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Hi MARY MEDIATRIX MEDICAL CENTER, INC.,

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Submission Date/Time: **Apr 23, 2024 05:06 PM**
Company TIN: **000-958-720**

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COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

0 0 0 0 0 0 7 6 6 4 6

COMPANY NAME

MARY MEDIATRIX MEDICAL CENTER, INC.

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

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

Form Type	Department requiring the report	Secondary License Type, If Applicable
AAFS	CRMD	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
jlu@callejalaw.com	–	0917-538-5291

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
285	1st Saturday of June	December 31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Jean Marie l. Uy Yam	jlu@callejalaw.com	–	0917-538-5291

CONTACT PERSON'S ADDRESS

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

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

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

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

The management of Mary Mediatrix Medical Center, Inc. (the Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Rhais Gamboa
Chairman of the Board

Jose Ronaldo Delos Santos
Chief Executive Officer/President

Erika Cheska Martirez
Treasurer

Signed this 11th day of April, 2024

SUBSCRIBED AND SWORN TO BEFORE ME THIS 25 APR 2024 AT Lipa City CITY PHILIPPINES. AFFIANT EXHIBITING TO ME HIS/HER VALID PROOF OF IDENTIFICATION WITH PICTURE AND SIGNATURE, HIS/HER

Doc. No. 240
Page No. 49
Book No. II
Series of 2024

JIO PAOLO P. LABITIGAN
Notary Public for Lipa City
Appointment No. 2023-0041 until December 31, 2025
Roll of Attorneys No. 86135
PTR No. 6456672 / Lipa City / 01-02-24
IBP O.R. No. 415251 / 01-10-24 / Batangas Chapter
MCLE Exempt pursuant to MCLE Gov. Board Resolution 01-2008
Lirio Inandan and Resuello Law
No. 125, Purok 2, Brgy. San Sebastian, Lipa City
(043) 723 8412 / jplabitigan@lirrlaw.com

BOA/PRC Accreditation No. 4782
August 16, 2021, valid until April 13, 2024
SEC Registration No. PP201007009

BDO Towers Valero
8741 Paseo de Roxas
Makati City 1226 Philippines
Phone : +632 8 982 9100
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Website : www.reyestacandong.com

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of Mary Mediatrix Medical Center, Inc. (the Company), which comprise the statements of financial position as at December 31, 2023 and 2022, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2023, 2022 and 2021, and notes to financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years ended December 31, 2023, 2022 and 2021 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, 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, 2023 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

REYES TACANDONG & CO.

CAROLINA P. ANGELES
Partner
CPA Certificate No. 86981
Tax Identification No. 205-067-976-000
BOA Accreditation No. 4782; Valid until April 13, 2024
BIR Accreditation No. 08-005144-007-2022
Valid until October 16, 2025
PTR No. 10072409
Issued January 2, 2024, Makati City

April 11, 2024
Makati City, Metro Manila

MARY MEDIATRIX MEDICAL CENTER, INC.

STATEMENTS OF FINANCIAL POSITION

	Note	December 31 2023	2022
ASSETS			
Current Assets			
Cash and cash equivalents	4	**₱297,195,456**	₱251,577,916
Trade and other receivables	5	**252,687,387**	136,637,362
Inventories	6	**59,755,795**	64,090,162
Other current assets	7	**28,233,464**	24,703,630
Total Current Assets		**637,872,102**	477,009,070
Noncurrent Assets			
Property and equipment			
At cost	8	**1,403,271,028**	1,418,335,025
At revalued amount	8	**494,132,000**	494,132,000
Right-of-use assets	21	**8,303,351**	9,120,074
Other noncurrent assets	7	**107,746,104**	46,098,535
Total Noncurrent Assets		**2,013,452,483**	1,967,685,634
		₱2,651,324,585	₱2,444,694,704
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	9	**₱345,905,303**	₱278,416,269
Current portion of lease liabilities	21	**683,421**	619,648
Current portion of loans payable	10	**17,666,667**	11,111,111
Income tax payable		**15,205,448**	6,368,941
Total Current Liabilities		**379,460,839**	296,515,969
Noncurrent Liabilities			
Lease liabilities - net of current portion	21	**9,065,128**	9,748,549
Loans payable - net of current portion	10	**37,777,778**	118,611,111
Net retirement benefits liability	19	**5,678,104**	22,956,104
Net deferred tax liabilities	20	**41,977,066**	35,167,613
Other noncurrent liabilities	11	**20,148,650**	20,148,650
Total Noncurrent Liabilities		**114,646,726**	206,632,027
Total Liabilities		**494,107,565**	503,147,996
Equity			
Capital stock	12	**111,950,000**	111,950,000
Additional paid-in capital		**902,487,967**	902,487,967
Retained earnings		**904,834,946**	703,046,935
Revaluation surplus on land	8	**211,078,204**	211,078,204
Cumulative net remeasurement gain on retirement benefits liability	19	**32,145,903**	18,263,602
Treasury stock		**(5,280,000)**	(5,280,000)
Total Equity		**2,157,217,020**	1,941,546,708
		₱2,651,324,585	₱2,444,694,704

See accompanying Notes to Financial Statements.

MARY MEDIATRIX MEDICAL CENTER, INC.

STATEMENTS OF COMPREHENSIVE INCOME

		Years Ended December 31		
	Note	**2023**	2022	2021
REVENUES	14	**₱1,683,720,320**	₱1,551,932,425	₱1,495,394,209
COST OF SALES AND SERVICES	15	**1,013,071,432**	934,290,079	985,276,364
GROSS PROFIT		**670,648,888**	617,642,346	510,117,845
GENERAL AND ADMINISTRATIVE EXPENSES	16	**356,850,898**	328,296,868	280,405,850
INTEREST EXPENSE	10	**(6,547,553)**	(8,151,820)	(10,801,831)
OTHER INCOME	18	**28,218,287**	23,202,660	2,109,887
INCOME BEFORE INCOME TAX		**335,468,724**	304,396,318	221,020,051
PROVISION FOR INCOME TAX	20			
Current		**81,498,694**	71,104,015	56,844,062
Deferred		**2,182,019**	4,970,344	7,003,274
		83,680,713	76,074,359	63,847,336
NET INCOME		**251,788,011**	228,321,959	157,172,715
OTHER COMPREHENSIVE INCOME				
Not to be reclassified subsequently to profit or loss, net of deferred tax				
Remeasurement gain on retirement benefits liability	19	**13,882,301**	9,306,799	2,915,905
Effect of change in tax rate on revaluation surplus on land	8	**–**	–	14,071,880
		13,882,301	9,306,799	16,987,785
TOTAL COMPREHENSIVE INCOME		**₱265,670,312**	₱237,628,758	₱174,160,500
BASIC EARNINGS PER SHARE	24	**₱225.31**	₱204.31	₱140.65

See accompanying Notes to Financial Statements.

MARY MEDIATRIX MEDICAL CENTER, INC.

STATEMENTS OF CHANGES IN EQUITY

	Note	Years Ended December 31 **2023**	2022	2021
CAPITAL STOCK	12	**₱111,950,000**	₱111,950,000	₱111,950,000
ADDITIONAL PAID-IN CAPITAL		**902,487,967**	902,487,967	902,487,967
RETAINED EARNINGS				
Unappropriated				
Balance at beginning of year		**403,046,935**	204,897,476	133,850,486
Net income		**251,788,011**	228,321,959	157,172,715
Cash dividends declared	12	**(50,000,000)**	(30,172,500)	(86,125,725)
Appropriation	12	**(200,000,000)**	–	–
Balance at end of year		**404,834,946**	403,046,935	204,897,476
Appropriated	12			
Balance at beginning of year		**300,000,000**	300,000,000	300,000,000
Appropriation		**200,000,000**	–	–
Balance at the end of year		**500,000,000**	300,000,000	300,000,000
		904,834,946	703,046,935	504,897,476
OTHER COMPONENTS OF EQUITY				
Revaluation Surplus on Land	8			
Balance at beginning of year		**211,078,204**	211,078,204	197,006,324
Effect of change in tax rate on revaluation surplus on land		**–**	–	14,071,880
Balance at end of year		**211,078,204**	211,078,204	211,078,204
Net Remeasurement Gains on Retirement Benefits Liability	19			
Balance at beginning of year		**18,263,602**	8,956,803	6,040,898
Remeasurement gain - net of deferred tax		**13,882,301**	9,306,799	2,915,905
Balance at end of year		**32,145,903**	18,263,602	8,956,803
		243,224,107	229,341,806	220,035,007
TREASURY STOCK - at cost		**(5,280,000)**	(5,280,000)	(5,280,000)
		₱2,157,217,020	₱1,941,546,708	₱1,734,090,450

See accompanying Notes to Financial Statements.

MARY MEDIATRIX MEDICAL CENTER, INC.

STATEMENTS OF CASH FLOWS

	Note	Years Ended December 31		
		2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱335,468,724**	₱304,396,318	₱221,020,051
Adjustments for:				
Depreciation and amortization	8	**150,591,161**	164,304,600	145,917,827
Provision for expected credit losses	16	**20,698,265**	20,726,215	28,242,592
Retirement expense	19	**6,799,136**	7,524,487	7,315,089
Interest expense	10	**6,547,553**	8,151,820	10,801,831
Interest income	4	**(994,503)**	(131,842)	(88,868)
Operating income before working capital changes		**519,110,336**	504,971,598	413,208,522
Decrease (increase) in:				
Trade and other receivables		**(136,748,290)**	29,736,538	(95,775,970)
Inventories		**4,334,367**	1,246,408	8,262,063
Other assets		**(65,177,402)**	5,225,152	(13,505,139)
Increase (decrease) in:				
Trade and other payables		**71,119,966**	(30,416,832)	(47,053,119)
Other noncurrent liabilities		**–**	(9,614,371)	(1,891,328)
Net cash generated from operations		**392,638,977**	501,148,493	263,245,029
Income tax paid		**(72,662,187)**	(68,325,890)	(32,851,900)
Interest paid	10	**(6,068,332)**	(7,644,721)	(10,269,603)
Contributions paid	19	**(4,919,623)**	(4,162,758)	(4,541,191)
Benefits paid	19	**(647,778)**	(366,458)	–
Interest received		**994,503**	131,842	88,868
Net cash provided by operating activities		**309,335,560**	420,780,508	215,671,203
CASH FLOWS FROM AN INVESTING ACTIVITY				
Acquisition of property and equipment	8	**(134,710,441)**	(66,096,956)	(117,641,008)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments for:				
Dividends	10	**(53,630,933)**	(125,939,584)	(48,865,008)
Loans payable	10	**(74,277,777)**	(80,833,334)	(19,444,444)
Lease liabilities	21	**(1,098,869)**	(1,066,863)	(1,035,789)
Cash used in financing activities		**(129,007,579)**	(207,839,781)	(69,345,241)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**45,617,540**	146,843,771	28,684,954
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**251,577,916**	104,734,145	76,049,191
CASH AND CASH EQUIVALENTS AT END OF YEAR		**₱297,195,456**	₱251,577,916	₱104,734,145

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 2023 AND 2022
AND FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

1. **Corporate Information**

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

The Company presently operates Mary Mediatrix Medical Center (the Hospital), a level three referral tertiary hospital with 120-bed capacity in Lipa City, Batangas.

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

Approval of Financial Statements
The financial statements of the Company as at December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021 were authorized for issue by the Board of Directors (BOD) on April 11, 2024.

2. **Summary of Material Accounting Policy Information**

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

The material accounting policy information that has been used in the preparation of the financial statements have been consistently applied to all the years presented, unless otherwise stated.

Measurement Bases
The financial statements are presented in Philippine Peso, the Company's functional currency. All values are in absolute amounts unless otherwise indicated.

The financial statements of the Company have been prepared on a historical cost basis except for land recorded under "Property and Equipment" account which is measured at revalued amount and retirement liability which is carried at the present value of the defined benefit obligation less the fair value of plan assets. Historical cost is generally based on the fair value of the consideration given in exchange for an asset or the fair value of the 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.

Adoption of Amended PFRS

The material accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following material amended PFRS effective beginning January 1, 2023–

- Amendments to PAS 1, *Presentation of Financial Statements,* and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* - The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature.

The adoption of the above amendments to PFRS had an impact on the disclosures of accounting policies but not on the measurement, recognition, or presentation of any items in the financial statements.

Amended PFRS in Issue but Not Yet Effective

Relevant amendments to PFRS, which are not yet effective as at December 31, 2023, is not expected to have any material effect on the financial statements of the Company. Additional disclosures will be included in the financial statements, as applicable.

Financial Assets

The Company's cash and cash equivalents and trade and other receivables (excluding advances to officers and employees) are classified as financial assets at amortized cost. These financial assets are measured at amortized cost less allowance for expected credit losses (ECL), if any. 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. Meanwhile, impairment of other financial assets is assessed based on potential liquidity of counterparties based on available financial information. Financial assets are derecognized when the right to receive cash flows from the asset has expired or the Company has transferred its right to receive cash flows from the financial asset.

Financial Liabilities

The Company's trade and other payables (excluding statutory payables and unearned income), loans payable, lease liabilities and other noncurrent liabilities (excluding unearned income) are classified as financial liabilities at amortized cost. The Company recognized 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. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

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.

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

Depreciation and amortization of property and equipment is computed using the straight-line method over the estimated useful lives of the assets, as follows:

Asset Type	Number of Years
Building and improvements	30
Medical equipment	5 to 8
Furniture and fixtures	5
Office equipment	5

Advances to Suppliers and Contractors
Advances to suppliers and contractors are amounts paid in advance for the purchase of goods and services. These are carried in the statements of financial position at the amount of cash paid and are recognized to proper asset or expense account when goods and services for which advances were made are received and rendered, respectively. Advances to suppliers and contractors that will be applied as payments for future billings of assets identified as inventories are classified as current assets. Otherwise, advances to suppliers and contractors that will be applied as payments for future billings of assets identified as property and equipment are classified as noncurrent assets.

Impairment of Nonfinancial Assets
The carrying amounts of nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

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

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

Deferred input VAT represents the VAT amount on purchases that is not declared to the tax authority until the corresponding amount of payable is paid.

Capital Stock and Additional Paid-in Capital
Capital stock is measured at par value for all shares issued. Proceeds or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital.

Retained Earnings

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

Other Components of Equity

Other components of equity comprise of items of income and expense that are not recognized in profit or loss in accordance with PFRS net of deferred tax. Other comprehensive income of the Company pertains to cumulative remeasurement gains (losses) on retirement liability and revaluation surplus on land.

Treasury Stocks

Treasury stocks are own equity instruments which are reacquired and are recognized at cost and presented as deduction from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity 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. 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 over time as the related services are rendered to patients.

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

Sale of Medicines and Medical Supplies. Revenue is recognized at a point in time when medicines and medical supplies are delivered to out-patient customers.

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

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

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

Other Income. Other income is recognized when earned during the period.

<u>Cost and Expense Recognition</u>
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 Expenses. 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 reported on an accrual basis and recognized using the effective interest method.

<u>Leases</u>
A contract is, or contains, a lease when it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

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

Lease Liability. At commencement date, the Company measures lease liability at the present value of future lease payments using the interest rate implicit in the lease, if that rate can be readily determined. Otherwise, the Company uses its incremental borrowing rate. A lease liability is subsequently measured at amortized cost. Interest on the lease liability and any variable lease payments not included in the measurement of lease liability are recognized in profit or loss unless these are capitalized as costs of another asset. Variable lease payments not included in the measurement of the lease liability are recognized in profit or loss when the event or condition that triggers those payments occurs.

<u>Employee Benefits</u>

Short-term Benefits. Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid 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.

Retirement Benefits. The Company has a funded, noncontributory defined benefit plan covering all qualified 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, and net interest expense in profit or loss. Net interest is calculated by applying the discount rate to the net retirement liability.

Remeasurement gains and losses are recognized immediately in OCI in the period in which they arise. Remeasurement gains and losses are not reclassified to profit or loss in subsequent periods.

The net retirement liability is the aggregate of the present value of the retirement liability to each qualified employee and reduced by the fair value of plan assets out of which the obligation are to be settled directly. The present value of the retirement liability is determined by discounting the estimated future cash outflows using interest rate on government bonds that have terms to maturity approximating the terms of the related retirement liability.

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

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

Related Parties

Related party transactions consist of transfers of resources, services or obligations between the Company and its related parties.

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

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

Income Taxes

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

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 the tax rate and tax laws that have been enacted or substantively enacted at the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

Foreign Currency Denominated Transactions
Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the closing rate as at the reporting date. All exchange rates differences, including those arising from the settlement of monetary items at rates different from those at which they were recorded, are recognized in the profit or loss in the year of which differences arise.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

Events After the Reporting Date
The Company identifies events after the end of the reporting period as those events, both favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue. The financial statements of the Company are adjusted to reflect those events that provide evidence of conditions that existed at the end of the reporting period. Non-adjusting events after the end of the reporting period are disclosed in the notes to financial statements when material.

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3. **Significant Judgments, Accounting Estimates and Assumptions**

In the application of the Company's accounting policies, management is required to make judgments, accounting estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The accounting estimates and associated assumptions are based on the historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Judgments, accounting estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to 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 revision and future periods if the revision affects both current and future periods.

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

Judgments

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

a. Quantitative Criteria - the borrower is more than 30 days past due on its contractual payments, which is consistent with the Company's definition of default.

b. Quantitative Criteria - the borrower is more than 30 days past due on its contractual payments, which is consistent with the Company's definition of default.

   - The borrower is experiencing financial difficulty or is insolvent;
   - The borrower is in breach of financial covenants; and
   - It is probable that the borrower will enter bankruptcy or other financial reorganization.

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

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

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

Rental income in 2023, 2022 and 2021 is disclosed in Note 21 to the financial statements.

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

Rent expense in 2023, 2022 and 2021 is disclosed in Note 21 to the financial statements.

The details of ROU assets and lease liabilities as at December 31, 2023 and 2022 are disclosed in Note 21 to the financial statements.

Accounting Estimates and Assumptions

Provision for ECL on Trade Receivables. The Company estimates ECL on trade receivables using a provision matrix which considers the Company's historical credit loss experience adjusted for forward-looking factors, as appropriate. The provision matrix specifies provision rates depending on the number of days that a receivable is past due. The provision for ECL on trade receivables in 2023, 2022 and 2021 is disclosed in Note 5 to the financial statements.

The carrying amount of trade receivables as at December 31, 2023 and 2022 is disclosed in Note 5 to the financial statements.

Provision for ECL on 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 ECL.

The Company's other financial assets at amortized cost are considered to have low credit risk, and therefore the loss allowance is determined as 12 months ECL. 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. The Company also considered the assessment of financial capacity of the related party in assessing the impairment of balances. Accordingly, no impairment loss was recognized in 2023, 2022 and 2021.

The carrying amounts of other financial assets at amortized cost as at December 31, 2023 and 2022 are disclosed in Notes 4 and 5 to the financial statements.

Estimation of Allowance for Inventory Obsolescence. The Company, in determining the NRV of inventories, considers any adjustments for obsolescence, which is generally 100% allowance on inventories that are damaged or a certain percentage if their selling prices have declined. The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were used. An increase in allowance for inventory obsolescence and market decline would increase recorded operating expense and decrease current assets.

No provision for inventory obsolescence was recognized in 2023, 2022 and 2021. The carrying amount of inventories as at December 31, 2023 and 2022 is disclosed in Note 6 to the financial statements.

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 estimated useful lives of property and equipment are reviewed periodically 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 assets.

No change was made on the estimated useful lives of property and equipment in 2023, 2022 and 2021. The carrying amount of property and equipment as at December 31, 2023 and 2022 is disclosed in Note 8 to the financial statements.

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

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

The details of ROU assets and lease liabilities as at December 31, 2023 and 2022 are disclosed in Note 21 to the financial statements.

Assessment of Impairment of Nonfinancial Assets. Assessing nonfinancial assets for impairment includes considering certain indicators of impairment such as significant changes in asset usage, significant decline in market value, obsolescence or physical damage of an asset. If such indicators are present, and where the carrying amount of the asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Management assessed that there are no indicators of impairment. Accordingly, no impairment loss was recognized in 2023, 2022 and 2021. The carrying amounts of advances to suppliers (presented as part of "Other noncurrent assets") and property and equipment are disclosed in Notes 7 and 8 to the financial statements.

Estimation of Retirement Liability. The determination of the Company's retirement cost is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions are described in Note 19 to the financial statements and include, among others, discount rate and salary increase rate.

The carrying amount of net retirement liability as at December 31, 2023 and 2022 and the retirement cost in 2023, 2022 and 2021 are disclosed in Note 19 to the financial statements.

Assessment of Realizability of Deferred Tax Assets. The Company reviews the carrying amounts of deferred tax asset at each reporting date and reduces deferred tax asset 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 carrying amount of deferred tax assets as at December 31, 2023 and 2022 is disclosed in Note 20 to the financial statements.

4. Cash and Cash Equivalents

This account consists of:

	2023	2022
Cash on hand	**₱9,206,913**	₱14,466,253
Cash in banks	**227,622,909**	212,544,234
Cash equivalents	**60,365,634**	24,567,429
	₱297,195,456	₱251,577,916

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 ₱1.0 million, ₱0.1 million and ₱0.1 million in 2023, 2022 and 2021, respectively (see Note 18).

5. Trade and Other Receivables

This account consists of:

	2023	2022
Trade	**₱318,768,005**	₱216,014,804
Advances to officers and employees	**20,624,625**	10,748,772
Others	**1,000,000**	1,000,000
	340,392,630	227,763,576
Less allowance for ECL	**87,705,243**	91,126,214
	₱252,687,387	₱136,637,362

Trade receivables are noninterest-bearing receivables from patients and guarantors such as PhilHealth and HMO. Receivables from patients are due upon discharge or on agreed payment date while receivable from guarantors are generally on a 30 to 90 days credit term.

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

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

Movements in the allowance for ECL are as follows:

	Note	**2023**	2022
Balance at beginning of year		**₱91,126,214**	₱94,355,541
Provision for ECL	16	**20,698,265**	20,726,215
Write-off		**(24,119,236)**	(23,955,542)
Balance at end of year		**₱87,705,243**	₱91,126,214

6. Inventories

This account consists of:

	2023	2022
Medicines	**₱46,967,631**	₱44,645,012
Medical supplies	**12,788,164**	19,445,150
	₱59,755,795	₱64,090,162

As at December 31, 2023 and 2022, the costs of these inventories are lower than its NRV.

The cost of inventories charged to cost of sales amounted to ₱9.5 million, ₱11.0 million and ₱23.1 million in 2023, 2022 and 2021, respectively (see Note 15).

7. Other Assets

This account consists of:

	2023	2022
Current:		
Current portion of deferred input VAT	**₱18,009,972**	₱19,918,795
Prepaid insurance	**10,223,492**	4,784,835
	28,233,464	24,703,630
Noncurrent:		
Advances to suppliers and contractors	**107,746,104**	36,241,873
Deferred input VAT - net of current portion	**–**	9,856,662
	107,746,104	46,098,535
	₱135,979,568	₱70,802,165

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

Advances to suppliers pertain mainly to advance payments made to suppliers for purchase of medical equipment.

8. Property and Equipment

This account is classified as property and equipment carried at:

	2023	2022
Cost	**₱1,403,271,028**	₱1,418,335,025
Revalued amount	**494,132,000**	494,132,000
	₱1,897,403,028	₱1,912,467,025

The balances and movements of this account are as follows:

	2023						
	At Revalued Amount	**At Cost**					
	Land	**Buildings and Improvements**	**Medical Equipment**	**Furniture and Fixtures**	**Computer Equipment**	**Construction in progress**	**Total**
Cost							
Balances at beginning of year	**₱494,132,000**	**₱1,276,963,599**	**₱879,051,273**	**₱259,613,523**	**₱31,847,561**	**₱62,494,737**	**₱3,004,102,693**
Additions	**–**	**25,504,975**	**53,318,644**	**9,977,529**	**1,831,012**	**44,078,281**	**134,710,441**
Reclassifications		**16,349,745**				**(16,349,745)**	**–**
Balances at end of year	**494,132,000**	**1,318,818,319**	**932,369,917**	**269,591,052**	**33,678,573**	**90,223,273**	**3,138,813,134**
Accumulated Depreciation							
Balances at beginning of year	**–**	**382,421,864**	**517,167,045**	**166,273,707**	**25,773,052**	**–**	**1,091,635,668**
Depreciation	**–**	**49,658,355**	**70,763,632**	**27,506,151**	**1,846,300**	**–**	**149,774,438**
Balances at end of year	**–**	**432,080,219**	**587,930,677**	**193,779,858**	**27,619,352**	**–**	**1,241,410,106**
Carrying Amount	**₱494,132,000**	**₱886,738,100**	**₱344,439,240**	**₱75,811,194**	**₱6,059,221**	**₱90,223,273**	**₱1,897,403,028**

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

Details of the land at revalued amount are follows:

	2023	2022
At cost	**₱212,694,394**	₱212,694,394
Revaluation surplus at gross	**281,437,606**	281,437,606
Revalued amount	**₱494,132,000**	₱494,132,000

Revaluation surplus recognized in equity as at December 31, 2023 and 2022 are as follows:

	2023	2022
Revaluation surplus	**₱281,437,606**	₱281,437,606
Deferred tax	**(70,359,402)**	(70,359,402)
Balance at the end of the year	**₱211,078,204**	₱211,078,204

Fair Value Measurement

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

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

The latest appraisal report was made March 4, 2019.

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

- *Price per sq.m.* - estimated value prevailing in the real estate market depending on the location, area, shape and time element.

- *Value adjustments* - adjustments are made to the comparative values in approximation to the investment property taking into account the location, size and features among others.

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

The Company's construction in progress consists of various renovations in the hospital which a portion were completed in 2023 while the remaining are expected to be completed in 2024.

In 2023, the Company has started construction in progress of a Cul-de-Sac building which is expected to be completed in December 2024.

As at December 31, 2023 and 2022, fully depreciated property and equipment with aggregate cost of ₱442.0 million and ₱383.0 million, respectively, are still in use.

Depreciation and amortization consist of:

	Note	**2023**	2022	2021
Property and equipment		**₱149,774,438**	₱163,487,877	₱145,101,104
ROU assets	21	**816,723**	816,723	816,723
		₱150,591,161	₱164,304,600	₱145,917,827

Depreciation and amortization is charged to operations as follows:

	Note	**2023**	2022	2021
Cost of sales and services	15	**₱136,215,369**	₱144,829,203	₱129,009,974
General and administrative expenses	16	**14,375,792**	19,475,397	16,907,853
		₱150,591,161	₱164,304,600	₱145,917,827

9. **Trade and Other Payables**

This account consists of:

	Note	2023	2022
Trade:			
Third parties		**₱238,330,015**	₱190,374,635
Related party	13	**416,666**	911,333
Accrued expenses		**42,412,898**	25,235,932
Professional fee payable		**30,393,596**	19,955,352
Provident and employee benefits premium payable		**20,419,667**	26,208,052
Statutory payables		**4,206,745**	5,781,116
Retention payable		**3,406,800**	–
Dividends	13	**2,061,306**	5,692,239
Unearned income	21	**549,839**	549,839
Others		**3,707,771**	3,707,771
		₱345,905,303	₱278,416,269

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

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

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

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

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

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

10. **Loans Payable**

Loans payable is broken down as follows:

	2023	2022
Current portion of loan payable	**₱17,666,667**	₱11,111,111
Noncurrent portion of loan payable	**37,777,778**	118,611,111
Balance at end of year	**₱55,444,445**	₱129,722,222

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

As at December 31, 2023 and 2022, the Company is compliant with the required ratios. Outstanding balance on this loan facility amounted to ₱55.4 million and ₱99.7 million as at December 31, 2023 and 2022, respectively.

On October 19, 2020, the Company was granted by another local bank a term loan facility for ₱220.0 million to partially finance the construction of the Cancer Center (see Note 8). Outstanding balance on this loan facility amounted to ₱30.0 million as at December 31, 2022.

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

	2023	2022
Not later than one (1) year	**₱17,666,667**	₱11,111,111
Later than one (1) year but not more than five (5) years	**37,777,778**	118,611,111
	₱55,444,445	₱129,722,222

The changes in liabilities arising from financing activities as at December 31, 2023 and 2022 are as follows:

	2023			
	Loans Payable	**Dividends Payable (see Note 13)**	**Lease Liabilities (see Note 21)**	**Total**
Balance at beginning of year	**₱129,722,222**	**₱5,692,239**	**₱10,368,197**	**₱145,782,658**
Changes from financing cash flows	**(74,277,777)**	**(53,630,933)**	**(1,098,869)**	**(129,007,579)**
Noncash changes:				
Dividend declaration	**–**	**50,000,000**	**–**	**50,000,000**
Interest expense	**–**	**–**	**479,221**	**479,221**
Balance at end of year	**₱55,444,445**	**₱2,061,306**	**₱9,748,549**	**₱67,254,300**

	2022			
	Loans Payable	Dividends Payable (see Note 13)	Lease Liabilities (see Note 21)	Total
Balance at beginning of year	₱210,555,556	₱101,459,323	₱10,927,961	₱322,942,840
Changes from financing cash flows	(80,833,334)	(125,939,584)	(1,066,863)	(207,839,781)
Noncash changes:				
Dividend declaration	–	30,172,500	–	30,172,500
Interest expense	–	–	507,099	507,099
Balance at end of year	₱129,722,222	₱5,692,239	₱10,368,197	₱145,782,658

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

	Note	**2023**	2022	2021
Loans payable		**₱6,068,332**	₱7,644,721	₱10,269,603
Lease liabilities	21	**479,221**	507,099	532,228
		₱6,547,553	₱8,151,820	₱10,801,831

11. Other Noncurrent Liabilities

This account consists of:

	Note	**2023**	2022
Unearned income - net of current portion	21	**₱19,293,650**	₱19,293,650
Others		**855,000**	855,000
		₱20,148,650	₱20,148,650

Unearned income pertains to advance rent from medical consultants for occupying the Medical Arts building with terms of 30 years.

12. Equity

Capital Stock

Details of capital stock are as follows:

	2023		2022		2021	
	Number of Shares	**Amount**	Number of Shares	Amount	Number of Shares	Amount
Authorized Capital Stock - ₱100 par	**1,500,000**	**₱150,000,000**	1,500,000	₱150,000,000	1,500,000	₱150,000,000
Issued Capital Stock	**1,119,500**	**₱111,950,000**	1,119,500	₱111,950,000	1,119,500	₱111,950,000
Treasury stocks – at cost	**2,000**	**₱5,280,000**	2,000	₱5,280,000	2,000	₱5,280,000

The Company has 285 and 258 stockholders as at December 31, 2023 and 2022, respectively.

Retained Earnings

Appropriation

On December 5, 2023, the board of directors approved the extension of its appropriated retained earnings amounting to ₱300.0 million and approved an additional ₱200.0 million for the Company's budgeted capital expenditures in 2023 mainly for the construction of a Cul-de-Sac building which is expected to be completed in December 2024 (see Note 8).

Cash Dividend Declarations

Cash dividends declared in 2023, 2022 and 2021 are summarized below.

Declaration Date	Stockholders on Record Date	Dividend Per Share	Amount
March 29, 2023	**December 31, 2022**	**₱44.74**	**₱50,000,000**
June 24, 2022	December 31, 2021	27.00	30,172,500
December 2, 2021	December 31, 2019	77.07	86,125,725

13. Related Party Transactions

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

Related Party	Note	Nature of Transactions	Transactions during the Year 2023	Transactions during the Year 2022	Balance at End of Year 2023	Balance at End of Year 2022	Terms and Conditions
Trade Payables	9						
Entity under common control		Purchase of goods and services	**₱2,056,166**	₱2,927,379	**₱416,666**	₱911,333	Unsecured, noninterest-bearing, payable within 30 to 60 days and to be settled in cash
Dividends Payable	9						
Stockholders		Declarations of dividends	**₱50,000,000**	₱30,172,500	**₱2,061,306**	₱5,692,239	Unsecured, noninterest-bearing, payable on demand and to be settled in cash

Compensation of Key Management Personnel
The compensation paid to key management personnel are as follows:

	2023	2022	2021
Short-term employee benefits	**₱11,363,879**	₱13,967,719	₱21,219,177
Long-term and post-employment benefits	**–**	14,000,000	4,000,000
	₱11,363,879	₱27,967,719	₱25,219,177

14. Revenue

The details of disaggregated revenue streams are as follows:

	2023	2022	2021
Hospital and ancillary services	**₱1,556,670,931**	₱1,458,520,290	₱1,383,565,031
Room and board	**106,963,350**	69,975,443	62,766,255
Sale of medicines and medical supplies	**20,086,039**	23,436,692	49,062,923
	₱1,683,720,320	₱1,551,932,425	₱1,495,394,209

15. Cost of Sales and Services

This account consists of costs for:

	Note	**2023**	2022	2021
Hospital and ancillary services		**₱963,923,609**	₱897,997,922	₱940,119,545
Room and board		**39,682,816**	25,248,245	22,037,233
Sale of medicines and medical supplies	6	**9,465,007**	11,043,912	23,119,586
		₱1,013,071,432	₱934,290,079	₱985,276,364

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

	Note	**2023**	2022	2021
Cost of ancillary services		**₱507,554,604**	₱483,015,540	₱555,565,512
Personnel costs	17	**203,714,610**	176,893,981	164,878,895
Depreciation and amortization	8	**136,215,369**	144,829,203	129,009,974
Outside services		**85,108,574**	60,798,544	62,675,384
Utilities		**40,679,032**	32,055,114	31,145,242
Professional fees		**27,161,839**	20,329,614	13,664,378
Cost of medicines and medical supplies used and net changes in inventories	6	**9,465,007**	11,043,912	23,119,586
Rent	21	**3,172,397**	5,324,171	5,822,066
		₱1,013,071,432	₱934,290,079	₱985,881,037

16. **General and Administrative Expenses**

This account consists of:

	Note	**2023**	2022	2021
Personnel costs	17	**₱134,281,713**	₱140,786,647	₱107,458,215
Office supplies		**35,302,430**	32,165,798	29,210,343
Input tax expense		**34,953,536**	30,819,402	30,328,284
Outside services		**31,533,666**	23,491,173	20,105,708
Provision for ECL	5	**20,698,265**	20,726,215	28,242,592
Depreciation	8	**14,375,792**	19,475,397	16,907,853
Taxes and licenses		**13,006,172**	17,301,978	10,463,930
Representation		**12,914,762**	3,332,589	5,309,659
Transportation		**10,226,667**	10,345,067	6,787,546
Professional fees		**9,220,326**	7,472,790	6,255,209
Rent	21	**8,738,063**	6,764,094	4,559,089
Communications		**6,796,678**	7,460,982	6,154,563
Repairs and maintenance		**5,126,960**	3,781,719	2,947,017
Insurance		**3,360,441**	3,136,911	4,221,270
Advertisement		**1,959,785**	708,760	468,711
Others		**14,355,642**	527,346	985,861
		₱356,850,898	₱328,296,868	₱280,405,850

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

17. **Personnel Costs**

This account consists of:

	Note	**2023**	2022	2021
Short-term employee benefits		**₱331,197,187**	₱310,156,141	₱265,022,021
Retirement benefits	19	**6,799,136**	7,524,487	7,315,089
		₱337,996,323	₱317,680,628	₱272,337,110

Personnel costs charged to operations follows:

	Note	2023	2022	2021
Cost of sales and services	15	**₱203,714,610**	₱176,893,981	₱164,878,895
General and administrative expenses	16	**134,281,713**	140,786,647	107,458,215
		₱337,996,323	₱317,680,628	₱272,337,110

18. **Other Income**

This account consists of:

	Note	2023	2022	2021
Rebates from suppliers		**₱7,794,075**	₱6,583,581	₱707,935
Rental income	21	**7,588,906**	10,354,658	412,379
Interest income	4	**994,503**	131,842	88,868
Others		**11,840,803**	6,132,579	900,705
		₱28,218,287	₱23,202,660	₱2,109,887

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

19. **Retirement Benefits**

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

The latest actuarial valuation report using the projected unit credit method was for the year ended December 31, 2023.

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

	2023	2022	2021
Current service cost	**₱5,319,304**	₱5,985,830	₱6,090,543
Net interest cost	**1,479,832**	1,538,657	1,224,546
	₱6,799,136	₱7,524,487	₱7,315,089

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

	2023	2022
Balance at beginning of year	**₱48,471,585**	₱52,845,726
Current service cost	**5,319,304**	5,985,830
Interest cost	**3,499,648**	2,684,563
Remeasurement loss (gain):		
Changes in demographic assumption	**(18,467,264)**	–
Changes in financial assumption	**2,950,562**	(16,383,534)
Experience	**(2,640,797)**	3,705,458
Benefits paid	**(647,778)**	(366,458)
Balance at end of year	**₱38,485,260**	₱48,471,585

Expected contribution to the fund for 2024 amounted to ₱4.5 million.

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

	2023	2022
Balance at beginning of year	**₱25,515,481**	₱20,475,828
Interest income	**2,019,816**	1,145,906
Contribution	**4,919,623**	4,162,758
Remeasurement losses (gains)	**352,236**	(269,011)
Balance at end of year	**₱32,807,156**	₱25,515,481

The plan is being administered by a trustee-bank which is authorized to invest the fund as it deems proper. The fair value of plan assets approximates their carrying value as at December 31, 2023 and 2022. There are no risks that to which the plan assets expose the Company.

The plan assets as at December 31, 2023 and 2022 consists of:

	2023	2022
Cash and cash equivalents	**4.37%**	3.93%
Government bonds	**68.79%**	65.90%
Unit investment trust funds	**19.24%**	17.51%
Corporate bonds	**6.65%**	12.74%
Others	**0.95%**	(0.08%)
	100%	100%

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

	2023	2022
Present value of retirement benefits liability	**₱38,485,260**	₱48,471,585
Fair value of plan assets	**(32,807,156)**	(25,515,481)
	₱5,678,104	₱22,956,104

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

	2023		
	Cumulative Remeasurement Gain	**Deferred Tax (Note 20)**	**Net**
Balance at beginning of year	**₱24,351,469**	**(₱6,087,867)**	**₱18,263,602**
Remeasurement gain	**18,509,735**	**(4,627,434)**	**13,882,301**
Balance at end of year	**₱42,861,204**	**(₱10,715,301)**	**₱32,145,903**

	2022		
	Cumulative Remeasurement Gain	Deferred Tax (Note 20)	Net
Balance at beginning of year	₱11,942,404	(₱2,985,601)	₱8,956,803
Remeasurement gain	12,409,065	(3,102,266)	9,306,799
Balance at end of year	₱24,351,469	(₱6,087,867)	₱18,263,602

The principal assumptions used to determine the retirement benefit liability as at December 31, 2023 and 2022 are as follows:

	2023	2022
Discount rate	**6.12%**	7.22%
Future salary increases	**5.00%**	5.00%
Average expected future service years	**25.8**	25.7

The sensitivity analysis of defined benefit obligation for principal assumptions used as at December 31, 2023 and 2022 follows:

	Effect to Present Value of Defined Benefit Obligation	
Principal assumptions	**2023**	2022
Discount rate:		
Increase by 1%	**(₱2,697,753)**	(₱5,671,860)
Decrease by 1%	**3,043,445**	6,820,329
Salary rate:		
Increase by 1%	**3,047,120**	6,906,590
Decrease by 1%	**(2,749,520)**	(5,831,807)

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

The maturity analysis of the undiscounted benefit payments follows:

	2023	2022
One (1) year or less	**₱2,979,517**	₱419,984
More than one (1) year to five (5) years	**16,812,086**	10,801,644
More than five (5) years to ten (10) years	**29,980,618**	35,306,811

The average duration of the expected benefit payments at the end of the reporting period is 7.5 years as at December 31, 2023.

20. **Income Taxes**

The components of income tax expense are as follows:

	Note	2023	2022	2021
Reported in Profit or Loss				
Provision for current income tax:				
Regular corporate income tax (RCIT)		**₱81,498,694**	₱71,104,015	₱58,423,770
(Benefit from) deferred income tax		**2,182,019**	4,970,344	(3,185,420)
Effect of change in tax rates		**–**	–	8,608,986
		₱83,680,713	₱76,074,359	₱63,847,336
Reported in Other Comprehensive Income				
Provision for (benefit from) deferred income tax related to:				
Remeasurement loss (gain) on net retirement liability	19	**₱4,627,434**	(₱3,102,266)	(₱828,137)
Effect of change in tax rates on:				
Revaluation surplus		–	**–**	14,071,880
Remeasurement gain on net retirement liability		–	**–**	431,493
		(₱4,627,434)	(₱3,102,266)	₱13,675,236

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

	2023	2022
Deferred Tax Assets		
Allowance for ECL from receivables	**₱21,926,311**	₱22,781,554
Unearned income	**4,960,872**	4,960,872
Lease liability	**2,437,137**	2,592,049
Unamortized contribution to past service liability	**2,270,201**	2,594,515
Retirement benefits liability	**1,419,526**	5,739,027
	33,014,047	38,668,017
Deferred Tax Liabilities		
Revaluation surplus	**70,359,402**	70,359,402
Prepaid insurance	**2,555,873**	1,196,209
ROU assets	**2,075,838**	2,280,019
	74,991,113	73,835,630
Net Deferred Tax Liabilities	**₱41,977,066**	₱35,167,613

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

	2023	2022	2021
Income tax at statutory tax rate	**₱83,867,181**	₱76,099,080	₱55,255,013
Adjustments for:			
Interest income subjected to final tax	**(248,626)**	(32,961)	(22,217)
Nondeductible interest	**62,158**	8,240	5,554
Effect of change in tax rates on:			
Current income tax	**–**	–	(1,579,709)
Deferred income tax	**–**	–	10,188,695
	₱83,680,713	₱76,074,359	₱63,847,336

The subsequent approval of CREATE, however, is considered as a non-adjusting event for financial reporting purposes. Accordingly, the income tax rates used in preparing the financial statements are as follows:

	2023	2022	2021
RCIT	**25%**	25%	25%
MCIT	**1.5%**	1%	1%

21. **Commitments**

Company as a Lessor

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

Unearned income as at December 31, 2023 and 2022 is broken down as follows:

	Note	2023	2022
Current portion of unearned income	9	**₱549,839**	₱549,839
Noncurrent portion of unearned income	11	**19,293,650**	19,293,650
		₱19,843,489	₱19,843,489

Total rental income earned on the above operating leases amounted to ₱7.6 million, ₱10.4 million and ₱0.4 million in 2023, 2022 and 2021, respectively (see Note 18).

Company as a Lessee

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

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

Rent expense charged to operations follows:

	Note	**2023**	2022	2021
General and administrative expenses	16	**₱8,738,063**	₱6,764,094	₱4,559,089
Cost of sales and services	15	**3,172,397**	5,324,171	5,822,066
		₱11,910,460	₱12,088,265	₱10,381,155

Lease of St. James Hospital's Assets

In April 2019, the Company entered into an agreement with St. James Hospital for the lease of assets of the latter. The leased assets consist of land, building where the primary hospital is situated and all existing machines, equipment, facilities, furniture and fixtures in the primary hospital that will be needed for operations. The lease shall be for a period of 15 years subject to renewal by mutual agreement with an option to buy at any time. The monthly rental fee is subject to three (3) percent (3%) escalation every two years.

The balances and movements in ROU assets follow:

	Note	**2023**	2022
Cost			
Balance at beginning and end of year		**₱17,042,893**	₱17,042,893
Accumulated Amortization			
Balance at beginning of year		**(7,922,819)**	(7,106,096)
Amortization	8	**(816,723)**	(816,723)
Balance at end of year		**(8,739,542)**	(7,922,819)
Carrying Amount		**₱8,303,351**	₱9,120,074

The balance and movements in lease liabilities follow:

	Note	**2023**	2022
Balance at beginning of year		**₱10,368,197**	₱10,927,961
Rental payments		**(1,098,869)**	(1,066,863)
Interest expense	10	**479,221**	507,099
Balance at end of year		**9,748,549**	10,368,197
Current portion of lease liabilities		**683,421**	619,648
Noncurrent portion of lease liabilities		**₱9,065,128**	₱9,748,549

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

	2023	2022
Within one (1) year	**₱1,131,835**	₱1,098,869
Between one (1) and five (5) years	**4,829,649**	4,735,176
More than five (5) years	**6,409,090**	7,635,397
	₱12,370,574	₱13,469,442

Joint Arrangements for Medical Equipment

In February 2011, the Company and HB Calleja National Heart Institute (HBHNI) entered into a Memorandum of Agreement (MOA) whereby the parties agreed to jointly undertake the management and operation of the cardiovascular equipment and facility. The cardiovascular equipment is to equip a catheterization laboratory, a cardiovascular operating room suite, and a coronary care unit for the Company's heart institute. Under the MOA, HBHNI will provide a complete package of cardiovascular equipment and the management and operation of the cardiovascular equipment. The contract was renewed in October 2019 for another period of five (5) years.

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

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

22. Financial Risk Management

Financial Risk Management Objectives and Policies

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

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

Liquidity Risk

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

The following table summarizes the maturity profile of the Company's financial liabilities as at December 31, 2023 and 2022 based on contractual undiscounted principal and interest payments:

	2023					
	Due and Demandable	**Less than 30 Days**	**31-60 Days**	**61-90 Days**	**Over 90 Days**	**Total**
Trade and other payables*	**₱54,055,675**	**₱33,124,638**	**₱26,161,146**	**₱17,027,243**	**₱210,780,017**	**₱341,148,719**
Loans payable**	**–**	**–**	**–**	**–**	**86,715,187**	**86,715,187**
Lease liabilities**	**–**	**92,019**	**92,019**	**92,019**	**12,094,517**	**12,370,574**
Other noncurrent liabilities***	**–**	**–**	**–**	**–**	**855,000**	**855,000**
	₱54,055,675	**₱33,216,657**	**₱26,253,165**	**₱17,119,262**	**₱310,444,721**	**₱441,089,480**

**Excluding statutory payables and unearned income amounting to ₱4.2 million and ₱0.5 million, respectively.*
***Including interest*
****Excluding unearned income amounting to ₱19.3 million.*

	2022					
	Due and Demandable	Less than 30 Days	31-60 Days	61-90 Days	Over 90 Days	Total
Trade and other payables*	₱43,112,445	₱26,418,764	₱20,864,987	₱13,580,185	₱168,108,933	₱272,085,314
Loans payable***	–	17,754,250	1,061,339	1,026,022	156,531,229	176,372,840
Lease liabilities***	–	89,339	89,339	89,339	13,201,425	13,469,442
Other noncurrent liabilities**	–	–	–	–	855,000	855,000
	₱43,112,445	₱44,262,353	₱22,015,665	₱14,695,546	₱338,696,587	₱462,782,596

**Excluding statutory payables and unearned income amounting to ₱5.8 million and ₱0.5 million, respectively.*
***Excluding unearned income amounting to ₱19.3 million.*
****Including interest*

Credit Risk

The Company's exposure to credit risk relates to the Company's cash and cash equivalents and trade and other receivables (excluding advances to officers and employees). 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 one year.

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

	2023	2022
Cash in banks and cash equivalents	**₱287,988,543**	₱237,111,663
Trade and other receivables*	**319,768,005**	217,014,804
	₱607,756,548	₱454,126,467

**Excluding advances to officers and employees amounting to ₱20.6 million and ₱10.7 million as at December 31, 2023 and 2022, respectively.*

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

The table below show the credit risk of the Company's financial assets as at December 31, 2023 and 2022. The amounts are presented by credit risk rating grades and represent the gross carrying amounts of the financial assets:

	2023					
			Past Due but Not Impaired			
	High Grade	**Standard Grade**	**31 – 60 days**	**61 - 120 Days**	**Impaired**	**Total**
Simplified approach - Trade and other receivables*	**₱–**	**₱81,770,205**	**₱70,177,301**	**₱42,965,027**	**₱87,705,243**	**₱282,617,776**
12-month ECL: Cash in banks and cash equivalents	**287,988,543**	**–**	**–**	**–**	**–**	**287,988,543**
	₱287,988,543	**₱81,770,205**	**₱70,177,301**	**₱42,965,027**	**₱87,705,243**	**₱570,606,319**

**Excluding advances to officers and employees amounting to ₱20.6 million.*

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

**Excluding advances to officers and employees amounting to ₱10.7 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 but Not Impaired – items with history of frequent default nevertheless the amount due are still collectible.

Capital Management Policy

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

The Company considers its total equity as its capital.

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

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

There were no changes in the Company's approach to capital management in 2023 and 2022.

23. **Fair Value Measurement**

The following is a comparison by category of carrying amounts and fair value of the Company's financial instruments as at December 31, 2023 and 2022:

	2023		2022	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Cash in banks and cash equivalents	**₱287,988,543**	**₱287,988,543**	₱237,111,663	₱237,111,663
Trade and other receivables*	**319,768,005**	**319,768,005**	217,014,804	217,014,804
	₱607,756,548	**₱607,756,548**	₱454,126,467	₱454,126,467
Financial Liabilities				
Trade and other payables**	**₱341,148,719**	**₱341,148,719**	₱272,085,314	₱272,085,314
Loans payable	**55,444,445**	**55,444,445**	129,722,222	132,316,666
Lease liabilities	**12,094,517**	**12,094,517**	13,469,442	13,469,442
Other noncurrent liabilities***	**855,000**	**855,000**	855,000	855,000
	₱409,542,681	**₱409,542,681**	₱416,131,978	₱418,726,422

**Excluding advances to officers and employees amounting to ₱20.6 million and ₱10.7 million as at December 31, 2023 and 2022, respectively.*
*** Excluding statutory payables and unearned income totaling ₱4.8 million and ₱6.3 million as at December 31, 2023 and 2022, respectively.*
**** Excluding unearned income amounting to ₱19.3 million as at December 31, 2023 and 2022.*

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

Land
The Company's land carried at fair value amounted to ₱494.1 million as at December 31, 2023 and 2022. The significant unobservable inputs used in the fair value measurement are categorized within Level 3 of the fair value hierarchy (see Note 8).

No transfers in level of fair value hierarchy was made in 2023 and 2022.

24. **Earnings Per Share**

Basic and diluted earnings per share are computed as follows:

	2023	2022	2021
Net income	**₱251,788,011**	₱228,321,959	₱157,172,715
Weighted average number of outstanding common shares	**1,117,500**	1,117,500	1,117,500
Basic/diluted earnings per share	**₱225.31**	₱204.31	₱140.65

REYES TACANDONG & CO.
FIRM PRINCIPLES. WISE SOLUTIONS.

BOA/PRC Accreditation No. 4782
August 16, 2021, valid until April 13, 2024
SEC Registration No. PP201007009

BDO Towers Valero
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Makati City 1226 Philippines
Phone : +632 8 982 9100
Fax : +632 8 982 9111
Website : www.reyestacandong.com

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

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

We have audited the accompanying financial statements of Mary Mediatrix Medical Center, Inc. (the Company) as at December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021, on which we have rendered our report dated April 11, 2024.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the Company has 278 stockholders owning one hundred (100) or more shares each.

REYES TACANDONG & CO.

CAROLINA P. ANGELES
Partner
CPA Certificate No. 86981
Tax Identification No. 205-067-976-000
BOA Accreditation No. 4782; Valid until April 13, 2024
BIR Accreditation No. 08-005144-007-2022
Valid until October 16, 2025
PTR No. 10072409
Issued January 2, 2024, Makati City

April 11, 2024
Makati City, Metro Manila

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

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

We have audited in accordance with Philippine Standards in Auditing, the financial statements of Mary Mediatrix Medical Center, Inc. (the Company) as at December 31, 2023 and 2022 and for the years ended December 31, 2023, 2022 and 2021, and have issued our report there on dated April 11, 2024. 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, 2023
- Schedules Required under Revised SRC Rule 68 Part 4D and 4G as at December 31, 2023 and 2022

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

REYES TACANDONG & CO.

CAROLINA P. ANGELES
Partner
CPA Certificate No. 86981
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BOA Accreditation No. 4782; Valid until April 13, 2024
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Valid until October 16, 2025
PTR No. 10072409
Issued January 2, 2024, Makati City

April 11, 2024
Makati City, Metro Manila

MARY MEDIATRIX MEDICAL CENTER, INC.

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

DECEMBER 31, 2023 AND 2022

Ratio	Formula	2023	2022
Current Ratio			
	Total current assets	**₱637,872,102**	₱477,009,070
	Divided by: Total current liabilities	**379,460,839**	296,515,969
	Current Ratio	**1.68:1**	1.61:1
Acid Test Ratio			
	Total current assets	**₱637,872,102**	₱477,009,070
	Less: Inventories	**59,755,795**	64,090,162
	Other current assets	**28,233,464**	24,703,630
	Quick assets	**549,882,843**	388,215,278
	Divide by: Total current liabilities	**379,460,839**	296,515,969
	Acid Test Ratio	**1.45:1**	1.31:1
Solvency Ratio			
	Net income	**₱251,788,011**	₱228,321,959
	Add: Depreciation and amortization	**150,591,161**	164,304,600
	Net income before depreciation and amortization	**402,379,172**	392,626,559
	Divided by: Total liabilities	**494,107,565**	503,147,996
	Solvency Ratio	**0.81:1**	0.78:1
Debt-to-Equity Ratio			
	Total liabilities	**₱494,107,565**	₱503,147,996
	Divided by: Total equity	**2,157,217,020**	1,941,546,708
	Debt-to-Equity Ratio	**0.23:1**	0.26:1
Asset-to-Equity Ratio			
	Total assets	**₱2,651,324,585**	₱2,444,694,704
	Divided by: Total equity	**2,157,217,020**	1,941,546,708
	Asset-to-Equity Ratio	**1.23:1**	1.26:1
Return on Equity			
	Net income	**₱251,788,011**	₱228,321,959
	Divided by: Total equity	**2,157,217,020**	1,941,546,708
	Return on Equity	**0.12:1**	0.12:1
Return on Assets			
	Net income	**₱251,788,011**	₱228,321,959
	Divided by: Average total assets	**2,548,009,645**	2,448,843,797
	Return on Assets	**0.10:1**	0.09:1
Net Profit Margin			
	Net income	**₱251,788,011**	₱228,321,959
	Divided by: Revenues	**1,683,720,320**	1,551,932,425
	Net Profit Margin	**0.15:1**	0.15:1

MARY MEDIATRIX MEDICAL CENTER, INC.

SUPPLEMENTARY SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

DECEMBER 31, 2023

Unappropriated retained earnings, as adjusted, beginning	₱346,632,181
Net Income	251,788,011
Movement in deferred tax assets	(796,383)
Unappropriated retained earnings, as adjusted, ending	597,623,809
Dividend declaration during the year	(50,000,000)
Appropriations	(200,000,000)
Unappropriated retained earnings available for dividend declaration, end of year	₱347,623,809

MARY MEDIATRIX MEDICAL CENTER, INC.

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

DECEMBER 31, 2023

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MARY MEDIATRIX MEDICAL CENTER, INC.

D. Long-term Debt

DECEMBER 31, 2023

Title of Issue and Type of Obligation	*Amount Authorized by Indenture*	*Amount shown under caption "Loans payable" in related balance sheet*	*Amount shown under caption "Loans payable - net of current portion " in related balance sheet*
Unsecured loans	₱–	₱17,666,667	₱37,777,778
Secured loans	–	–	–

MARY MEDIATRIX MEDICAL CENTER, INC.

G. Capital Stock

DECEMBER 31, 2023

				Number of shares held by		
Title of Issue	***Number of shares authorized***	***Number of shares issued and outstanding as shown under the related statements of financial position caption***	***Number of shares reserved for options, warrants, conversion and other rights***	***Related parties***	***Directors, officers and employees***	***Others***
Capital Stock - ₱100 par value	1,500,000	1,117,500	–	569,784	75,258	472,458