from the asset has expired;
- the Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Company has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

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

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

#### **Offsetting of Financial Assets and Liabilities**

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

#### **Classification of Financial Instrument between Liability and Equity**

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

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

#### **Inventories**

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



### **Other Current Assets**

Other current assets consist of excess input value added tax (VAT) over output VAT and prepayments. Other current assets that are expected to be realized for no more than 12 months after the reporting date are classified as current assets. Otherwise these are classified as noncurrent assets.

*VAT.* Revenue, expenses and assets are recognized net of the amount of VAT. The net amount of VAT recoverable from the taxation authorities is recognized under "Other current assets" account in the statements of financial position.

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

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

Deferred input VAT represents the unamortized amount of input VAT on capital goods. Deferred input that are expected to be claimed against output VAT for no more than 12 months after the financial reporting period are classified as other current assets. Otherwise these are classified as other noncurrent assets.

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

### **Advances to Contractors**

Advances to contractors represent funds advanced by the Company to its contractors in relation to its project. These are capitalized in the statements of financial position, upon actual receipt of services or supplies. Advances to contractors wherein the corresponding services or goods are expected to be performed or delivered beyond one year after the reporting date are classified as a noncurrent asset.

### **Interest in Joint Operation**

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

### **Property and Equipment**

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

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

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

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

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

Depreciation and are 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. These are recorded at face amount in the statements of financial position and recognized as revenue in profit or loss on a straight-line basis over the lease term.

#### **Equity**

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

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

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

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

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

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

#### **Basic and Diluted Earnings Per Share**

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

#### **Revenue Recognition**

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

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

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

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

*Sale of Medicine 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**

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after inception of the lease only if one of the following applies:

- a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
- b. a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- c. there is a change in the determination of whether fulfillment is dependent on a specified asset;  
or
- d. there is a substantial change to the asset.

Where reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and at the date of renewal or extension period for scenario (b).

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

*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 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.

### **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 or income in profit or loss. Net interest is calculated by applying the discount rate to the net retirement liability or asset.

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 or asset. Net interest is calculated by applying the discount rate to the net retirement liability.

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

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

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

### **Income Taxes**

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

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

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

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

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

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

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

### **Related Parties**

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

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

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

### **Provisions**

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

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

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

#### **Contingencies**

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

#### **Events after the Financial Reporting Date**

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

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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:

*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.

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



Rent expense amounted to ₱25.5 million, ₱47.5 million and ₱35.6 million in 2018, 2017 and 2016, respectively (see Note 21).

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

Rental income amounted to ₱0.6 million, ₱1.2 million and ₱1.1 million in 2018, 2017 and 2016, respectively (see Note 21).

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

*Definition of Default and Credit-Impaired Financial Assets.* Upon adoption of PFRS 9, 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.

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

Provision for ECL amounted to ₱20.0 million, ₱17.4 million and ₱23.9 million in 2018, 2017 and 2016, respectively. The Company's trade and other receivables (excluding nonfinancial assets), net of expected credit losses amounted to ₱60.6 million and ₱78.1 million as at December 31, 2018 and 2017, respectively (see Note 5).

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

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

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

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

The Company's cash and cash equivalents amounted to ₱229.3 million and ₱285.6 million as at December 31, 2018 and 2017, respectively (see Note 4).

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

Inventories carried at lower of cost and NRV amounted to ₱66.8 million and ₱56.7 million as at December 31, 2018 and 2017, respectively. No allowance for inventory obsolescence was provided in 2018, 2017 and 2016 (see Note 6).

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

Land carried at revalued amount amounted to ₱494.1 million and ₱437.1 million as at December 31, 2018 and 2017, respectively (see Note 8).

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

The estimated useful lives of the Company's buildings and improvements and certain medical equipment were changed from 25 to 30 years and 5 to 8 years, respectively, in 2018. The effect of the change decreased depreciation by ₱11.1 million in 2018.

Property and equipment, net of accumulated depreciation amounted to ₱1,516.9 million and ₱1,338.5 million as at December 31, 2018 and 2017, respectively (see Note 8).

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

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

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

No impairment loss on nonfinancial assets was recognized by the Company in 2018, 2017 and 2016. Property and equipment, net of accumulated depreciation amounted to ₱1,516.9 million and ₱1,338.5 million as at December 31, 2018 and 2017, respectively (see Note 8).

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

The net retirement benefit liability amounted to and ₱31.5 million and ₱31.6 million as at December 31, 2018 and 2017, respectively (see Note 19). The cumulative remeasurement gains on net retirement benefit liability, net of deferred tax, recognized in equity amounted to ₱15.2 million and ₱14.0 million as at December 31, 2018 and 2017, respectively (see Note 19).

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

The Company's deferred tax assets amounted to ₱40.6 million and ₱38.8 million as at December 31, 2018 and 2017, respectively (see Note 20).

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#### 4. Cash and Cash Equivalents

This account consists of:

	2018	2017
Cash on hand	₱35,410,541	₱19,478,684
Cash in banks	139,413,032	100,965,141
Cash equivalents	54,454,901	165,127,377
	<b>₱229,278,474</b>	<b>₱285,571,202</b>

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 ₱4.6 million, ₱1.9 million and ₱0.8 million in 2018, 2017 and 2016, respectively (see Note 18).

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#### 5. Trade and Other Receivables

This account consists of:

	2018	2017
Trade	₱101,141,169	₱110,054,793
Advances to suppliers	26,166,766	12,383,623
Advances to officers and employees	6,148,068	5,962,910
Others	18,401,923	21,754,000
	<b>151,857,926</b>	<b>150,155,326</b>
Less allowance for expected credit losses	58,919,008	53,682,180
	<b>₱92,938,918</b>	<b>₱96,473,146</b>

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

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

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.

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	2018	2017
Balance at beginning of year		<b>₱53,682,180</b>	₱55,297,704
Provision for ECL	16	<b>19,950,853</b>	17,407,529
Write-off		<b>(14,714,025)</b>	(19,023,053)
Balance at end of year		<b>₱58,919,008</b>	₱53,682,180

## 6. Inventories

This account consists of:

	2018	2017
Medicines	<b>₱55,769,740</b>	₱48,487,612
Medical supplies	<b>10,989,151</b>	8,204,152
	<b>₱66,758,891</b>	₱56,691,764

As at December 31, 2018 and 2017, the costs of these inventories are lower than its NRV.

The cost of inventories charged to cost of sales amounted to ₱510.7 million, ₱417.9 million and ₱344.7 million in 2018, 2017 and 2016, respectively (see Note 15).

## 7. Other Current Assets

This account consists of:

	2018	2017
Current portion of deferred input VAT	<b>₱1,740,158</b>	₱1,243,987
Prepaid insurance	<b>1,281,652</b>	1,205,083
	<b>₱3,021,810</b>	₱2,449,070

## 8. Property and Equipment

This account is classified as property and equipment carried at:

	2018	2017
At cost	<b>₱1,022,747,485</b>	₱901,335,544
At revalued amount	<b>494,132,000</b>	437,131,566
	<b>₱1,516,879,485</b>	₱1,338,467,110

The balances and movements of this account are as follows:

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

	2017						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	₱393,718,731	₱731,210,282	₱282,347,496	₱97,200,181	₱17,323,312	₱45,336,438	₱1,567,136,440
Additions	-	24,817,807	60,367,974	33,032,890	2,011,231	47,379,166	167,609,068
Revaluations	43,412,835	-	-	-	-	-	43,412,835
Balance at end of year	437,131,566	756,028,089	342,715,470	130,233,071	19,334,543	92,715,604	1,778,158,343
<b>Accumulated Depreciation</b>							
Balances at beginning of year	-	170,752,061	128,218,283	34,567,781	8,454,104	-	341,992,229
Depreciation	-	31,667,688	45,376,257	17,911,084	2,743,975	-	97,699,004
Balance at end of year	-	202,419,749	173,594,540	52,478,865	11,198,079	-	439,691,233
<b>Carrying Amount</b>	<b>₱437,131,566</b>	<b>₱553,608,340</b>	<b>₱169,120,930</b>	<b>₱77,754,206</b>	<b>₱8,136,464</b>	<b>₱92,715,604</b>	<b>₱1,338,467,110</b>

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

	2018	2017
Cost	₱212,694,394	₱212,694,394
Revaluation surplus	281,437,606	224,437,172
Revalued amount	₱494,132,000	₱437,131,566

Revaluation surplus recognized in equity are as follows:

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

	2017		
	Revaluation Surplus	Deferred Tax (Note 20)	Net
Balance at beginning of year	₱181,024,337	(₱54,307,301)	₱126,717,036
Revaluation surplus	43,412,835	(13,023,851)	30,388,984
Balance at end of year	₱224,437,172	(₱67,331,152)	₱157,106,020

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

The Company has an on-going construction of its parking building and cancer center with an estimated cost of ₱111.0 million. The construction is expected to be completed in 2020.

As at December 31, 2018 and 2017, fully depreciated property and equipment with aggregate cost of ₱128.2 million and ₱118.0 million, respectively, are still in use.

Depreciation is charged to operations as follows:

	Note	2018	2017	2016
Cost of sales and services	15	<b>₱84,704,360</b>	₱84,207,093	₱64,797,173
General and administrative expenses	16	<b>17,632,339</b>	13,491,911	11,092,665
		<b>₱102,336,699</b>	₱97,699,004	₱75,889,838

## 9. Trade and Other Payables

This account consists of:

	Note	2018	2017
Trade		<b>₱158,001,675</b>	₱107,736,906
Dividends	13	<b>65,283,344</b>	63,520,637
Provident fund contribution		<b>20,753,480</b>	20,546,956
Professional fees		<b>14,831,402</b>	29,581,430
Accrued expenses		<b>12,555,890</b>	19,253,223
Withholding taxes		<b>10,724,082</b>	6,672,213
Current portion of payable to suppliers		<b>6,194,971</b>	5,016,319
Output VAT		<b>385,986</b>	1,395,684
Current portion of unearned income	21	<b>530,126</b>	530,126
Others		<b>13,718,370</b>	13,381,763
		<b>₱302,979,326</b>	₱267,635,257

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

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

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

Withholding taxes pertain to various taxes payable to government agencies and employees' statutory contribution which are normally settled in the subsequent month.

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

## 10. Loan Payable

Loan payable is broken down as follows:

	2018	2017
Current portion of loan payable	P500,000	P500,000
Noncurrent portion of loan payable	3,625,000	4,250,000
Balance at end of year	<b>P4,125,000</b>	<b>P4,750,000</b>

On May 8, 2017, the Company obtained an unsecured 10-year loan from a local creditor bank amounting to P5.0 million to finance its working capital requirements. This loan is payable quarterly with an interest rate of 3.75% per month.

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

	2018	2017
Not later than one year	P500,000	P500,000
Later than one year but not later than five years	2,000,000	2,000,000
Later than five years	1,625,000	2,250,000
	<b>P4,125,000</b>	<b>P4,750,000</b>

Interest expense charged in the statements of comprehensive income amounted to P176,905, P78,879 and nil in 2018, 2017 and 2016, respectively.

The changes in liabilities arising from financing activities as at December 31, 2018 and 2017 are as follows:

	2018	2017
Balance at beginning of year	P4,750,000	P5,000,000
Changes from financing cash flows	(625,000)	(250,000)
Balance at end of year	<b>P4,125,000</b>	<b>P4,750,000</b>

## 11. Other Noncurrent Liabilities

This account consists of:

	Note	2018	2017
Unearned income	21	P22,358,502	P22,908,334
Employee benefits premium		22,024,364	20,520,592
Payable to suppliers		19,675,293	9,275,543
Others		855,000	855,000
		<b>P64,913,159</b>	<b>P53,559,469</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.

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

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## 12. Equity

### Capital Stock

Details of capital stock are as follows:

	2018		2017	
	Number of Shares	Amount	Number of Shares	Amount
Authorized Capital Stock - ₱100 par value	750,000	₱75,000,000	750,000	₱75,000,000
Issued	565,000	₱56,500,000	565,000	₱56,500,000

In December 2016, the SEC approved the Company's increase in authorized capital stock from 500,000 shares at ₱100 par value to 750,000 shares at ₱100 par value. Out of the increase, the Company issued 72,725 shares for ₱3,508 resulting to recognition of additional paid-in capital of ₱247.8 million.

On June 5, 2017, the BOD and the Stockholders approved the increase of the Company's authorized capital stock from ₱75.0 million divided into 750,000 shares with a par value of ₱100 per share to ₱150.0 million divided into 1,500,000 shares with a par value of ₱100 per share.

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

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

The Company has 215 and 207 stockholders as at December 31, 2018 and 2017, respectively.

### Retained Earnings

#### **Appropriation**

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

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

### Dividend Declarations

In 2016, the Company's BOD approved the declaration of cash dividends amounting to ₱65.0 million or ₱132.22 per share to all stockholders of record as at December 31, 2015. These dividends were fully paid in December 2017.

On June 5, 2017, the Company's BOD approved the declaration of cash dividends amounting to ₱73.6 million or ₱130.24 per share and stock dividends of one (1) share for every stock held to all stockholders of record as at December 31, 2016. Approval of the SEC on the increase in authorized capital stock was made in February 2019, the stock dividends declared amounting to ₱55.5 million are presented under the "Stock dividends distributable" account in the statements of financial position as at December 31, 2018 and 2017.

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

### Treasury Stock

Movements in this account consist of:

	2018		2017	
	Number of Shares	Amount	Number of Shares	Amount
Balance at beginning of year	8,000	₱10,290,000	10,500	₱9,640,000
Repurchase of capital stock	500	1,320,000	-	1,600,000
Reissuance	(4,000)	(1,520,000)	(2,500)	(950,000)
Balance at end of year	4,500	₱10,090,000	8,000	₱10,290,000

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

## 13. Related Party Transactions

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

Related Party	Nature of Transactions	Transactions during the Year		Balance at End of Year		Terms and Conditions
		2018	2017	2018	2017	
<b>Due to stockholders</b>						
Stockholders	Purchase of property and equipment	₱-	₱176,826,465	₱-	₱149,935,404	Unsecured, noninterest-bearing, payable on demand and to be settled in cash
<b>Dividends payable</b>						
Stockholders	Declarations of dividends	₱70,127,380	₱129,034,616	₱65,283,344	₱63,520,637	Unsecured, noninterest-bearing, payable on demand and to be settled in cash

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

### Compensation of Key Management Personnel

The compensation paid to key management personnel pertaining to short-term employee benefits amounted to ₱21.1 million, ₱17.2 million and ₱12.9 million in 2018, 2017 and 2016, respectively. No long-term and post-employment benefits were paid to key management personnel.

### 14. Revenue

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

	2018	2017	2016
Hospital and ancillary services	<b>₱1,100,983,004</b>	₱986,737,721	₱856,363,550
Sale of medicines and medical supplies	<b>152,357,693</b>	113,760,121	67,477,929
Room and board	<b>89,098,347</b>	72,749,556	65,481,054
	<b>₱1,342,439,044</b>	₱1,173,247,398	₱989,322,533

### 15. Cost of Sales and Services

This account consists of costs for:

	Note	2018	2017	2016
Hospital and ancillary services		<b>₱721,293,574</b>	₱649,460,144	₱556,952,214
Sale of medicines and medical supplies		<b>136,083,734</b>	98,487,904	61,467,029
Room and board		<b>15,538,520</b>	17,453,218	20,063,451
		<b>₱872,915,828</b>	₱765,401,266	₱638,482,694

Cost of medicines and medical supplies comprise of:

	Note	2018	2017	2016
Balance at beginning of year of inventories		<b>₱56,691,764</b>	₱55,711,286	₱35,367,415
Purchases		<b>520,774,199</b>	418,883,748	365,046,832
Total available inventories		<b>577,465,963</b>	474,595,034	400,414,247
Balance at end of year of inventories	6	<b>(66,758,891)</b>	(56,691,764)	(55,711,286)
		<b>₱510,707,072</b>	₱417,903,270	₱344,702,961

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

	Note	2018	2017	2016
Cost of medicines and medical supplies	6	<b>₱510,707,072</b>	₱417,903,270	₱344,702,961
Personnel costs	17	<b>135,650,360</b>	120,718,880	109,815,339
Depreciation	8	<b>84,704,360</b>	84,207,093	64,797,173
Outside services		<b>54,901,512</b>	47,328,577	45,306,857
Utilities		<b>38,934,743</b>	30,332,000	24,399,827
Professional fees		<b>27,751,787</b>	20,278,717	16,244,523
Rent	21	<b>20,265,994</b>	44,632,729	33,216,014
		<b>₱872,915,828</b>	₱765,401,266	₱638,482,694

## 16. General and Administrative Expenses

This account consists of:

	Note	2018	2017	2016
Personnel costs	17	<b>₱87,636,432</b>	₱79,207,506	₱74,855,426
Office supplies		<b>27,139,732</b>	23,676,014	24,453,556
Outside services		<b>26,438,800</b>	22,659,878	20,816,557
Provision for ECL	5	<b>19,950,853</b>	17,407,529	23,879,792
Depreciation	8	<b>17,632,339</b>	13,491,911	11,092,665
Representation		<b>11,965,249</b>	9,676,139	4,346,119
Professional fees		<b>10,607,704</b>	9,750,675	9,273,949
Taxes and licenses		<b>9,511,389</b>	12,290,822	15,303,031
Repairs and maintenance		<b>8,250,931</b>	6,321,068	3,620,817
Communications		<b>6,801,828</b>	5,490,380	5,773,427
Rent	21	<b>5,233,363</b>	2,836,829	2,380,155
Transportation		<b>3,547,870</b>	3,826,024	3,380,794
Insurance		<b>2,339,419</b>	4,267,911	2,907,349
Advertisement		<b>1,099,449</b>	250,588	754,358
Others		<b>9,726,891</b>	1,259,862	7,038,243
		<b>₱247,882,249</b>	₱212,413,136	₱209,876,238

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

## 17. Personnel Costs

This account consists of:

	Note	2018	2017	2016
Short-term employee benefits		<b>₱217,551,897</b>	₱194,386,153	₱181,131,101
Retirement benefits	19	<b>5,734,895</b>	5,540,233	3,539,664
		<b>₱223,286,792</b>	₱199,926,386	₱184,670,765

Personnel costs charged to operations follows:

	Note	2018	2017	2016
Cost of sales and services	15	<b>₱135,650,360</b>	₱120,718,880	₱109,815,339
General and administrative expenses	16	<b>87,636,432</b>	79,207,506	74,855,426
		<b>₱223,286,792</b>	₱199,926,386	₱184,670,765

#### 18. Other Income

This account consists of:

	Note	2018	2017	2016
Rebates from suppliers		<b>₱8,538,888</b>	₱8,173,635	₱7,504,195
Interest income	4	<b>4,602,228</b>	1,903,374	795,267
Affiliation fee		<b>678,152</b>	726,227	656,675
Rental income	21	<b>614,159</b>	1,217,392	1,100,800
Others		<b>4,318,937</b>	6,311,015	5,687,617
		<b>₱18,752,364</b>	₱18,331,643	₱15,744,554

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

#### 19. Retirement Benefits

The Company has a funded, non-contributory defined benefit retirement plan covering all its regular 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, 2018.

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

	2018	2017	2016
Current service cost	<b>₱4,044,132</b>	₱3,814,465	₱3,161,552
Net interest cost	<b>1,690,763</b>	1,725,768	378,112
	<b>₱5,734,895</b>	₱5,540,233	₱3,539,664

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

	2018	2017
Balance at beginning of year	P37,244,033	P37,438,580
Current service cost	4,044,132	3,814,465
Interest cost	2,122,910	2,014,196
Remeasurement gains:		
Changes in financial assumption	(8,105,429)	(1,373,628)
Experience	5,935,211	(4,649,580)
Benefits paid	(344,217)	-
Balance at end of year	P40,896,640	P37,244,033

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

	2018	2017
Balance at beginning of year	P5,674,286	P5,361,122
Interest income	432,147	288,428
Contribution	3,814,464	-
Remeasurement gains (losses)	(492,387)	24,736
Balance at end of year	P9,428,510	P5,674,286

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

	2018	2017
Present value of retirement benefits liability	P40,896,640	P37,244,033
Fair value of plan assets	(9,428,510)	(5,674,286)
	P31,468,130	P31,569,747

The fair value of plan assets as at 2018 and 2017 is composed of cash and cash equivalents.

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

	2018		
	Cumulative Remeasurement Gain	Deferred Tax (Note 20)	Net
Balance at beginning of year	P19,984,026	(P5,995,208)	P13,988,818
Remeasurement gain	1,677,831	(503,349)	1,174,482
Balance at end of year	P21,661,857	(P6,498,557)	P15,163,300

	2017		
	Cumulative Remeasurement Gain	Deferred Tax (Note 20)	Net
Balance at beginning of year	P13,936,082	(P4,180,825)	P9,755,257
Remeasurement gain	6,047,944	(1,814,383)	4,233,561
Balance at end of year	P19,984,026	(P5,995,208)	P13,988,818

The principal assumptions used to determine the retirement benefit liability as at December 31, 2018 and 2017 are as follows:

	<b>2018</b>	2017
Discount rate	<b>7.53%</b>	5.70%
Future salary increases	<b>4.00%</b>	4.00%
Average expected future service years	<b>28.2</b>	22.0

The sensitivity analysis of defined benefit obligation for principal assumptions used as at December 31, 2018 and 2017 follows:

Principal assumptions	Effect to Present Value of Defined Benefit Obligation	
	<b>2018</b>	2017
Discount rate:		
Increase by 1%	<b>(P3,374,521)</b>	(P3,765,278)
Decrease by 1%	<b>4,069,406</b>	4,612,536
Salary rate:		
Increase by 1%	<b>4,177,471</b>	4,249,223
Decrease by 1%	<b>(3,509,361)</b>	(3,531,767)

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

The maturity analysis of the undiscounted benefit payments follow:

	Amount
1 year or less	P17,102,260
More than 1 year to 5 years	3,759,805
More than 5 years to 20 years	11,326,463

The average duration of the expected benefit payments at the end of the reporting period is 9 years.

## 20. Income Taxes

The components of income tax expense (benefit) are as follows:

	<b>2018</b>	2017	2016
<b>Reported in Profit or Loss</b>			
Regular corporate income tax	<b>P74,512,855</b>	P65,257,666	P61,864,588
Deferred tax	<b>(2,307,122)</b>	(1,699,286)	(11,381,609)
	<b>P72,205,733</b>	P63,558,380	P50,482,979

	Note	2018	2017	2016
<b>Reported in Other Comprehensive Income</b>				
Deferred tax expense related to:				
Revaluation surplus	8	(P17,100,130)	(P13,023,851)	P-
Remeasurement gains on net retirement liability	19	(503,349)	(1,814,383)	(4,180,825)
		<b>(P17,603,479)</b>	<b>(P14,838,234)</b>	<b>(P4,180,825)</b>

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

	2018	2017
<b>Deferred Tax Assets</b>		
Allowance for ECL	P17,675,702	P16,104,654
Net retirement benefits liability	9,440,439	9,470,924
Unearned income	6,866,588	7,031,538
Employee benefits premium	6,607,309	6,156,178
	<b>40,590,038</b>	<b>38,763,294</b>
<b>Deferred Tax Liabilities</b>		
Revaluation surplus	(84,431,282)	(67,331,152)
Prepayments	(384,496)	(361,525)
	<b>(84,815,778)</b>	<b>(67,692,677)</b>
<b>Net Deferred Tax Liabilities</b>	<b>(P44,225,740)</b>	<b>(P28,929,383)</b>

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

	2018	2017	2016
Income tax at statutory tax rate	P72,064,928	P64,105,728	P47,012,447
Adjustments for:			
Nondeductible expenses	1,521,473	23,664	3,709,112
Interest income subjected to final tax	(1,380,668)	(571,012)	(238,580)
	<b>P72,205,733</b>	<b>P63,558,380</b>	<b>P50,482,979</b>



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## 21. Commitments

### 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, 2018 and 2017 amounted to ₱22.9 million and ₱23.4 million, respectively. Total rental income earned on the above operating leases amounted to ₱0.6 million, ₱1.2 million and ₱1.1 million in 2018, 2017 and 2016, respectively (see Note 18).

### Lease of Hospital and Clinic Equipment

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

### Joint Arrangements for Medical Equipment

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

The aggregate rent expense recognized in 2018, 2017 and 2016 amounted to ₱25.5 million, ₱47.5 million and ₱35.6 million, respectively (see Note 15 and 16).

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## 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 and advances to suppliers), trade and other payables (excluding nonfinancial liabilities), loans payable and due to stockholders.

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 and receipts of advances from stockholders. 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, 2018 and 2017 based on contractual undiscounted principal and interest payments:

	2018					Total
	Due and Demandable	Less than 30 Days	31-60 Days	61-90 Days	Over 90 Days	
Trade and other payables*	₱157,263,444	₱57,975,439	₱15,202,604	₱32,585,610	₱28,312,035	₱291,339,132
Loans payable	—	125,000	125,000	125,000	3,750,000	4,125,000
	<b>₱157,263,444</b>	<b>₱58,100,439</b>	<b>₱15,327,604</b>	<b>₱32,710,610</b>	<b>₱32,062,035</b>	<b>₱295,464,132</b>

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

	2017					Total
	Due and Demandable	Less than 30 Days	31-60 Days	61-90 Days	Over 90 Days	
Trade and other payables*	₱245,499,615	₱4,349,893	₱4,574,581	₱439,515	₱4,173,630	₱259,037,234
Loans payable	—	125,000	125,000	125,000	4,375,000	4,750,000
Due to stockholders	149,935,404	—	—	—	—	149,935,404
	<b>₱395,435,019</b>	<b>₱4,474,893</b>	<b>₱4,699,581</b>	<b>₱564,515</b>	<b>₱8,548,630</b>	<b>₱413,722,638</b>

\*Excluding statutory payables and unearned income amounting to ₱8.1 million and ₱0.5 million, respectively.

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

The tables below show the credit risk concentrations of the Company's financial assets as at December 31, 2018 and 2017. The amounts are presented by credit risk rating grades and represent the gross carrying amounts of the financial assets.

	2018	2017
Cash in banks and cash equivalents	₱193,867,933	₱266,092,518
Trade and other receivables*	60,624,084	78,126,613
	<b>₱254,492,017</b>	<b>₱344,219,131</b>

\*Excluding advances to suppliers and employees amounting to ₱32.3 million and ₱18.3 million as at December 31, 2018 and 2017, respectively.

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

The analysis of credit quality per class of financial assets as at December 31, 2018 and 2017 follows:

	2018					
	High Grade	Standard Grade	Past Due			Total
			1 - 60 Days	61 - 90 Days	More than 90 Days	
Simplified approach - Trade and other receivables*	P=	P29,072,891	P28,061,628	P20,244,867	P101,082,714	P178,462,100
12-month ECL: Cash in banks and cash equivalents		193,867,933	-	-	-	193,867,933
		<b>P193,867,933</b>	<b>P29,072,891</b>	<b>P28,061,628</b>	<b>P20,244,867</b>	<b>P101,082,714</b>

\*Excluding advances to suppliers and employees amounting to P32.3 million.

	2017					
	High Grade	Standard Grade	Past Due			Total
			1 - 30 Days	31 - 90 Days	More than 90 Days	
Simplified approach - Trade and other receivables*	P=	P10,671,418	P38,917,107	P5,852,349	P56,367,919	P111,808,793
12-month ECL: Cash in banks and cash equivalents		266,092,518	-	-	-	266,092,518
		<b>P266,092,518</b>	<b>P10,671,418</b>	<b>P38,917,107</b>	<b>P5,852,349</b>	<b>P56,367,919</b>

\*Excluding advances to suppliers and employees amounting to P18.3 million.

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

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

#### Capital Management Policy

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

The Company considers its total equity as its capital.

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

There were no changes in the Company's approach to capital management in 2018 and 2017.

### 23. Fair Value Measurement

The carrying amounts of the following financial assets and liabilities approximate their fair values primarily due to the relatively short-term maturity of these financial instruments:

	2018	2017
<b>Financial Assets</b>		
Cash in banks and cash equivalents	<b>₱193,867,933</b>	₱266,092,518
Trade and other receivables*	<b>60,624,084</b>	78,126,613
	<b>₱254,492,017</b>	₱344,219,131
<b>Financial Liabilities</b>		
Trade and other payables**	<b>₱291,339,132</b>	₱259,037,234
Loans payable	<b>4,125,000</b>	4,750,000
Due to related parties	-	149,935,404
	<b>₱295,464,132</b>	₱413,722,638

\*Excluding advances to suppliers and employees amounting to ₱32.3 million and ₱18.3 million as at December 31, 2018 and 2017, respectively.

\*\* Excluding nonfinancial liabilities amounting to ₱11.6 million and ₱8.6 million as at December 31, 2018 and 2017, respectively.

#### Land

The Company's land carried at fair value amounted to ₱494.1 million and ₱437.1 million as at December 31, 2018 and 2017, respectively. The significant unobservable inputs used in the fair value measurement are categorized within Level 3 of the fair value hierarchy.

### 24. Earnings Per Share

Basic and diluted earnings per share are computed as follows:

	Note	2018	2017	2016
Net income		<b>₱168,010,693</b>	₱150,127,380	₱106,225,176
Weighted average number of outstanding common shares		<b>559,542</b>	559,667	559,750
Stock dividends declared but not yet issued	12	<b>554,500</b>	554,500	554,500
Adjusted weighted average number of common shares		<b>1,114,042</b>	1,114,167	1,114,250
Basic and diluted earnings per share		<b>₱151</b>	₱135	₱95

**INDEPENDENT AUDITORS' REPORT  
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 and for the years ended December 31, 2018 and 2017, on which we have rendered the attached report dated April 3, 2019.

In compliance with Securities Regulation Code Rule 68, as amended, we are stating that the Company has two hundred ten (210) 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 August 15, 2021

SEC Accreditation No. 0658-AR-3 Group A

Valid until May 17, 2020

BIR Accreditation No. 08-005144-007-2017

Valid until January 13, 2020

PTR No. 7334336

Issued January 3, 2019, Makati City

April 3, 2019

Makati City, Metro Manila

**REPORT OF INDEPENDENT AUDITORS  
ON SUPPLEMENTARY SCHEDULES**

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 and for the years ended December 31, 2018 and 2017, and have issued our report thereon dated April 3, 2019. 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, 2018
- Schedule of Adoption of Effective Accounting Standards and Interpretations as at December 31, 2018
- Schedule of Financial Soundness Indicators as at December 31, 2018 and 2017
- Schedules Required under SRC Rule 68 Part 4E and 4F as at December 31, 2018 and 2017

The supplementary schedules are presented for purposes of complying with 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  
BOA Accreditation No. 4782; Valid until August 15, 2021  
SEC Accreditation No. 0658-AR-3 Group A  
Valid until May 17, 2020  
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Valid until January 13, 2020  
PTR No. 7334336  
Issued January 3, 2019, Makati City

April 3, 2019  
Makati City, Metro Manila

**MARY MEDIATRIX MEDICAL CENTER, INC.**

**SUPPLEMENTARY SCHEDULE OF ADOPTION OF  
EFFECTIVE ACCOUNTING STANDARDS AND INTERPRETATIONS  
DECEMBER 31, 2018**

Title	Adopted	Not Adopted	Not Applicable
<b>Framework for the Preparation and Presentation of Financial Statements</b>	✓		
Conceptual Framework Phase A: Objectives and qualitative characteristics			
PFRSs Practice Statement Management Commentary			✓
PFRSs Practice Statement 2: Making Materiality Judgments			✓

**Philippine Financial Reporting Standards (PFRS)**

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: First-time Adoption of Philippine Financial Reporting Standards - Deletion of Short-term Exemptions for First-time Adopters			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓

PFRS	Title	Adopted	Not Adopted	Not Applicable
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Ventures			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, <i>Financial Instruments</i> with PFRS 4, <i>Insurance Contracts</i>			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendment to PFRS 5: Changes in Methods of Disposal			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendment to PFRS 7: Servicing Contracts	✓		
	Amendment to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements	✓		
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments	✓		
	Amendments to PFRS 8: Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments	✓		
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10: Transition Guidance			✓
	Amendments to PFRS 10: Investment Entities			✓



PFRS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 10: Investment Entities: Applying the Consolidation Exception			✓
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
	Amendments to PFRS 12: Transition Guidance			✓
	Amendments to PFRS 12: Investment Entities			✓
	Amendments to PFRS 12: Investment Entities: Applying the Consolidation Exception			✓
	Amendment to PFRS 12: Clarification of the Scope of the Standard			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts			✓
PFRS 15	Revenue from Contracts with Customers	✓		
	Amendments to PFRS 15: Clarifications to PFRS 15	✓		

#### Philippine Accounting Standards (PAS)

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendments to PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendment to PAS 1: Clarification of the Requirements for Comparative Presentation	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 12	Income Taxes	✓		
	Amendments to PAS 12: Recovery of Underlying Assets	✓		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendment to PAS 16: Classification of Servicing Equipment	✓		
	Amendment to PAS 16: Revaluation Method - Proportionate Restatement of Accumulated Depreciation	✓		
	Amendment to PAS 16: Property, Plant and Equipment - Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendment to PAS 16: Agriculture: Bearer Plants	✓		
PAS 17	Leases	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendment to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Amendment to PAS 19: Discount Rate: Regional Market Issue	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs			✓
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendment to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements			✓
	Amendments to PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Amendments to PAS 28: Measuring an Associate or Joint Venture at Fair Value			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Financial Instruments: Presentation	✓		
	Amendments to PAS 32: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
	Amendment to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities			✓
	Amendment to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'			✓
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets			✓
	Amendment to PAS 38: Revaluation Method - Proportionate Restatement of Accumulated Amortization			✓
	Amendment to PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization			✓
PAS 40	Investment Property			✓
	Amendment to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-occupied Property			✓

PAS	Title	Adopted	Not Adopted	Not Applicable
	Amendments to PAS 40: Transfers of Investment Property			✓
PAS 41	Agriculture			✓
	Amendment to PAS 41: Agriculture: Bearer Plants			✓

#### Philippine Interpretations

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓

Interpretations	Title	Adopted	Not Adopted	Not Applicable
IFRIC 22	Foreign Currency Transactions and Advance Consideration			✓

**PHILIPPINE INTERPRETATIONS - SIC**

Interpretations	Title	Adopted	Not Adopted	Not Applicable
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-32	Intangible Assets - Web Site Costs			✓

MARY MEDIATRIX MEDICAL CENTER, INC.

**SUPPLEMENTARY SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS**  
DECEMBER 31, 2018 AND 2017

	2018	2017
Current assets	<b>₱471,661,595</b>	₱441,185,182
Current liabilities	<b>318,046,965</b>	435,947,676
Liquidity ratio	<b>1.48:1</b>	1.01:1
Net income before depreciation	<b>₱270,347,392</b>	₱247,826,384
Total liabilities	<b>462,278,994</b>	554,256,275
Solvency ratio	<b>0.58:1</b>	0.45:1
Total liabilities	<b>₱462,278,994</b>	₱554,256,275
Total equity	<b>1,531,254,284</b>	1,229,648,781
Debt-to-equity ratio	<b>0.30:1</b>	0.45:1
Total assets	<b>₱1,993,533,278</b>	₱1,783,905,056
Total equity	<b>1,531,254,284</b>	1,229,648,781
Asset-to-equity ratio	<b>1.30:1</b>	1.45:1
Net income	<b>₱168,010,693</b>	₱150,127,380
Total assets	<b>1,993,533,278</b>	1,783,905,056
Return on asset	<b>0.08:1</b>	0.08:1
Net income	<b>₱168,010,693</b>	₱150,127,380
Total equity	<b>1,531,254,284</b>	1,229,648,781
Return on equity	<b>0.11:1</b>	0.12:1

MARY MEDIATRIX MEDICAL CENTER, INC.

SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS  
AVAILABLE FOR DIVIDEND DECLARATION  
DECEMBER 31, 2018

Unappropriated retained earnings, beginning	₱126,627,380
Adjustments:	
Deferred tax assets	(38,763,294)
Treasury shares	(10,290,000)
Unappropriated Retained Earnings, as adjusted, beginning	77,574,086
Net income	168,010,693
Reversal of appropriation	—
Less: Deferred tax assets	(1,826,744)
Net income actually earned/realized during the year	166,183,949
Unappropriated retained earnings, as adjusted, ending	243,758,035
Adjustments:	
Dividends declared	(70,127,380)
Treasury shares	200,000
Unappropriated retained earnings available for dividend declaration, end of year	₱173,830,655

**Reconciliation:**

Unappropriated retained earnings as shown in the financial statements of the Company at end of year	₱224,510,693
Adjustments for:	
Treasury shares	(10,090,000)
Deferred tax assets	(40,590,038)
Unappropriated retained earnings available for dividend declaration, end of year	₱173,830,655

**MARY MEDIATRIX MEDICAL CENTER, INC.**

**SEC Supplementary Schedule as Required by Part II of SRC Rule 68 as Amended  
DECEMBER 31, 2018**

**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	Intangible Assets - Other Assets	<u>N/A</u>
E	Long-term Debt	<u>1</u>
F	Indebtedness to Related Parties	<u>2</u>
G	Guarantees of Securities of Other Issuers	<u>N/A</u>
H	Capital Stock	<u>3</u>



MARY MEDIATRIX MEDICAL CENTER, INC.

H. Capital Stock  
DECEMBER 31, 2018

<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	750,000	560,500	—	71,524	41,645	447,331

MARY MEDIATRIX MEDICAL CENTER, INC.

E. Long-term Debt  
DECEMBER 31, 2018

<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	₱-	₱4,125,000	₱3,625,000

MARY MEDIATRIX MEDICAL CENTER, INC.

F. Indebtedness to Related Parties

DECEMBER 31, 2018

Name of related party	Balance at beginning of the period	Balance at end of the period
Stockholders	P149,935,404	P-