COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

CS201607307

COMPANY NAME

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - CAGAYAN DE ORO, INC.

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

RM. NO. 6, 2/F CLINICA SPECIALISTA INC. BUILDING, CAGAYAN DE ORO, INC.

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
alliedcareexperts.cdo@gmail.com	N/A	09177718385

No. of Stockholders	Annual Meeting (Month/Day)	Fiscal Year (Month/Day)
299	Second Saturday of April	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
Mitchel Dennis Gonzales	mdbgonzalez@yahoo.com	N/A	09209623714

CONTACT PERSON's ADDRESS

Pimentel St. Brgy. Lapasan, Cagayan de Oro 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 record with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER CAGAYAN DE ORO, INC.

Pimentel Street, Sta. Cruz Lapasan, Cagayan de Oro City, Philippines, 9000

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – CAGAYAN DE ORO, INC.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021, 2020 and 2019, in accordance with the Philippine Financial Reporting Standards (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.

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 or members.

Dimaculangan, Dimaculangan and Company, CPAs, the independent auditor for December 31, 2021 and Mendoza Querido & Co., the independent auditor for December 31, 2021 and 2019, who were appointed by the stockholders, have audited the financial statements of the Company in accordance with Philippine Standards on Auditing and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.

Signature ____________________
Amado Manuel C. Enriquez, Jr., M.D.
Chairman of the Board

Signature ____________________
Clarito T. Cañete, M.D.
President

Signature ____________________
Rommel B. Vallejos, M.D.
Corporate Treasurer

Signed this 26th day of March 2022

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QUINTILIANITO S. BABARIN JR.
NOTARY PUBLIC
UNTIL JUNE 30, 2022
PTR NO. 5222065A JAN. 4, 2022
IBP YEAR 2022 PAID JAN. 6, 2022
ROLL NO. 45885 MAY 23, 2001
MCLE COMP. NO. VI 0026778 UNTIL APRIL 2022

dimaculangan,
dimaculangan and co. cpa's

BOA License No. 0416 (Up to March 19, 2024)
SEC Accreditation No. 0383 - F (Group B) (Up to September 9, 2022)
BIR Accreditation No. 08-002906-000-2020 (Up to April 13, 2023)

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS TO ACCOMPANY FINANCIAL STATEMENTS FOR FILING WITH THE SECURITIES AND EXCHANGE COMMISSION

The Board of Directors and Stockholders
ALLIED CARE EXPERTS (ACE) MEDICAL CENTER
– CAGAYAN DE ORO, INC.
Rm. No. 6, 2/F Clinica Specialista Inc. Building,
Corner Tiano-Mabini Streets,
Cagayan de Oro City

We have audited the financial statements of **ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - CAGAYAN DE ORO, INC.** as at and for the year ended December 31, 2021 on which we have rendered the attached report dated March 26, 2022.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the said Company has forty-nine (49) stockholders owning one hundred (100) or more shares each.

For the firm : DIMACULANGAN, DIMACULANGAN AND COMPANY, CPA'S

MARIA TERESITA ZUNIGA-DIMACULANGAN
Partner
CPA Certificate No. 0036077
BOA Registration No. 0416, effective until March 19, 2024
SEC Accreditation No. 1777-A (Group B), effective until September 09, 2022
BIR Accreditation No. 08-002906-000-2020, effective until April 13, 2023
Tax Identification No.133-451-815
PTR No. MKT 8873832, January 21, 2022

March 26, 2022
Makati City
Philippines

Allied Care Experts (ACE) Medical Center – Cagayan de Oro, Inc.

Financial Statements
As at and for the year ended December 31, 2021

and

Independent Auditors' Report

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
ALLIED CARE EXPERTS (ACE) MEDICAL CENTER
– CAGAYAN DE ORO, INC.
Rm. No. 6, 2/F Clinica Specialista Inc. Building,
Corner Tiano-Mabini Streets,
Cagayan de Oro City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - CAGAYAN DE ORO, INC.** (the "Company"), which comprise the statement of financial position as at December 31, 2021 and the statement of comprehensive loss, statement of changes in equity and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's 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 our 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 audit opinion.

Emphasis of the Matter

As discussed further in Note 1 to the financial statements, the Company is still in its pre-commercial operation stage as at December 31, 2021. Its main activities are limited to the construction of the hospital building which is currently in progress.

The accumulated deficit amounting to ₱21,851,870 as at December 31, 2021 represent various general and administrative expenses actually incurred by the Company while it is still in its pre-operating stage. It is expected to generate positive result upon commencement of its commercial operations.

Other Matter

The financial statements of the Company as at and for the year ended December 31, 2020 were audited by other auditor whose report dated April 9, 2021 expressed an unqualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period.

As of December 31, 2021, we have determined that there are no key audit matters to communicate in our report.

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.

Auditor's 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, 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 auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

Report on the Supplementary Information Required Under Revenue Regulation 15-2010, 19-2020 and 34-2020

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulation 15-2010, 19-2020 and 34-2020 is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of **ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - CAGAYAN DE ORO, INC.** The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Report on Additional Components of the Financial Statements

We have audited in accordance with Philippine Standards on Auditing, the financial statements of **ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - CAGAYAN DE ORO, INC.** (the "Company") as at and for the year ended December 31, 2021 and have issued our report thereon dated March 26, 2022. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary schedules required by paragraph 7, Part II of the Revised Securities Regulation Code (SRC) Rule 68 (Annex 68-J), Reconciliation of Retained Earnings Available for Dividend Declaration, and Schedule of Financial Soundness Indicators are the responsibility of the Company's management. These schedules are presented for purposes of complying with Revised SRC Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Maria Teresita Zuñiga-Dimaculangan.

For the firm: **DIMACULANGAN, DIMACULANGAN AND COMPANY, CPA'S**

MARIA TERESITA ZUNIGA-DIMACULANGAN
Partner
CPA Certificate No. 0036077
BOA Registration No. 0416, effective until March 19, 2024
SEC Accreditation No. 1777-A (Group B), effective until September 09, 2022
BIR Accreditation No. 08-002906-000-2020, effective until April 13, 2023
Tax Identification No.133-451-815
PTR No. MKT 8873832, January 21, 2022

March 26, 2022
Makati City
Philippines

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - CAGAYAN DE ORO, INC.
STATEMENT OF FINANCIAL POSITION

(With comparative figures as at December 31, 2020)
(Amounts in Philippine Peso)

		December 31,	
ASSETS	*Notes*	**2021**	2020
CURRENT ASSETS			
Cash	*6*	**33,346,116**	2,100,170
Receivables		**2,770,153**	95,923
		36,116,269	2,196,093
NON-CURRENT ASSETS			
Advances to contractors and suppliers	*7*	**39,711,602**	39,032,038
Property and equipment (net)	*8*	**892,953,524**	629,660,557
Deferred tax asset	*14*	**2,962,450**	2,514,197
		935,627,576	671,206,792
TOTAL ASSETS		**971,743,845**	673,402,885
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable and other liabilities	*9*	**126,803,514**	38,765,934
Notes payable - current portion	*10*	**19,976,471**	19,500,000
		146,779,985	58,265,934
NON-CURRENT LIABILITIES			
Notes payable - net of current portion	*10*	**473,013,677**	370,500,000
Advances from shareholders	*11*	**176,802,053**	184,871,466
		649,815,730	555,371,466
TOTAL LIABILITIES		**796,595,715**	613,637,400
EQUITY			
Share capital	*12*	**149,500,000**	78,600,000
Share premium	*12*	**47,500,000**	-
Deficit	*1*	**(21,851,870)**	(18,834,515)
		175,148,130	59,765,485
TOTAL LIABILITIES AND EQUITY		**971,743,845**	673,402,885

(The accompanying Notes to Financial Statements are an integral part of these Financial Statements)

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ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - CAGAYAN DE ORO, INC.
STATEMENT OF COMPREHENSIVE LOSS
(With comparative figures for the years ended December 31, 2020 and 2019)
(Amounts in Philippine Peso)

			Years ended December 31,	
	Notes	2021	2020	2019
REVENUE		-	-	-
DIRECT COST		-	-	-
GROSS PROFIT		-	-	-
INTEREST INCOME	*6*	4,714	5,950	14,416
GROSS INCOME		4,714	5,950	14,416
GENERAL AND ADMINISTRATIVE EXPENSES	*13*	3,189,800	2,786,616	5,654,895
FINANCE COSTS	*10*	280,522	-	-
NET LOSS BEFORE INCOME TAX		(3,465,608)	(2,780,666)	(5,640,479)
INCOME TAX BENEFIT	*14*	448,253	827,780	1,686,417
NET LOSS FOR THE YEAR		(3,017,355)	(1,952,886)	(3,954,062)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(3,017,355)	(1,952,886)	(3,954,062)
BASIC LOSS PER SHARE	*15*	(22.43)	(14.79)	(29.96)

(The accompanying Notes to Financial Statements are an integral part of these Financial Statements)

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - CAGAYAN DE ORO, INC.
STATEMENT OF CHANGES IN EQUITY
(With comparative figures for the years ended December 31, 2020 and 2019)
(Amounts in Philippine Peso)

	Share Capital (Note 12)	Share Premium (Note 12)	Deficit (Note 1)	Total
EQUITY				
As at January 1, 2019	60,600,000	-	(12,927,567)	47,672,433
Additional payment of subscribed capital	18,000,000	-	-	18,000,000
Net loss for the year	-	-	(3,954,062)	(3,954,062)
As at December 31, 2019	78,600,000	-	(16,881,629)	61,718,371
Net loss for the year	-	-	(1,952,886)	(1,952,886)
As at December 31, 2020	**78,600,000**	-	**(18,834,515)**	**59,765,485**
Additional share capital	**2,500,000**	-	-	**2,500,000**
Payment of subcribed shares	**68,400,000**	-	-	**68,400,000**
Share premium	-	**47,500,000**	-	**47,500,000**
Net loss for the year	-	-	**(3,017,355)**	**(3,017,355)**
As at December 31, 2021	**149,500,000**	**47,500,000**	**(21,851,870)**	**175,148,130**

(The accompanying Notes to Financial Statements are an integral part of these Financial Statements)

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ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - CAGAYAN DE ORO, INC.
STATEMENT OF CASH FLOWS
(With comparative figures for the years ended December 31, 2020 and 2019)
(Amounts in Philippine Peso)

			Years ended December 31,	
	Notes	**2021**	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss before income tax		**(3,465,608)**	(2,780,666)	(5,640,479)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation	*8*	**105,759**	99,696	76,821
Interest income	*6*	**(4,714)**	(5,950)	(14,416)
Operating cash outflows before changes in working capital		**(3,364,563)**	(2,686,920)	(5,578,074)
Changes in working capital components:				
Decrease (increase) in current assets:				
Receivables		**(2,674,230)**	14,708	200,405
Increase (decrease) in current liabilities:				
Accounts payable and other liabilities	*9*	**84,246,799**	9,733,229	3,113,468
Net cash provided by (used in) operations		**78,208,006**	7,061,017	(2,264,201)
Interest received	*6*	**4,714**	5,950	14,416
Net cash provided by (used in) operating activities		**78,212,720**	7,066,967	(2,249,785)
CASH FLOWS FROM INVESTING ACTIVITIES				
Increase in advances to contractors and suppliers	*7*	**(679,564)**	(3,111,629)	(26,130,641)
Additions to property and equipment	*8*	**(259,607,945)**	(153,979,444)	(151,299,745)
Net cash used in investing activities		**(260,287,509)**	(157,091,073)	(177,430,386)

Balance forwarded

13 APR 2022

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - CAGAYAN DE ORO, INC.
STATEMENT OF CASH FLOWS
(With comparative figures for the years ended December 31, 2020 and 2019)
(Amounts in Philippine Peso)

			Years ended December 31,	
	Notes	2021	2020	2019
Forwarded balance				
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from notes payable	*10*	**122,490,148**	100,000,000	100,000,000
Payment of notes payable	*10*	**(19,500,000)**	-	-
Increase in share capital	*12*	**70,900,000**	-	18,000,000
Increase in share premium	*12*	**47,500,000**	-	-
Proceeds from advances from shareholders	*11*	**25,930,587**	52,508,700	12,790,000
Payment of advances from shareholders	*11*	**(34,000,000)**	(6,930,000)	-
Net cash provided by financing activities		**213,320,735**	145,578,700	130,790,000
NET INCREASE (DECREASE) IN CASH		**31,245,946**	(4,445,406)	(48,890,171)
CASH, beginning of the year		**2,100,170**	6,545,576	55,435,747
CASH, end of the year	*6*	**33,346,116**	2,100,170	6,545,576
NONCASH INVESTING ACTIVITIES				
Accrued interest payable		**3,790,781**	-	-
Additions to construction-in-progress		**(3,790,781)**	-	-
		-	-	-

(The accompanying Notes to Financial Statements are an integral part of these Financial Statements)

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – CAGAYAN DE ORO, INC.

NOTES TO FINANCIAL STATEMENTS

(With comparative figures as at December 31, 2020 and for the years ended December 31, 2020 and 2019)
(Amounts in Philippine Peso)

NOTE 1. CORPORATE INFORMATION AND STATUS OF OPERATIONS

Corporate Information

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – CAGAYAN DE ORO, INC. (the "Company") was incorporated as a domestic corporation under Philippine laws and was duly registered with the Securities and Exchange Commission (SEC) under registration No. CS201607307 on April 12, 2016.

The Company's primary purpose is to establish, maintain, operate, own and manage hospitals, medical and related healthcare facilities and businesses such as but without restriction to clinical laboratories, diagnostic centers, ambulatory clinic, condo-hospital, scientific research institutions and other allied undertakings and services which shall provide medical, surgical, nursing, therapeutic, paramedic or similar care, provided that purely professional medical or surgical services shall be performed by duly qualified and licensed physicians or surgeons who may or may not be connected with the hospitals and whose services shall be freely and individually contracted by the patients.

On September 09, 2021, the SEC En Banc approved the Registration Statement of the Company for 240,000 shares under SEC MSRD Order No. 59. These shares have been registered and may now be offered for sale or sold to the public subject to full compliance with the provisions of the Securities Regulation Code and its Amended Implementing Rules and Regulations, Revised Code of Corporate Governance, and other applicable laws and orders as may be issued by the Commission.

The registered office of the Company is located at Rm. No. 6, 2/F Clinica Specialista Inc. Building, Corner Tiano-Mabini Streets, Cagayan de Oro City. The hospital construction site is located at Barrio Lapasan, Cagayan de Oro City.

Status of Operations

The Company has not yet started commercial operations and is currently constructing a multidisciplinary specialty medical facility (hospital) which is expected to be fully completed by the third quarter of 2022.

The Company has incurred an accumulated deficit of ₱21,851,870 and ₱18,834,515 as at December 31, 2021 and 2020, respectively, as a result of various general and administrative expenses incurred while the Company is still in its pre-commercial operation stage. It is expected to generate positive result upon commencement of its commercial operations.

NOTE 2. FINANCIAL REPORTING FRAMEWORK AND BASIS OF PREPARATION AND PRESENTATION

Statement of Compliance

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), which includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretation Committee (PIC) and Standing Interpretations Committee (SIC) as approved by the Financial Reporting Standards Council (FRSC) and Board of Accountancy (BOA) and adopted by the SEC.

Basis of Preparation of Financial Statements

These financial statements have been prepared on the historical cost basis, except when otherwise stated.

Functional and Presentation Currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's financial statements are presented in Philippine Peso (₱), which is the Company's functional and presentation currency. All values are rounded off to the nearest peso, except when otherwise indicated.

NOTE 3. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Adoption of New and Revised Accounting Standards Effective in 2021

The Company adopted all applicable accounting standards and interpretations as at December 31, 2021. The new and revised accounting standards and interpretations that have been published by the International Accounting Standards Board (IASB) and approved by the FRSC in the Philippines, were assessed by the Management to be applicable to the Company's financial statements as follows:

Amendments to PFRS 16, COVID-19-Related Rent Concessions beyond June 30, 2022.

In March 2021, the IASB issued Covid-19-Related Rent Concessions beyond June 30, 2021 (Amendment to PFRS 16) that extends the practical expedient to apply to reduction in lease payments originally due on or before June 30, 2022.

The practical expedient permits a lessee to elect not to assess whether a COVID-19- related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession applying IFRS 16 as if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
b) Any reduction in lease payments affects only payments originally due on or before June 30, 2022 (a rent concession meets this condition if it results in reduced lease payments on or before June 30, 2022 and increased lease payments that extend beyond June 30, 2022); and
c) There is no substantive change to other terms and conditions of the lease.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued.

Management of the Company has assessed that the adoption of the amendment has no impact on the Company's financial statements as the Company does not have COVID19 related rent concessions.

PIC Q&A No. 2020-07, PAS 12 – Accounting for the Proposed Changes in Income Tax Rates under the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) Bill.

The interpretation explained the details of the CREATE bill and its impact on the financial statements once passed.

Interpretation discussed that impact on the financial statements ended December 31, 2020 are as follows:

- Current and deferred taxes will still be measured using the applicable income tax rate as of December 31, 2020;
- If the CREATE bill is enacted before financial statements' issue date, this will be a non-adjusting event but the significant effects of changes in tax rates on current and deferred tax assets and liabilities should be disclosed; and
- If the CREATE bill is enacted after financial statements' issue date but before filing of the income tax return, this is no longer a subsequent event but companies may consider disclosing the general key feature of the bill and the expected impact on the FS.

For the financial statements ended December 31, 2021, the impact are as follows:

- Standard provides that component of tax expense (income) may include "any adjustments recognized in the period for current tax of prior periods" and "the amount of deferred tax expense(income) relating to changes in tax rates or the imposition of new taxes"
- An explanation of changes in the applicable income tax rates to the previous accounting period is also required to be disclosed
- The provision for current income tax for the year 2021 will include the difference between income tax per 2020 financial statements and 2020 income tax return
- Deferred tax assets and liabilities as of December 31, 2021, will be remeasured using the new tax rates
- Any movement in deferred taxes arising from the change in tax rates that will form part of the provision for/benefit from deferred taxes will be included as well in the effective tax rate reconciliation.

The interpretation is effective on or after January 29, 2021. Management's assessment on the impact of this interpretation to the Company's financial statements is incorporated in Note 14. The Company's current tax expense is calculated using 25% regular corporate income tax (RCIT). Deferred tax assets as at December 31, 2021 were remeasured using 25% RCIT.

Standards Issued but not yet Effective:

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on the financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2022

Amendments to PFRS 3, *References to the Conceptual Framework*

The amendments update PFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to PFRS 3 a requirement that, for obligations within the scope of PAS 37, an acquirer applies PAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

The amendments also add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

The future adoption of the amendments will not have an impact on the Company's financial statements as the Company does not plan to enter into business combination.

Amendments to PAS 16, *Property, Plant and Equipment – Proceeds before Intended Use*

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with PAS 2 *Inventories*.

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

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

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Management is still evaluating the impact of the amendment on the Company's financial statements.

Amendments to PAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Management is still evaluating the impact of the amendment on the Company's financial statements.

Annual Improvements to PFRS Standards 2018-2020 Cycle

Amendments to PFRS 1 – *Subsidiary as a first-time adopter*

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in PFRS1:D16 (a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to PFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in PFRS 1: D16 (a).

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Management is still evaluating the impact of the amendment on the Company's financial statements.

Amendments to PFRS 9 – ***Fees in the '10 percent' test for derecognition of financial liabilities***

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

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Management is still evaluating the impact of the amendment on the Company's financial statements.

Amendments to PAS 41 – ***Taxation in fair value measurements***

The amendment removes the requirement in PAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in PAS 41 with the requirements of PFRS 13 *Fair Value Measurement* to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Management is still evaluating the impact of the amendment on the Company's financial statements.

Effective Beginning on or after January 01, 2023

Amendments to PAS 1, ***Classification of Liabilities as Current or Non-current***

The amendments to PAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or service.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Management is still evaluating the impact of the amendments on the Company's financial statements.

PFRS 17, *Insurance Contracts*

PFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of PFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

The key principles in PFRS 17 are that an entity:

- identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder;
- separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts;
- divides the contracts into groups that it will recognize and measure;
- recognizes and measures groups of insurance contracts at:
  - a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset)
  - an amount representing the unearned profit in the group of contracts (the contractual service margin)
- recognizes the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognizes the loss immediately;
- presents separately insurance revenue (that excludes the receipt of any investment component), insurance service expenses (that excludes the repayment of any investment components) and insurance finance income or expenses; and
- discloses information to enable users of financial statements to assess the effect that contracts within the scope of PFRS 17 have on the financial position, financial performance and cash flows of an entity.

PFRS 17 includes an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts.

The standard is effective for periods beginning on or after January 1, 2023. Earlier application is permitted.

The adoption of the standard will not have a significant impact on the Company's financial statements as the Company does not issue insurance contracts.

Deferred Effectivity

Amendments to PFRS 10 and PAS 28, *Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture*

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

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted.

Management is still evaluating the impact of the amendments on the Company's financial statements.

NOTE 4. SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. These policies have been consistently applied to all years presented, unless otherwise stated.

Current versus Noncurrent Classification

The Company presents its assets and liabilities in the statement of financial position based on current/noncurrent classification.

An asset is current when it is:

- expected to be realized or intended to be sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as noncurrent.

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

The Company also modifies classification of prior year amounts to conform to current year's presentation.

Fair Value Measurement

Fair value is the estimated price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability, takes place either:

- in the principal market for the asset or liability; or

- in the absence of a principal market, in the most advantageous market for the asset or liability, the principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

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

Financial Instruments

A financial instrument is any contract that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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

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

observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

Financial assets

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss.

The Company's business model for managing financial assets refer to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instrument)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains or losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

<u>Financial assets at amortized cost (debt instruments)</u>
Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes cash (excluding cash on hand) and receivables as at reporting date.

Financial assets at fair value through OCI (debt instruments)
For debt instruments at fair value through OCI, interest income, foreign exchange revaluation, if any, and impairment losses or reversals are recognized in the statement of profit or loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit and loss.

The Company does not have debt instruments designated at fair value through OCI as at reporting date.

Financial assets designated at fair value through OCI (equity instruments)
Upon initial recognition, the Company can elect to classify irrevocably its equity instruments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 – *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as recovery of part of the cost of the financial assets, in which case, such gains are recovered in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company does not have equity instruments designated at fair value through OCI (FVOCI) as at reporting date.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognized as other income in the statement of profit or loss when the right of payment has been established.

The Company does not have financial assets at fair value through profit or loss as at reporting date.

Derecognition

The financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's statement of financial position) when:

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' agreement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership. When it has neither transferred nor retained substantially all of the risk and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Reclassification

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

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

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

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at FVOCI, its fair value at the reclassification date becomes its new gross carrying amount. Meanwhile, for a financial asset reclassified out of the financial assets at FVOCI category to financial assets at FVPL, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

Impairment

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been significant increase in credit risk since initial recognition, a loss is required for credit expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Company considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full or in part before taking into account any credit enhancements held by the Company. A financial asset is written off in full or in part when there is no reasonable expectation of recovering the contractual cash flows.

Write-off

Financial assets are written-off when the Company has no reasonable expectations of recovering the financial asset either in its entirety or a portion of it. This is the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event.

Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent Measurement

The measurement of financial liabilities depends on their classified into two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost (loans and borrowings)

<u>Financial Liabilities at fair value through profit or loss</u>
Financial liabilities at fair value through profit or loss are designated upon initial recognition at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied.

The Company has not designated any financial liability at fair value through profit or loss at the end of each reporting period.

Financial liabilities at amortized cost (loans and borrowings)
After initial recognition, interest-bearing loans and borrowings and other payables are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as "Finance cost" in the statement of comprehensive loss.

The Company's financial liabilities at amortized cost include accounts payable and other liabilities (excluding government liabilities), notes payable and advances from shareholders.

Derecognition

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

Fair Value Option

The Company may, at initial recognition, irrevocably designate a financial asset or liability that would otherwise have to be measured at amortized cost or fair value through other comprehensive loss to be measured at fair value through profit or loss if doing so would eliminate or significantly reduce an accounting mismatch or otherwise results in more relevant information.

Classification of Financial Instrument between Liability and Equity

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

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

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

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

The Company assesses that it has currently enforceable right to offset if the right is not contingent on a future event and is legally enforceable in the event of insolvency or bankruptcy of the Company and all of the counterparties.

Cash

Cash in the statement of financial position comprises petty cash and cash in various banks that are unrestricted and available for current operations. These are stated in the financial statements at amortized amount.

Advances to Contractors and Suppliers

Advances to contractors and suppliers are payments made in advance, such as down payments for a contractual project and acquisition of equipment. Advances are initially recorded at the amount of cash paid. These will be subsequently reclassified to property and equipment upon completion of the project and/or once the equipment is actually or constructively delivered.

Property and Equipment

Property and equipment are initially measured at cost. The cost of an item of property and equipment consists of:

- its purchases price, including import duties and non-refundable purchases taxes, after deducting trade discounts and rebates; and
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

At the end of each reporting period, items of property and equipment measured using the cost model are carried at cost less any subsequent accumulated depreciation and impairment losses. Land is carried at cost less any impairment in value. Land is not depreciated.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property and equipment shall be derecognized upon disposal or when no future economic benefits are expected from its use or disposal. When assets are derecognized, their costs, accumulated depreciation and amortization and accumulated impairment losses are eliminated from the accounts. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of comprehensive loss.

Fully depreciated and fully amortized assets are retained by the Company as part of property and equipment until these are derecognized or until they are no longer in use.

Construction-in-progress

Construction-in-progress is stated at cost. This includes the costs related to the construction of the hospital building and installation of medical equipment, property development costs and other direct costs. Cost of borrowings and any additional costs incurred in relation to the project are recognized in this account. Construction-in-progress is not depreciated until such time that the relevant assets are completed and ready for its intended use.

The Company recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known. Any impairment loss from the construction project is charged to operations during the period in which the loss is determined.

Impairment of Non-Financial Assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When the asset does not generate cash flows that are independent from the other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized as income.

Equity

Share capital
Share capital is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement and is measured at par value.

Share premium
Share premium is the difference between the issue price and the par value of the stock and is known as securities premium. The shares are said to be issued at a premium when the issue price of the share is greater than its face value or par value.

Deficit
Deficit represents accumulated losses incurred by the Company. Deficit may also include effects of changes in accounting policy as may be required by the standard's transitional provision.

Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Revenue is recognized when the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation.

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

Service income from hospital services
The Company renders primary healthcare services to its patients over a single period of time in the ordinary course of business. Revenue is recognized as the services are provided.

Sale of medical goods
Revenue from sale of medical goods is recognized at the point in time when control of the asset is transferred to the customer.

The Company does not have revenues from hospital services nor sale of medical goods since it is still in its construction stage, thus, not yet in commercial operations as at December 31, 2021.

Other Revenues

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

Expense Recognition

Expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss: (a) on the basis of a direct association between the costs incurred and the earning of specific items of income; (b) on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or (c) immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

Expenses in the statement of comprehensive loss are presented using the function of expense method. General and administrative expenses constitute costs attributable to general, administrative, and other business activities of the Company and are expensed as incurred.

Related Party Relationships and Transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged.

Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for services rendered by its employees.

Short-term Benefits
Short-term employee benefits are those benefits expected to be settled wholly before twelve months after the end of the annual reporting period during which employee services are rendered, but do not include termination benefits. Short-term benefits given by the Company to its employees include salaries and wages, social security, health insurance and housing contributions, short-term compensated absences, bonuses and other non-monetary benefits.

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

Retirement or Post-employment Benefits
The Company is subject to the provisions of Republic Act No. 7641 (known as the Retirement Law). This requires that in the absence of a retirement plan, an agreement providing benefits for retiring employees in the private sector, an employee upon reaching the age of 60 years or more, but not beyond 65 years, who has served at least 5 years in service, may retire and shall be entitled to a retirement pay equivalent to at least ½ month's salary for every year of service, fraction of at least 6 months being considered as 1 whole year. The current service cost is the present value of benefits, which accrue during the last year.

As at reporting date, the Company has not yet established a Retirement Benefits Plan for its employees since no employee is entitled to date.

Termination Benefits
Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either (a) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (b) providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Borrowing costs

Borrowing costs are generally recognized as expense in the year in which these costs are incurred. However, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized. Capitalization of borrowing costs commences when the activities necessary to prepare the asset for its intended use are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the asset is available for their intended use. It includes interest expense, finance charges in respect of finance leases and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Interest income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Income Tax

Income tax expense represents the sum of the current tax expense and deferred tax expense.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computations of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive loss or directly in equity, in which case, the current and deferred tax rate also recognized in other comprehensive loss or directly in equity respectively.

Earnings (Loss) per Share

Basic earnings (loss) per share is calculated by dividing income (loss) attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year, after giving retroactive effect to any bonus issued/declared during the year, if any.

For the purpose of calculating diluted earnings per share, profit or loss for the year attributable to ordinary equity holders of the Company and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

Provisions and Contingencies

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. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Company expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the statement of comprehensive loss, net of any reimbursement.

Contingent liabilities are not recognized in the Company financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the Company financial statements.

Events After the Reporting Date

The Company identifies events after the reporting date as events that occurred after the reporting date but before the date when the Company financial statements were authorized for issue. Events after the reporting date that provide additional information about the Company's financial position at the reporting date (adjusting events) are reflected in the financial statements. Events after the reporting date that are not adjusting events are disclosed in the Company financial statements when material.

Comparatives

When necessary, comparative figures have been adjusted or reclassified to conform to the changes in the presentation of the current year.

For financial statements presentation, current 'receivables' amounting to ₱39,032,038 was reclassified to "advances to contractors and suppliers", a noncurrent account in the statement of financial position as at December 31, 2020. As stated in PIC Q&A No. 2018-15, advances in the nature of prepayments shall be classified as follows:

- Current – If the advances to contractors will be applied as payments for construction of assets to be classified as inventories;
- Noncurrent – If the advances to contractors will be applied as payments for construction of assets to be classified as property and equipment and investment properties.

Since these advances to contractors and suppliers are to be applied as payments for building construction and purchase of assets to be classified as property and equipment, these are reclassified from current to non-current.

The effect of this reclassification in the financial statements as at December 31, 2020, is summarized below:

	2020		
	As previously reported	*Net Adjustment*	*As currently stated*
Statement of financial position			
Current			
Receivables	39,127,961	(39,032,038)	95,923
Non-current			
Advances to contractors and suppliers	–	39,032,038	39,032,038

Likewise for financial statements presentation, the Company's loans payable was reclassified into two accounts – Notes payable for loans from banks and Advances from shareholders for loans from directors and founders.

The effect of this reclassification in the financial statements as at December 31, 2020, is summarized below:

	2020		
	As previously reported	*Net Adjustment*	*As currently stated*
Statement of financial position			
Current			
Loans payable	19,500,000	(19,500,000)	–
Notes payable	–	19,500,000	19,500,000
	19,500,000	–	19,500,000
Non-current			
Loans payable	555,371,466	(555,371,466)	–
Notes payable (net of current portion)	–	370,500,000	370,500,000
Advances from shareholders	–	184,871,466	184,871,466
	555,371,466	–	555,371,466

NOTE 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The 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, estimates and assumptions are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Judgments in Applying the Company's Accounting Policies

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Business Model Assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate, whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant Increase of Credit Risk

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The input to these models is taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation.

Classification of Financial Instruments

The Company classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statement of financial position.

Recognition of Deferred Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain in the ordinary course of business. Recognition of deferred income taxes depends on management's assessment of the probability of available future taxable income against which the temporary difference can be applied.

Impairment of Non-Financial Assets

Non-financial assets are periodically reviewed to determine any indications of impairment. Though the management believes that the assumptions used in the estimation of fair values are reasonable and appropriate, significant changes in these assumptions may materially affect the assessment of the recoverable amounts and any resulting impairment loss could have a material adverse effect in the results of operations.

Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 4, subheading "*Provisions and Contingencies*."

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

Assessment for ECL on Other Financial Assets at Amortized Cost

The Company determines the allowance for ECL using general approach 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 is 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 is provided based on lifetime ECL.

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

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

The Company also considers financial assets that are more than 30 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Company has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Company only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no provision for ECL on other financial assets at amortized cost was recognized as at December 31, 2021 and 2020. The carrying amounts of other financial assets at amortized cost are as follows:

	2021	2020
Cash in banks	**33,306,116**	2,095,170
Receivables	**2,770,153**	95,923
	36,076,269	2,191,093

Assessment for Impairment of Non-financial Assets

The Company assesses impairment on non-financial assets whenever events or changes in circumstances indicate that the carrying amount of the assets or group of assets may not be recoverable. The relevant factors that the Company considers in deciding whether to perform an asset impairment review include, among others, the following:

- Significant underperformance of a business in relation to expectations;
- Significant negative industry or economic trends; and

- Significant changes or planned changes in the use of the assets.

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

The recoverable amount of the asset is the greater of the fair value less cost of disposal or value in use. The fair value less cost of disposal is the amount obtainable from the sale of an asset in an arm's-length transaction. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

No impairment loss on non-financial assets was recognized as at December 31, 2021 and 2020.

The carrying amounts of non-financial assets are as follows:

	2021	2020
Advances to contractors and suppliers	**39,711,602**	39,032,038
Property and equipment (net)	**892,953,524**	629,660,557
	932,665,126	668,692,595

Estimating 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 the assets. In addition, estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase recorded operating expenses and decrease non-current assets.

Depreciation is calculated on a straight-line basis over the following estimated useful lives of the assets:

Items of property and equipment	Estimated Useful Life
Office equipment	5 years
Furniture and fixtures	5 years

The carrying amount of property and equipment as at December 31, 2021 and 2020 amounted to ₱892,953,524 and ₱629,660,557, respectively (see Note 8).

Recognition of Deferred Tax Assets

Deferred tax assets are established for tax benefits related to deductible temporary differences and carry forward of unused NOLCO. These assets are periodically reviewed for realization. Periodic reviews cover the nature and amount of deferred income and expense items, expected timing when assets will be used or liabilities will be required to be reported, reliability of historical profitability of businesses expected to provide future earnings and tax planning strategies which can be utilized to increase the likelihood that tax assets will be realized.

As at December 31, 2021 and 2020, deferred tax asset amounted to ₱2,962,450 and ₱2,514,197, respectively (see Note 14).

NOTE 6. CASH

This account consists of:

	2021	2020
Cash on hand	**40,000**	5,000
Cash in banks	**33,306,116**	2,095,170
	33,346,116	2,100,170

Cash on hand and in banks are unrestricted and available for current operations.

Cash in banks generally earn interest at rates based on the prevailing bank's deposit rates. Interest income earned from bank deposits amounted to ₱ 4,714, ₱5,950 and ₱14,416 for the years ended December 31, 2021, 2020 and 2019, respectively, and is presented as "interest income" in the statement of comprehensive loss.

NOTE 7. ADVANCES TO CONTRACTORS AND SUPPLIERS

This account consists of:

	2021	2020
Advances to contractors	**9,193,484**	13,101,821
Advances to suppliers	**30,518,118**	25,930,217
	39,711,602	39,032,038

Advances to contractors represent advances for each awarded project activity and is liquidated via deduction, on a pro-rata basis from the contractor's periodic progress billings.

Advances to suppliers are down payments made to suppliers of medical equipment and/or construction materials ordered. The amounts represent 20% - 50% of the total contract price of the items purchased.

NOTE 8. PROPERTY AND EQUIPMENT (net)

Reconciliation of property and equipment (net) as at December 31, 2021 is as follows:

	Land	Construction-in-progress	Hospital and medical equipment	Office equipment	Furniture and fixtures	Total
Cost:						
At beginning of year	**93,433,184**	**535,965,138**	**–**	**426,804**	**102,898**	**629,928,024**
Additions	**–**	**227,722,722**	**35,598,000**	**33,254**	**44,750**	**263,398,726**
As at December 31, 2021	**93,433,184**	**763,687,860**	**35,598,000**	**460,058**	**147,648**	**893,326,750**
Accumulated depreciation:						
At beginning of year	**–**	**–**	**–**	**211,678**	**55,789**	**267,467**
Depreciation	**–**	**–**	**–**	**79,531**	**26,228**	**105,759**
As at December 31, 2021	**–**	**–**	**–**	**291,209**	**82,017**	**373,226**
Net carrying values	**93,433,184**	**763,687,860**	**35,598,000**	**168,849**	**65,631**	**892,953,524**

Reconciliation of property and equipment (net) as of December 31, 2020 is as follows:

	Land	Construction-in-progress	Office equipment	Furniture and fixtures	Total
Cost:					
At beginning of year	93,433,184	382,027,509	387,009	100,878	475,948,580
Additions	–	153,937,629	39,795	2,020	153,979,444
As at December 31, 2020	93,433,184	535,965,138	426,804	102,898	629,928,024
Accumulated depreciation:					
At beginning of year	–	–	132,262	35,509	167,771
Depreciation	–	–	79,416	20,280	99,696
As at December 31, 2020	–	–	211,678	55,789	267,467
Net carrying values	93,433,184	535,965,138	215,126	47,109	629,660,557

The Land pertains to properties at Barrio Lapasan, Cagayan de Oro City with a total area of 10,649 square meters, where the Company is currently constructing its hospital building.

The Construction-in-progress account consists of accumulated costs for the construction of the Company's hospital building project, inclusive of capitalized finance costs amounting to ₱27,154,618 and ₱23,198,185 in 2021 and 2020, respectively (see Note 10), which is still on-going as at report date. The composite percentage of completion is at seventy-nine point sixty-three percent (79.63%) as at December 31, 2021 as certified by the Company's construction manager.

As at December 31, 2021, the estimated remaining cost to complete the hospital building amounts to ₱110,457,910, and construction is estimated to be completed by the third quarter of 2022.

The property and equipment are collateralized as security for the Company's notes payable (Note 10).

Depreciation on medical and hospital equipment shall commence when it is available for use – when it is in the location and condition necessary to be capable of operating in the manner intended by the Management. These are subject of a chattel mortgage as disclosed in Note 10.

The management has reviewed the carrying values of property and equipment as at December 31, 2021 and 2020 for any impairment. Based on the results of its evaluation, there are no indications that these assets are impaired.

NOTE 9. ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account consists of:

	2021	2020
Payable to contractors and suppliers[1)]	**81,281,808**	–
Retention payable[2)]	**40,138,787**	33,981,640
Interest payable[3)] (Note 10)	**3,790,781**	3,071,918
Accrued expenses[1)]	**798,495**	485,463
Accounts payable[4)]	**666,882**	958,313
Government liabilities[5)]	**126,761**	60,395
Other liabilities[4)]	–	208,205
	126,803,514	38,765,934

[1] Payable to contractors and accrued expenses pertain to unpaid contractors' billings and expenses incurred during the year. Payable to suppliers pertains to already delivered hospital and medical equipment but not yet fully paid.

[2] Retention payable refers to the amount withheld by the Company from the contractor's periodic progress billings as provided for in their respective contract. This shall be released to the contractor, net of deductions, if any, upon full completion and turnover of the project and final acceptance by the Company.

[3] Interest payable refers to accrual of interest on bank loans (see Note 10).

[4] Accounts payable and other liabilities consist of short-term, unsecured, non-interest bearing payable to other parties.

[5] Government liabilities represents payable to government agencies not yet remitted as of reporting date.

NOTE 10. NOTES PAYABLE

The Company obtained a ₱500 million seven-year term credit line from Land Bank of the Philippines (LBP) to finance the construction of its hospital building. The loan is available in several drawdowns payable in 12 years ladderized quarterly amortization with three (3) years grace period. Interest rate ranges from 6.25% to 7% per annum subject to quarterly repricing.

The loan is secured by a real estate mortgage on the Company's land including all other existing and future improvements thereon (see Note 8).

Notes payable is classified as follows:

	2021	2020
Current portion:		
Construction of hospital building	**19,976,471**	19,500,000
Medical equipment	**-**	-
	19,976,471	19,500,000
Non-current portion:		
Construction of hospital building	**440,891,177**	370,500,000
Medical equipment	**32,122,500**	-
	473,013,677	370,500,000
	492,990,148	390,000,000

Total finance costs incurred related to these loans are as follow:

	2021	2020
Construction of hospital building	**27,154,618**	23,198,185
Medical equipment	**280,522**	-
	27,435,140	23,198,185

Finance costs incurred on loans for financing of hospital building was capitalized to construction-in-progress account in the statement of financial position (Note 8) while finance costs on loans for acquisition of medical equipment and fixtures is reflected in the statement of comprehensive loss.

Accrued interest amounted to ₱3,790,781 and ₱3,071,918 as at December 31, 2021 and 2020, respectively (see Note 9).

NOTE 11. RELATED PARTY TRANSACTIONS

In the normal course of business, the Company transacts with individuals, which are considered related parties. A summary of the transactions and account balances with related parties follows:

Category	Outstanding Balance 2020	**Amount of Transactions 2021**	**Outstanding Balance 2021**	**Terms**	**Conditions**
Advances from shareholders	184,871,466	**(8,069,413)**	**176,802,053**	Non-interest-bearing, to be paid in cash (a)	Unsecured, unguaranteed, not impaired

Category	Outstanding Balance 2019	Amount of Transactions 2020	Outstanding Balance 2020	Terms	Conditions
Advances from shareholders	139,292,766	45,578,700	184,871,466	Non-interest-bearing, to be paid in cash (a)	Unsecured, unguaranteed, not impaired

a) Advances from shareholders

In the special meeting of the Board of Directors held last April 8, 2017, the directors and shareholders were mandated and empowered to contribute resources and make cash advances to the Company for the development of its medical structures and appurtenances.

In view of this, the shareholders advanced monies in support of the Company's building construction requirements. These advances are non-interest bearing and to be paid subject to availability of funds and/or the Board may decide to convert said advances to equity in the distant future. The Company, however, reserves the right to defer settlement in favor of prioritizing payments relative to completion of the hospital building.

Key Management Personnel Compensation

Since the Company is in its pre-operating stage, the Board of Directors (BOD) has not yet declared key management personnel compensation for the years ended December 31, 2021, 2020 and 2019, respectively. Instead, only per diem for meetings were given in the amount of ₱-0-, ₱350,375 and ₱168,844 in 2021, 2020 and 2019, respectively, as per Board Resolution dated September 5, 2016 (see Note 13).

The Company does not provide post-employment benefits plans and equity-based compensation benefits to any of its directors and executive officers.

NOTE 12. SHARE CAPITAL

Details of share capital as at December 31, 2021 is as follows:

	No. of Shares	Amount
Authorized share capital – ₱1,000 par value		
Founder's shares	**600**	**600,000**
Common shares	**179,400**	**179,400,000**
Preferred shares	**60,000**	**60,000,000**
Total authorized share capital	**240,000**	**240,000,000**
Subscribed and outstanding:		
Founder's shares	**600**	**600,000**
Common shares	**133,900**	**133,900,000**
Preferred shares	**60,000**	**60,000,000**
Total subscribed share capital	**194,500**	**194,500,000**
Paid-up capital (net of ₱45,000,000 subscription receivable):		
Founder's shares	**600**	**600,000**
Common shares	**133,900**	**133,900,000**
Preferred shares	**60,000**	**15,000,000**
Total paid-up share capital	**194,500**	**149,500,000**

Details of share capital as at December 31, 2020 is as follows:

	No. of Shares	Amount
Authorized share capital – ₱1,000 par value		
Founder's shares	600	600,000
Common shares	179,400	179,400,000
Preferred shares	60,000	60,000,000
Total authorized share capital	240,000	240,000,000
Subscribed and outstanding:		
Founder's shares	600	600,000
Common shares	131,400	131,400,000
Preferred shares	60,000	60,000,000
Total subscribed share capital	192,000	192,000,000
Paid-up capital (net of ₱113,400,000 subscription receivable):		
Founder's shares	600	600,000
Common shares	131,400	63,000,000
Preferred shares	60,000	15,000,000
Total paid-up share capital	192,000	78,600,000

The Company filed a Registration Statement covering its proposed Initial Public Offering (IPO) of its 36,000 common shares and was approved on September 09, 2021, in accordance with the provisions of the SEC's Securities Regulation Code (see Note 1).

During the year, pursuant to the SEC's approval, the Company issued an additional **TWO THOUSAND FIVE HUNDRED (2,500)** common shares. The related share premium after deducting transaction costs associated with the issuance of shares amounted to ₱47,500,000. The common share offer price amounted to ₱200,000 per block [one (1) block = ten (10) common shares].

Founder's shares have the exclusive right to vote and be voted upon in the election of directors for five (5) years from the date of registration. Thereafter, the holders of Founder's share shall have the same rights and privileges as holders of common shares.

Preferred shares are subject to the following terms and conditions:

1. Shall be entitled to a reasonable monthly interest to be determined by the board, subject to availability of funds.
2. Convertible to common shares on or before five (5) years.
3. However, the board at its discretion may at any time, allow the conversion of preferred shares to common shares.
4. Shall not be entitled to voting rights until converted to common shares.

NOTE 13. GENERAL AND ADMINISTRATIVE EXPENSES

This account consists of the following:

	2021	2020	2019
Salaries and employee benefits	**1,468,066**	1,033,691	981,562
Professional fees	**786,722**	405,543	560,767
Postage and communication	**227,137**	185,366	67,440
Depreciation (Note 8)	**105,759**	99,696	76,821
Office supplies	**67,047**	43,800	57,020
Taxes and licenses	**55,679**	28,275	1,139,116
Transportation and travel	**25,613**	125,973	1,112,611
Interest expenses	–	424,200	353,400
Board meetings and conferences (Note 11)	–	350,375	168,844
Honorarium	–	2,000	961,137
Representation expenses	–	24,870	–
Advertising and promotion	–	–	50,000
Penalties	–	–	27,500
Miscellaneous	**453,777**	62,827	98,677
	3,189,800	2,786,616	5,654,895

NOTE 14. INCOME TAX

Computation of income tax due (RCIT or MCIT, whichever is higher) is as follows:

I. Regular Corporate Income Tax (RCIT)	2021	2020	2019
Net loss before income tax	**(3,465,608)**	(2,780,666)	(5,640,479)
Add/(Less) reconciling items:			
Interest income subjected to final tax (Note 6)	**(4,714)**	(5,950)	(14,416)
Non-deductible interest expense	**1,178**	2,479	6,007
Non-deductible representation expenses	–	24,870	–
Non-deductible penalties	–	–	27,500
NOLCO	**(3,469,144)**	(2,759,267)	(5,621,388)
Tax rate	**25%**	30%	30%
Income tax benefit	**(867,286)**	(827,780)	(1,686,417)

II. Minimum Corporate Income Tax (MCIT)

No MCIT computation is presented as there were no taxable revenues for the year ended December 31, 2021 and 2020. In 2019, as per National Internal Revenue Code (NIRC), the Company is not yet covered by the Minimum Corporate Income Tax (MCIT) since the Company has not yet started its commercial operations.

III. Net Operating Loss Carry-Over (NOLCO)

As at December 31, 2021, the Company's NOLCO that can be claimed as deduction from future taxable income are as follows:

Year Incurred	Expiration Date	Beginning balance	Additions	Expired	Claimed	Ending balance
2018	2021	4,755,067	–	(4,755,067)	–	-
2019	2022	5,621,388	–	–	–	5,621,388
		10,376,455	–	**(4,755,067)**	–	**5,621,388**

On September 30, 2020, Finance Secretary Carlos Dominguez and Internal Revenue Commissioner Caesar Dulay signed Revenue Regulation 25-2020, implementing Section 4 of the Bayanihan to Recover as One or Bayanihan 2 Act, particularly on the NOLCO of companies. The Bureau of Internal Revenue (BIR) has extended to five years the carry-over period for net operating losses incurred by businesses in 2020 and 2021 due to the impact of the coronavirus pandemic.

Year Incurred	Expiration Date	Beginning balance	Additions	Expired	Claimed	Ending balance
2020	2025	2,759,267	–	–	–	2,759,267
2021	2026	–	3,469,144	–	–	3,469,144
		2,759,267	**3,469,144**	–	–	**6,228,411**

IV. Deferred Tax Assets

The significant component of the Company's deferred tax assets are as follows:

	2021	2020
NOLCO	**11,849,799**	13,135,722
Tax rate	**25%**	30%
	2,962,450	3,940,717
Valuation allowance (Note 5)	–	(1,426,520)
	2,962,450	2,514,197

In 2019, the Company has started recognizing the future income tax benefit on its NOLCO. In 2016 to 2018, the Management believed that the Company will not be able to realize the NOLCO in the future, thus the Company provided full valuation allowance and no deferred tax asset was set up.

The deferred tax asset of the Company arising from net operating loss carry over (NOLCO) prior to 2020 can be charged against future taxable income of the next three (3) taxable years. On the other hand, deferred tax assets arising from NOLCO for the years 2020 and 2021 can be charged against future taxable income of the next five (5) taxable years.

V. Income tax benefit

Details of the Company's income tax benefit is as follows:

	2021	2020	2019
Current income tax	–	–	–
Deferred income tax on NOLCO	(867,286)	(827,780)	(1,686,417)
	(867,286)	(827,780)	(1,686,417)
Effect of CREATE Law	419,033	–	–
	(448,253)	(827,780)	(1,686,417)

Due to the change in income tax rate, deferred tax assets from previous years was decreased by ₱419,033, the adjustment of which is incorporated for the year ended December 31, 2021.

CREATE ACT

On March 26, 2021, Republic Act No. 11534, otherwise known as "The Corporate Recovery and Tax Incentives for Enterprises Act" was signed into law by the President of the Philippines. The law will take effect 15 days after its publication in the Official Gazette or in a newspaper of general circulation.

The following are the key features of the CREATE Law that are relative to the Company:

A. Corporate Income Tax (CIT)

1. Starting July 1, 2020, CIT rate for corporations will be reduced as follows:
   a. Reduced CIT rate of 20% shall be applicable to domestic corporations with net taxable income not exceeding ₱5,000,000 and with total assets not exceeding ₱100 Million (excluding land on which the business entity's office, plant and equipment are situated).
   b. Reduced CIT rate of 25% shall be applicable to all other domestic and resident foreign corporations.
2. For the period beginning July 1, 2020 until June 30, 2023, minimum corporate income tax rate shall be 1%, instead of 2%.
3. Improperly accumulated earnings tax is repealed.
4. The option to be taxed at 15% of gross income if allowed by the President subject to certain conditions is repealed.
5. Enhanced deduction in claiming NOLCO for the years 2020 and 2021 from three (3) to five (5) years.

B. Deductions from Gross Income

Due to the proposed reduction in CIT rate, interest arbitrage shall be reduced to 20% of interest income subjected to final tax, and will be further adjusted in case final tax on interest income will be adjusted in the future.

C. VAT Exempt Transactions

1. Additional VAT exempt on sale or importation of the following goods from January 1, 2021 to December 31, 2023:
   a. Capital equipment, its spare parts and raw materials, necessary to produce personal protective equipment component;
   b. all drugs, vaccines and medical devices specifically prescribed and directly used for the treatment of COVID-19;
   c. drugs, including raw materials, for the treatment of COVID-19 approved by the FDA for use in clinical trials

2. VAT exemption of sale or importation of prescription drugs and medicines for cancer, mental illness, tuberculosis, and kidney diseases will start on January 1, 2021 instead of January 1, 2023.

NOTE 15. BASIC LOSS PER SHARE

Basic loss per share is computed as follows:

	2021	2020	2019
Loss attributable to ordinary shares	**(3,017,355)**	(1,952,886)	(3,954,062)
Divided by: Weighted average number of ordinary shares outstanding	**134,500**	132,000	132,000
Basic loss per share	**(22.43)**	(14.79)	(29.96)

There are no potential dilutive ordinary shares outstanding as of December 31, 2021, 2020 and 2019.

NOTE 16. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial Risk

The Company's financial risk management policies seek to minimize potential adverse effects of financial risk such as credit risk, liquidity risk, and interest rate risk to its financial assets and financial liabilities.

The Company's principal financial assets and financial liabilities consist of cash (excluding cash on hand), receivables, accounts payable and other liabilities (excluding government liabilities), and notes payable which arise from operations.

The Company's Board of Directors reviews and approves the policies for managing each of these risks and these are summarized below:

Credit risk

Credit risk is the risk that the third party will default on its obligation to the Company and cause the Company to incur financial loss. The Company's business policy aims to limit the amount of credit exposure to any individual client and financial institution. The Company has credit management policies in place to ensure that contracts are entered into with clients who have sufficient financial capacity and good credit history.

Financial Assets at Amortized Cost
The Company's financial assets at amortized cost are composed of cash (excluding cash on hand) and receivables. The Company limits its exposure to credit risk by investing its cash only with banks that have good credit standing and reputation in the local and international banking industry. These instruments are graded in the top category by an acceptable credit rating agency and, therefore, are considered to be low credit risk investments.

Receivables are being monitored on a regular basis to ensure timely execution of necessary intervention efforts to minimize credit losses.

It is the Company's policy to measure ECL on the above instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

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

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

The Company also considers financial assets that are more than 30 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent significant credit risk such as when non-payment arising from administrative oversight rather than resulting from financial difficulty of the borrower.

The table below presents the summary of the Company's exposure to credit risk and shows the credit quality of the assets by indicating whether the assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

	As at December 31, 2021			
	Financial assets at amortized cost			
	12-month ECL	**Lifetime ECL – not credit impaired**	**Lifetime ECL – credit impaired**	**Total**
Cash in banks	**33,306,116**	–	–	**33,306,116**
Receivables	**2,770,153**	–	–	**2,770,153**
	36,076,269	–	–	**36,076,269**

	As at December 31, 2020			
	Financial assets at amortized cost			
	12-month ECL	Lifetime ECL – not credit impaired	Lifetime ECL – credit impaired	Total
Cash in banks	2,095,170	–	–	2,095,170
Receivables	95,923	–	–	95,923
	2,191,093	–	–	2,191,093

Interest Rate Risk

The Company's exposure to the risk for changes in market interest rates relates primarily to the Company's notes payable to a local financial institution with floating interest rates.

Variable or floating rate debt is subject to cash flow interest rate risk. Repricing of variable rate debt is done on quarterly intervals.

Interest rate risk carry fixed interest rate and are measured at amortized cost. The Management believes that fluctuations on the interest rates will not have significant effect on the Company's financial performance.

Liquidity Risk

In the management of liquidity, the Company monitors and maintains a level of cash deemed adequate by the management to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

The table below summarizes the maturity profile of the Company's financial assets and liabilities based on contractual and undiscounted payments:

As at December 31, 2021

	On Demand	**Within 1 year**	**More than 1 year but less than 5 years**	**More than 5 years**	**Total**
Financial Assets:					
Cash*	**33,306,116**	–	–	–	**33,306,116**
Receivables	**2,770,153**	–	–	–	**2,770,153**
	36,076,269	–	–	–	**36,076,269**

**Excluding cash on hand amounting to ₱40,000 as at December 31, 2021.*

Financial Liabilities:					
Accounts payable and other liabilities**	**126,676,753**	–	–	–	**126,676,753**
Notes payable	–	**19,976,471**	**227,795,882**	**245,217,795**	**492,990,148**
Advances from shareholders	**176,802,053**	–	–	–	**176,802,053**
	303,478,806	**19,976,471**	**227,795,882**	**245,217,795**	**796,468,954**

***Excluding government liabilities amounting to ₱126,761 as at December 31, 2021.*

As at December 31, 2020

	On Demand	Within 1 year	More than 1 year but less than 5 years	More than 5 years	Total
Financial Assets:					
Cash*	2,095,170	–	–	–	2,095,170
Receivables	95,923	–	–	–	95,923
	2,191,093	–	–	–	2,191,093

**Excluding cash on hand amounting to ₱5,000 as at December 31, 2020.*

Financial Liabilities:					
Accounts payable and other liabilities**	38,705,539	–	–	–	38,705,539
Notes payable	–	19,500,000	126,750,000	243,750,000	390,000,000
Advances from shareholders	184,871,466	–	–	–	184,871,466
	223,577,005	19,500,000	126,750,000	243,750,000	613,577,005

***Excluding government liabilities amounting to ₱60,395 as at December 31, 2020.*

FAIR VALUES OF FINANCIAL INSTRUMENTS

The carrying amounts and estimated fair values of the Company's financial assets and financial liabilities are presented below:

	As at December 31, 2021		As at December 31, 2020	
	Carrying Amounts	**Fair Values**	Carrying Amounts	Fair Values
Financial Assets:				
Cash*	**33,306,116**	**33,306,116**	2,095,170	2,095,170
Receivables	**2,770,153**	**2,770,153**	95,923	95,923
	36,076,269	**36,076,269**	2,191,093	2,191,093

**Excluding cash on hand amounting to ₱40,000 and ₱5,000 as at December 31, 2021 and 2020, respectively.*

	As at December 31, 2021		As at December 31, 2020	
Financial Liabilities:				
Accounts payable and other liabilities**	**126,676,753**	**126,676,753**	38,705,539	38,705,539
Notes payable	**492,990,148**	**492,990,148**	390,000,000	390,000,000
Advances from shareholders	**176,802,053**	**176,802,053**	184,871,466	184,871,466
	796,468,954	**796,468,954**	613,577,005	613,577,005

***Excluding government liabilities amounting to ₱126,761 and ₱60,395 as at December 31, 2021 and 2020, respectively.*

Assumption Used to Estimate Fair Values

The carrying amounts of cash, receivables, and accounts payable and other liabilities approximate their fair values as at reporting dates due to the short-term nature of the transactions.

The carrying amount of notes payable approximates its fair value due to pre-determined contractual cash flow arrangements based on an applicable and regular re-priceable Philippine Dealing System Treasury (PDST) floating rate covering the term of the loan, as provided by the financial lending institution.

The fair value of advances from shareholders cannot be measured reliably since there was no comparable market data and inputs for the sources of fair value such as discounted cash flows analysis. However, Management believes that their carrying amounts approximate their fair value.

Fair Value Hierarchy

The Company uses the following hierarchy for determining the fair value of financial assets and liabilities:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - Inputs are unobservable for the asset or liability

The table below summarizes the classification of the Company's financial assets and liabilities based on the fair value measurement hierarchy:

	As at December 31, 2021		
	Quoted Prices in Active Markets (Level 1)	**Significant Observable Inputs (Level 2)**	**Significant Un-observable Inputs (Level 3)**
Financial Assets:			
Cash*	**33,306,116**	–	–
Receivables	–	**2,770,153**	–
	33,306,116	**2,770,153**	–

**Excluding cash on hand amounting to ₱40,000 as at December 31, 2021.*

Financial Liabilities:			
Accounts payable and other liabilities**	–	**126,676,753**	–
Notes payable	–	**492,990,148**	–
Advances from shareholders	–	**176,802,053**	–
	–	**796,468,954**	–

***Excluding government liabilities amounting to ₱126,761 as at December 31, 2021.*

	As at December 31, 2020		
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Un-observable Inputs (Level 3)
Financial Assets:			
Cash*	2,095,170	–	–
Receivables	–	95,923	–
	2,095,170	95,923	–

**Excluding cash on hand amounting to ₱5,000 as at December 31, 2020.*

Financial Liabilities:			
Accounts payable and other liabilities**	–	38,705,539	–
Notes payable	–	390,000,000	–
Advances from shareholders	–	184,871,466	–
	–	613,577,005	–

***Excluding government liabilities amounting to ₱60,395 as at December 31, 2020.*

There were no reclassifications made between the different fair value hierarchy level as at December 31, 2021 and 2020.

CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business, pay existing obligations and maximize shareholders value.

The Company manages capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust capital, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2021 and 2020.

The following table pertains to the account balances the Company considers as its core economic capital:

	2021	2020
Share capital	**149,500,000**	78,600,000
Share premium	**47,500,000**	–
Deficit	**(21,851,870)**	(18,834,515)
	175,148,130	59,765,485

The loan agreement with Landbank (Note 10) provides certain restrictions and requirements with respect to, among others, maintenance of financial ratios (debt-to-equity ratio of 75:25), percentage of ownership of specific shareholders, creation of property encumbrances and additional guarantees for the incurrence of additional long-term indebtedness.

As of reporting dates, all covenants and requirements are complied with except for the required financial ratio wherein the financial institution was made aware of since the Company has not yet started commercial operations.

NOTE 17. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table summarizes the changes in liabilities arising from financing activities as at December 31, 2021 and 2020:

	2020	**Cash Inflows**	**Payments**	**2021**
Notes payable	**390,000,000**	**122,490,148**	**(19,500,000)**	**492,990,148**
Advances from shareholders	**184,871,466**	**25,930,587**	**(34,000,000)**	**176,802,053**
	574,871,466	**148,420,735**	**(53,500,000)**	**669,792,201**

	2019	Cash Inflows	Payments	2020
Notes payable	290,000,000	100,000,000	–	390,000,000
Advances from shareholders	139,292,766	52,508,700	(6,930,000)	184,871,466
	429,292,766	152,508,700	(6,930,000)	574,871,466

NOTE 18. IMPACT OF CORONAVIRUS (COVID-19) UPDATE

The full impact of the lingering COVID-19 outbreak remains as a formidable threat to the normal stability of the Company and may, at times, impose operational compromises which negatively influences the industry workforce and the logistical chain. In response to such evolving challenges, as well as combat any impending surges, the Company has adopted certain measures (like hybrid work arrangements, office pre-testing and spacing procedures, including virtual communication instructions & practices) to strike a balance between its calculated business activities and the mandatory health protocols.

However, since the Company is still on its formative or organizational stage(s) and has not commenced full commercial operations, the Management have ascertained that the foregoing current circumstances of the prevailing influence on the Company's financial standing or status indicates neither a material impact nor an uncertainty exists that would affect the financial condition and operational results of the Company.

NOTE 20. APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company as at and for the year ended December 31, 2021, including its comparative figures as at December 31, 2020 and for the years ended December 31, 2020 and 2019 (which was audited by another auditor), were approved and authorized for issuance by the Board of Directors on March 26, 2022.

SUPPLEMENTARY INFORMATION REQUIRED BY REVENUE REGULATION (RR)

The following information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

Revenue Regulations (RR) 15-2010

On November 25, 2010, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) 15-2010, which requires certain information on taxes, duties, and license fees paid or accrued during the taxable year to be disclosed as part of the notes to financial statements. This supplemental information, which is an addition to the disclosures mandated under PFRS is presented as follows:

Output and Input Value-Added Tax

Hospitals and clinics are exempt from VAT by virtue of Section 109 of the National Internal Revenue Code.

Documentary Stamp Tax

Documentary stamp tax paid by the Company during the year for the additional availment of notes payable for the year amounted to ₱878,419.

Taxes and licenses

Details of the Company's other local and national taxes for the year are as follows:

	2021
Documentary stamp tax	878,419
Business permit	23,733
Real property tax	18,095
Fire inspection fee	10,321
BIR annual registration fee	500
Others	3,030
Total taxes and licenses paid	934,098
Documentary stamp tax capitalized to CIP	(878,419)
Total taxes and licenses presented in AFS	55,679

Withholding Taxes

Withholding taxes paid by the Company for the year are as follows:

	2021
Expanded withholding taxes	1,432,270

Deficiency Tax Assessment and Tax Cases

The Company has no deficiency tax assessments or any tax cases, litigation, and/or prosecution in court or bodies outside the Bureau of Internal Revenue as of December 31, 2021.

RR 19-2020 and RR 34-2020

In 2020, the Bureau of Internal Revenue (BIR) issued the foregoing Revenue Regulations for the effective implementation of Philippine Accounting Standard No. 24 (PAS 24) governing the guidelines and procedures for "transfer pricing documentations" involving related party transactions thru the submission of BIR Form No. 1709 and the supporting documents, as an attachment to the financial statements to be filed with the BIR.

The Company reported net operating losses for the current taxable year and the immediately preceding two (2) consecutive taxable years, hence, meets the criteria provided by these Revenue Regulations, and accordingly, required to submit BIR Form 1709.

* * *

SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - CAGAYAN DE ORO, INC.
As of December 31, 2021

Ratio	Formula	December 31, 2021	December 31, 2020
Liquidity Ratios:			
Current Ratio	Current Assets	**36,116,269**	2,196,093
	Current Liabilities	**146,779,985**	58,265,934
		0.25:1	0.04:1
Quick Ratio	Quick Assets	**36,116,269**	2,196,093
	Current Liabilities	**146,779,985**	58,265,934
		0.25:1	0.04:1
Solvency Ratios:			
Debt-to-Equity Ratio	Total Liabilities	**796,595,715**	613,637,400
	Total Equity	**175,148,130**	59,765,485
		4.55:1	10.27:1
Asset-to-Equity Ratio	Total Assets	**971,743,845**	673,402,885
	Total Equity	**175,148,130**	59,765,485
		5.55:1	11.27:1
Profitability Ratios:			
Interest Rate Coverage Ratio	Net Income (Loss) Before Interests and Taxes	**(3,185,086)**	(2,780,666)
	Interest Expense	**280,522**	-
		11.35:1	N/A
Return on Equity	Net Profit (Loss)	**(3,017,355)**	(1,952,886)
	Total Equity	**175,148,130**	59,765,485
		-1.72%	-3.27%
Return on Assets	Net Profit (Loss)	**(3,017,355)**	(1,952,886)
	Total Assets	**971,743,845**	673,402,885
		-0.31%	-0.29%
Net Profit Margin	Net Profit (Loss)	**(3,017,355)**	(1,952,886)
	Revenues	**-**	-
		N/A	N/A

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - CAGAYAN DE ORO, INC.
Statement of Accumulated Deficit
As at December 31, 2021

Accumulated Deficit, beginning of the year	**₱**	**(18,834,515)**
Net loss incurred for the year		
Net Loss for the year		**(3,017,355)**
Accumulated Deficit, end of the year	**₱**	**(21,851,870)**

RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
As at December 31, 2021

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - CAGAYAN DE ORO, INC.
Rm. No. 6, 2/F Clinica Specialista Inc. Building,
Corner Tiano-Mabini Streets, Cagayan de Oro City

Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning of the year		**(18,834,515)**
Add: **Net Income (Loss) actually earned/realized during the period**		
Net loss during the period closed to Retained Earnings	(3,017,355)	
Less: **Non-actual/unrealized income net of tax**		
Equity in net income of associate/joint venture	-	
Unrealized foreign exchange gain - (after tax) except those attributable to Cash and Cash Equivalents	-	
Unrealized actuarial gain	-	
Fair value adjustment (mark-to-market gains)	-	
Fair value adjustment of Investment Property resulting to gain	-	
Adjustment due to deviation from PFRS - gain	-	
Other unrealized gains or adjustments to the reatined earnings as a result of certain transactions accounted for under the PFRS	-	
Sub-total	-	
Add: **Non-actual Losses**		
Depreciation on revalution increment (after tax)	-	
Adjustment due to deviation from PFRS - loss	-	
Loss on fair value adjustment of investment property (after tax)	-	
Sub-total	-	
Net Income Actually Earned During the Period		**(3,017,355)**
Add (Less):		
Dividend declarations during the period	-	
Appropriations of Retained Earnings during the period	-	
Reversals of appropriations	-	
Effects of prior period adjustments	-	
Treasury Shares	-	
Sub-total		-
TOTAL RETAINED EARNINGS, END OF THE PERIOD AVAILABLE FOR DIVIDEND		**(21,851,870)**

SCHEDULES

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - CAGAYAN DE ORO, INC.
As at December 31, 2021

Schedule A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the statements of financial position	Value based on market quotation at end of reporting period	Income received and accrued
Cash	N/A	33,346,116	N/A	4,714
Receivables	N/A	2,770,153	N/A	N/A

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

Name and designation of debtor	Balance at beginning of period	Additions	Deductions		Current	Non-current	Balance at end of period
			Amounts collected	Amounts written-off			
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Schedule C. Amounts Receivable from Related Parties which are eliminated during Consolidation of Financial Statements

Name and designation of debtor	Balance at beginning of period	Additions	Deductions		Current	Non-current	Balance at end of period
			Amounts collected	Amounts written-off			
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Schedule D. Long –Term Debt

Title of issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related statement of financial position	Amount shown under caption "Long-term debt" in related statement of financial position
Interest-bearing Notes Payable	492,990,148	19,976,471	473,013,677

Schedule E. Indebtedness to Related Parties (Long –Term Loans from Related Companies)

Name of related party	Balance at beginning of period	Balance at end of period
Advances from shareholders	184,871,466	176,802,053

Schedule F. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the Company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
N/A	N/A	N/A	N/A	N/A

Schedule G. Capital Stock

Title of issue	Number of shares authorized	Number of shares issued and outstanding as shown under related statement of financial position caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
Founder's Shares	600	600	-	-	49	-
Common Shares	179,400	133,900	-	-	49	-
Preferred Shares	60,000	15,000	-	-	49	-