SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended ....31 December 2020

2. SEC Identification Number CS201423954 3. BIR Tax Identification No. 008-922-703

4. Exact name of issuer as specified in its charter ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - ILOILO INC.

5. Iloilo City, Philippines
   Province, Country or other jurisdiction of incorporation or organization

6. (SEC Use Only)
   Industry Classification Code:

7. Iloilo Medical Society, Brgy. Bantud Luna St., La Paz, Iloilo City 5000
   Address of principal office Postal Code

8. (033) 3215748
   Issuer's telephone number, including area code

9. Not applicable.
   Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Founder	600
Common	234,430

The total outstanding debt of the company as of **December 31, 2020 is P1,003,046,203**

12. Check whether the issuer:

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

Yes [ ] No [/]

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

Yes [ ] No [/]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

PhP 235.030 Million as of 31 December 2020.

APPLICABLE ONLY TO ISSUERS INVOLVED IN
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS
DURING THE PRECEDING FIVE YEARS:

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes [/]   No [ ]   NOT APPLICABLE

DOCUMENTS INCORPORATED BY REFERENCE

15. Briefly describe documents incorporated by reference and identify the part of SEC Form 17-A into which the document is incorporated:

a) Audited Financial Statements as of and for the year ended December 31, 2020 (incorporated as reference for Items 7 and 12 of Sec Form 17- A)
b)

PART I - BUSINESS AND GENERAL INFORMATION

Business Development

Allied Care Experts (ACE) Medical Center -Iloilo Inc. (hereinafter "ACEMCI" or The Company) is an public corporation duly organized under the existing laws of the Republic of the Philippines and granted corporate existence by the Securities and Exchange Commission on December 10 2014.

ACEMCI was established to maintain, operate, own, and manage hospitals, medical and related healthcare facilities and businesses such as, but without restriction to clinical laboratories, diagnostic centers, ambulatory clinics, condo hospitals, scientific research and other allied undertakings and services which shall provide medical, surgical, nursing, therapeutic, paramedic, or similar care. Purely professional, medical or surgical services shall be performed by duly qualified 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.

To support the construction of its first project, ACEMCI applied for a secondary license for the issuance of securities. SEC issued its Permit to Offer Securities on 27 December thru SEC MSRD Order No. 37 Series of 2018.

As of 31 December 2020, the total percentage of completion of the construction of the multi-disciplinary hospital being constructed by Company is at 94%.

Business

It is the mission of Allied Care Experts(ACE) Medical Center – Iloilo, Inc. to set up a Tertiary Health Care facility with an organized, systematic, cost-effective, sympathetic and holistic approach to its goal in providing the best quality and justifiable medical services to its clients and stakeholders.

Initially, ACEMCI upon construction, will operate as a Secondary Hospital. After which, it will secure accreditation for residency training of its Doctors and accomplish its purpose of setting up a Tertiary Hospital. It will operate a complete and world-class facility, manned by medical specialists who are competent and fully qualified in their line of work, and have equally efficient well motivated employees and management staff.

ACE Medical Center - Iloilo will be a 9-storey 200-bed capacity hospital with helipad and perimeter and basement parking that can accommodate 6 Mini buses, 5 ambulance, 84 cars and 11 motorcycles with total floor area of 28,550.50 sq. meters constructed in a 6,000 sq.m.property located at Barangay Ungka 1, Jaro, Iloilo City. It will provide services to residents of Jaro, Iloilo City, nearby Barangays and Municipalities, the whole of Iloilo and the neighboring provinces which are considered its catchment areas. ACEMCI will be a multidisciplinary specialty medical facility that will house medical specialists who are subscribers to the capital stock of the Corporation. The intended and considered markets for its shares are mostly medical specialists and individuals who are related to medical specialists and those intend to invest their money in hospitals.

The act of purchasing the securities being offered does not automatically entitle such purchaser to practice his profession and use the facilities of ACEMCI, although it is a prerequisite. Physicians and medical specialists who are subscribers to at least one (1) block or ten (10) shares of the capital stock, whether founder or common shares, and have paid in full may be allowed to practice. Such purchasers have to undergo the required screening process and must possess the minimum requirements as indicated in the Articles of Incorporation, By-Laws and Internal Rules of the Hospital. After successfully passing this process, the applicant shall then be entitled to the privileges offered by the Hospital. The privilege to practice in the Hospital is subject to restrictions, limitations, and obligations as may be imposed by ACEMCI pursuant to its rules and duly approved resolutions. Medical Specialists who have been granted the privilege to practice shall continuously possess the required qualifications and may be subjected to post-qualification assessment to ensure the quality of service provided by the hospital.

ACEMCI will collect from each duly admitted medical specialist a one-time "privilege to practice" fee amounting to One Hundred Fifty Thousand Pesos (Php150,000.00) plus monthly fees for maintenance and utilities used for the Clinic.

TERTIARY LEVEL 2 HOSPITAL

A Tertiary Hospital is a hospital that provides tertiary care, which is health care from specialists in a large hospital after referral from primary care and secondary care. Tertiary Hospitals offer training programs for doctors who want to go into specialization.

ACEMCI will be a Tertiary Level 2 Hospital. Under the Rules and Regulations Governing the New Classification of Hospitals and Other Health Facilities in the Philippines (Effective: August 18, 2012), the following are the minimum requirements for Level 2 Hospitals:

A Level 2 Hospital shall have as minimum, all of Level I capacity, including, but not limited to, the following:

1. An organized staff of qualified and competent personnel with Chief of Hospital/Medical Director and appropriate board certified Clinical Department Heads;
2. Departmentalized and equipped with the service capabilities needed to support board certified/eligible medical specialists and other licensed physicians rendering services in the specialties of Medicine, Pediatrics, Obstetrics and Gynecology, Surgery; their subspecialties and ancillary services;

3. Provision for general ICU for critically ill patients.
4. Provision for NICU (Neonatal Intensive Care Unit)
5. Provision for HRPU (High Risk Pregnancy Unit)
6.. Provision for respiratory therapy services;
7. A DOH licensed tertiary clinical laboratory;
8. A DOH licensed level 2 imaging facility with mobile x-ray inside the institution and with capability for contrast examinations.

ACEMCI will be a multidisciplinary specialty medical facility that will house medical specialists who are subscribers to the capital stock of the Corporation.

Competition

The issuer belongs to an industry which caters to the need of the public and medical specialists for hospital facilities. There are no recognized trends within such industry. The geographic area of competition is in Iloilo City wherein the following Hospitals are operating:

NAME OF HOSPITAL	ADDRESS	BED CAPACITY	CATEGORY	LEVEL CLASSIFICATION
AMOSUP (Associated Marine Officers' and Seamen'sHospital Iloilo	Onate St.,Mandurriao, Iloilo City	40	Private	2
Iloilo Doctor's Hospital	Infante St., Molo, Iloilo City	300	Private	3
Iloilo Mission Hospital	Mission Road, Jaro, Iloilo City	261	Private	3
Medicus Medical Center Iloilo	Dr. Rizalina Bernardo Avenue, San Rafael Mandurriao, Iloilo City	150	Private	2
Metro Iloilo Hospital and Medical Center, Inc	Metropolis Avenue, Brgy. TagbakJaro, Iloilo City	110	Private	2
Qualimed Hospital	DonatoPison Avenue, San Rafael Mandurriao, Iloilo City	100	Private	2
St Paul's Hospital	General Luna St., Brgy. Danao, Iloilo City	265	Private	3
The Medical City Iloilo	Locsin St., Molo, Iloilo City	108	Private	2
West Visayas State University Medical Center	E. Lopez St., Jaro, Iloilo City	300	Public	3
Western Visayas Medical Center	Q. Abeto St., Mandurriao, Iloilo City	400	Public	3
Holy Mary Women & Children's Hospital	Felix Gorriceta Avenue, Brgy. Balabag , Pavia, Iloilo	60	Private	2

The strategic location of ACEMCI primarily influences the decision of the medical specialists to subscribe to the shares of stock in ACEMCI. Once the Doctor decides where to practice, price and quality of facility management come as the next factors. Good location, proximity to patients, reasonableness of the offer price and quality of the facilities enable ACEMCI to effectively compete with its competitors within the area.

ACEMCI is primarily owned and managed by doctor specialists who have established medical practice in the locality. This unique set up is a strong strategic factor of the hospital since each doctor-owner has established patient following in their respective fields. Furthermore, the roster of local medical practitioners who have signified their commitment to the hospital is very significant.
ACEMCI places itself as a center for Clinical Competence and Patient Safety. Among its flagship plans, will be the creation of a High-Risk Pregnancy and Women's Health Center, Male and Female Fertility Center, Health and Aesthetic Centre, Regenerative Medicine and among other services, the hospital is

preparing to build a Cardiac Cath laboratory and Rehabilitation Center, an Eye Center and Oncology Center.

The hospital is currently working on an international accreditation with an ISO-International Organization for Standardization which is a worldwide federation of national standard bodies and Joint Commission International; standards of which properly define the performance, expectations, structures and functions of a hospital which seeks accreditation. Its major thrust is on the delivery of quality healthcare and patient safety.
The hospital will also offer both preventive and medical treatment packages at a very competitive cost, if not lesser than the nearby hospital facilities, without compromising the quality of healthcare service it delivers to its patients. The hospital will also make sure that by following the policies of the Credentials and Privileging Committee, the medical staff of ACEMC Iloilo are clinically competent and certified specialists.

Aside from these, patients will find a better ambiance with ACEMCI due to its carefully planned, designed, constructed hospital building. Its advantage is not simply its newly built structure but it also boasts of new facilities and equipment, plus the competency of its Medical Specialists.

ACE Medical Center-Iloilo will be a one-stop-shop with its latest technology complete laboratory and imaging facilities such as:

- MRI
- CT Scan
- Mammogram
- Echocardiography
- Bone Densitometry
- Liver elastometry

Specialized services such as the following will also be provided:

- Cardiac Catheter Laboratory
- Renal and Urology Center
- Endoscopy Center
- Oncology Center and Transfusion Unit
- Eye Center
- Nutrition and Dietetics
- Blood Bank and Apheresis Center
- Neurolaboratory
- Operating room and minimally invasive Surgery
- Physical & Occupational Therapy and Rehabilitation Facilities
- Sleep Center
- Metabolic Wellness and Aesthetic Center
- High Risk Pregnancy and Infertility
- Human Milk Bank and Lactation Center
- Research Center

Suppliers and Major Contractors

The main contractor of the hospital is Dakay Construction and Development Corporation which is based in Cebu City. Some of the major suppliers for this project are as follows:

1. Dakay Construction & Development Corporation - Civil/Structural
2. Cab Construction Services – Drywall Partition and Ceiling
3. CAA Mansonry Works – Masonry Plastering and Tile works
4. Crossworld Construction Supply – Aluminium External Cladding
5. Synchronized Solution Inc. – Auxiliary and Electrical (5th to 8th Floor)
6. Balderas Engineering & Technology Services – Electrical (Basement 9th to 10th Floor)
7. Pesco Airconditioning and Engineering Services – Electrical (Ground to 4th Floor)

8. Citigas Inc. – Medical Gases Pipelines
9. Endure Medical Inc. Medical Equipment
10. JRDMBuilders Corp. – Airconditioning/Hepa Filters
11. Thai Phil Services Ltd, Inc. - Airconditioning
12. Ultrade Phil Service Corp – Plumbing, Fire Protection and Fresh Air
13. R. Turno Glass & Alum Service – Glass works
14. Puricare Industrial Enterprises – R.O. System
15. International Elevatror & , Inc. – Elevators
16. Ladadios Builders Inc. – Joinery, Retrofitting, RMD, Vinyl & Doors
17. Westpoint Builders – External works, Pavement & Parking
18. Green Garden Landscaping Services - Landscaping

The aforementioned contractors are suppliers of goods and services relating to the construction of the hospital building.

TRANSACTIONS WITH AND/OR DEPENDENCE ON RELATED PARTIES

ACEMCI has entered into a Memorandum of Agreement for the granting of discounts to its stockholders with the following hospitals:

1. Allied Care Experts Medical Center – Bacolod, Inc.
2. Allied Care Experts Medical Center – Baliwag, Inc.
3. Allied Care Experts Medical Center – Bayawan, Inc.
4. Allied Care Experts Medical Center – Baypointe, Inc.
5. Allied Care Experts Medical Center – Bohol, Inc.
6. Allied Care Experts Medical Center – Butuan, Inc.
7. Allied Care Experts Medical Center – Cagayan de Oro, Inc.
8. Allied Care Experts Medical Center – Cebu, Inc.
9. Allied Care Experts Medical Center – Dipolog, Inc.
10. Allied Care Experts Dumaguete Doctors, Inc.
11. Allied Care Experts Medical Center – General Santos, Inc.
12. Allied Care Experts Medical Center – Legazpi, Inc.
13. Allied Care Experts Medical Center – Mandaluyong, Inc.
14. Allied Care Experts Medical Center – Palawan, Inc.
15. Allied Care Experts (ACE) Medical Center - Pateros, Inc.
16. Allied Care Experts (ACE) Medical Center – Quezon, Inc.
17. Allied Care Experts (ACE) Medical Center – Tacloban, Inc.
18. Allied Care Experts Medical Center – Valenzuela, Inc.
19. Asia Pacific Medical Center- Aklan, Inc.

The availment of the discounts and other privileges is subject to the internal policy of the aforementioned hospitals without prejudice to the financial position of the referral hospital.

Other related transactions are discussed in page 40 of the Audited Financial Statement as of and ending on 31 December 2020.

GOVERNMENT APPROVAL

ACE Medical Center - Iloilo Inc. has secured the necessary permits to construct the Hospital. Other permits may be required later for its operation and shall be complied with by the Company.

In the course of its pre-operation stage, ACE Medical Center – Iloilo Inc. will secure permits and licenses from national and local government entities particularly the License to Operate (LTO) from the DOH, Environmental Compliance Certificate and Hazardous Waste Permit from DENR. The Building Permit and Occupancy Permit will be issued by the Iloilo City Office of the Building Official and Business Permit from BPLO of Iloilo City.

The LTO will be secured after the full construction of the Hospital and the necessary Occupancy Permit from the Building Official has been issued. The DOH will need to conduct ocular inspection of the facilities of the Hospital, as well as the pre-operation procedures of ACE Medical Center - Iloilo to ensure it is compliant with the standards of the Department prior to issuance of the LTO.

TRADEMARKS

In 2020, the amendment of the Corporate Name of the Company from Allied Care Experts (ACE) Medical Center- Iloilo, Inc. to Asia- Pacific Medical Center (APMC) – Iloilo, Inc. was approved by majority and two-thirds (2/3) votes of the directors and stockholders respectively hence it no longer submitted a Declaration of Actual Use of its registered trademark for Allied Care (ACE) Medical Center before the Intellectual Property Office. Instead, it filed an application for registration of the name Asia Pacific Medical Center which was subsequently approved on 19 March 2021. The company will file a Declaration of Actual Use of the trademark within three (3) years from its application date on 8 June 2020. The new trademark will establish the Company's own brand of service.

EXISTING OR PROBABLE GOVERNMENT REGULATIONS ON THE BUSINESS

The Company has no knowledge of recent or impending governmental regulations, the implementation of which will result in a material adverse effect on the company. However, various government agencies in the Philippines regulate the different aspects of the Company's business.

The following are noteworthy laws relevant to the Company:

The Data Privacy Act

The Data Privacy Act and its Implementing Rules and Regulations ensure the security of personal data and information and impose certain requirements and obligations to entities involved in the processing of personal data. Companies involved in the processing of personal data are required to appoint a Data Protection Officer and adopt a Personal Data Privacy Policy by September 1, 2017. The National Privacy Commission is tasked to administer and implement the provisions of the law and its rules and regulations.

Considering that the Company is involved in the processing of personal data, be it from investors, suppliers, employees and patients, the Company appointed Mrs. Toni Dinah Cheer Fernandez as Data Protection Officer. The company is currently finalizing its Personal Data Privacy Policy. The policy provides for organizational, physical and technical security measures geared towards data protection. It likewise recognizes the rights of the data subject to information, access and rectification of his personal information, among others. It also provides for the procedure to be undertaken in the event of data breaches or security incidents. The policy further requires that all outsourcing arrangements of the group involving personal data collection be compliant with the requirements of the law.

The Universal Healthcare Act

The Universal Health Care Act requires all private hospitals to operate not less than ten percent (10%) of their bed capacity as basic or ward accommodation and regularly submit a report on the allotment or percentage of their bed capacity to basic or ward accommodation to DOH.

As soon as it operates, the Company will comply with the guidelines set by the DOH to implement the law in so far as private hospitals are concerned.

The Food Safety Act of 2013

The Food Safety Act of 2013 was enacted into law to strengthen the food safety regulatory system in the country. The food safety regulatory system encompasses all the regulations, food safety standards, inspection, testing, data collection, monitoring and other activities carried out by the Department of Agriculture (the "DA") and the Department of Health (the "DOH"), their pertinent bureaus, and the local government units.

The law aims for a high level of food safety, protection of human life and health in the production and consumption of food, and the protection of consumer interests through fair practices in the food trade. The law provides that the DA and the DOH shall set the mandatory food safety standards, which shall be established on the basis of science, risk analysis, scientific advice from expert bodies, standards of other countries, existing Philippine National Standards and the standards of the Codex Alimentarius Commission, where these exist and are applicable.

Under this law, food business operators are charged with certain responsibilities to prevent, eliminate or reduce risks to consumers. They are further encouraged to implement a Hazard Analysis at Critical Control Points-based system for food safety assurance in their operations.

This law will regulate the operation of the commissary of the Hospital once it starts to operate.

RA 9439

RA 9439 was enacted into law to prohibit the detention of patients in hospitals and medical clinics on grounds of non-payment of hospital bills or medical expenses.

The law provides that patients who have fully or partially recovered and who already wish to leave the hospital or medical clinic but are financially incapable to settle, in part or in full, their hospitalization expenses, including professional fees and medicines, shall be allowed to leave the hospital or medical clinic, with a right to demand the issuance of the corresponding medical certificate and other pertinent papers required for the release of the patient from the hospital or medical clinic upon the execution of a promissory note covering the unpaid obligation. The promissory note shall be secured by either a mortgage or by a guarantee of a co-maker, who will be jointly and severally liable with the patient for the unpaid obligation. In the case of a deceased patient, the corresponding death certificate and other documents required for interment and other purposes shall be released to any of his surviving relatives requesting for the same. Patients who stayed in private rooms are not covered by this law.

The Foods, Drugs and Devices, and Cosmetics Act

The Foods, Drugs and Devices, and Cosmetics Act, as amended by the FDA Act of 2009 establishes standards and quality measures in relation to the distribution of health products which include pharmaceutical products sold within the hospital to ensure the safe supply thereof to and within the Philippines. The Food and Drug Administration (the "FDA", previously referred to as the Bureau of Food and Drugs) is the governmental agency attached to the DOH tasked to implement and enforce the FDDC Act.

This law will regulate the operation of the hospital pharmacy.

Environment-related Laws

The Philippine Clean Water Act of 2004 and its implementing rules and regulations provides for the requirement to secure a wastewater discharge permit, which authorizes the discharge of liquid waste and/or pollutants of specified concentration and volume from plants and facilities into any water or land resource for a specified period of time. The Environmental Management Bureau (EMB) of the Department of Environment and Natural Resources (DENR) is responsible for issuing discharge permits and monitoring and inspection of the facilities of the grantee of the permit.

The Philippine Clean Air Act of 1999 and its implementing rules and regulations provides that before any business may be allowed to operate facilities and equipment, which emit regulated air pollutants, the establishment must first obtain a Permit to Operate Air Pollution Source and Control Installations. The EMB is responsible for issuing permits to operate air pollution source and control installations as well as monitoring and inspection of the facilities of the grantee of the permit.

The Solid Waste Management Act of 2000, with DENR Administrative Order 2011-34 as its implementing rules and regulations, sets the guidelines for solid waste reduction through sound reduction and waste minimization, including composting, recycling, re-use, recovery before collection, treatment and disposal in appropriate and environmentally sound solid waste management facilities in accordance with ecologically sustainable principles.

The Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990 and its implementing rules and regulations, as well as DENR Administrative Orders 2013-25 and 2013-22, aim to regulate the management of ozone-depleting chemical substances and hazardous wastes generated by various establishments.

Taxation

On the matter of taxation and other charges, the Company is subject to the National Internal Revenue Code of 1997 (NIRC), as amended by Republic Act No. 9334 and further amended by Republic Act No. 10351. In the course of its business operations, the Company is subject to income tax and documentary stamp taxes.

Costs and Effects of Compliance with Environmental Laws

The Company incurred about One Hundred Twenty Million Nine Hundred Thirty Nine Thousand Seven Hundred Eighteen Pesos and 17/100 (PhP 120,939,718,17) in expenses for environmental compliance for the year 2020. On an annual basis, operating expenses incurred by the Company to comply with environment laws are not significant or material relative to the Company and its total cost and revenues.

EMPLOYEES

The Hospital will be staffed with medical specialists who will provide the skeleton force and attract other specialist to practice in the Hospital. Below is the breakdown of the current manpower of ACEMCI and when it goes into commercial operations in the next twelve (12) months:

Type of Employees	Number of Current	Expected within the Next 12 months
Medical Support Staff	6	396
Administrative Staff	15	55
Engineering and Maintenance	9	12
Outsourced	0	30
Clerical	4	59
Others	0	142
Total	34	694

Medical Specialists

Medical Specialists are Doctors who possess the minimum qualifications and are deemed fit to practice, upon recommendation by the Credentials Committee and approved by the Board and Management of ACEMCI.

The admission to the Medical Staff roster of ACEMCI will be under the jurisdiction of the Credentialing and Privileging Committee.

The Credentialing and Privileging Committee requires that the medical specialists of ACEMCI have updated professional licenses as practicing physicians from the PRC and PHIC.

They should have finished their training in the Accredited Specialty and Subspecialty Societies of their fields in the Philippines, and should be certified Diplomates and Fellows of their respective Medical Specialties. Documentary requirements shall be submitted to the office of the Credentialing and Privileging Office upon application, and upon submission of the requirements, the committee will recommend to the Chief of Medical Services, the Executive Vice President, the Chief Executive Officer, and the BOD for final approval.

Medical specialists may have the option to apply for a Privilege to Practice and enjoy a clinic space and time at ACEMCI, or practice as regular visiting medical staff. Policies and procedures for acceptance to the medical Staff is stated in the Manual of Policies and Procedures of the Credentialing and Privileging. Review of the medical staff credentials is annual, and privileges review is every two years.

Currently, ACE Medical Center Iloilo has a total of 270 Medical Specialists that will practice within the hospital. Within the next 12 months, it is expected that the Hospital will accept at least 100 more Doctors.

MAJOR RISKS

The following are the identified risks in the operation of the hospital of the Company:

1. **OPERATIONAL RISKS**

   The business of healthcare is the delivery of care that is safe, timely, effective, efficient, and patient-centered within diverse populations. Operational risks relate to those risks resulting from inadequate or failed internal processes, people, or systems that affect business operations. Included are risks related to: adverse event management, credentialing and staffing, documentation, chain of command, and deviation from practice.

   To address this risk, the Company engaged consultants that could assist it establishing an internal process that would ensure efficient delivery of services.

2. **CLINICAL PATIENT SAFETY**

   Risks associated with the delivery of care to residents, patients and other healthcare customers. Clinical risks include: failure to follow evidence based practice, medication errors, hospital acquired conditions (HAC), serious safety events (SSE), and others.

   To address this risk, the Company is aiming to follow the standards set by the Joint Commission International for patient safety and eventually apply for accreditation.

3. **STRATEGIC RISKS**

   Risks associated with the focus and direction of the organization. Because the rapid pace of change can create unpredictability, risks included within the strategic domain are associated with brand, reputation, competition, failure to adapt to changing times, health reform or customer priorities. Managed care relationships/partnerships, conflict of interest, marketing and sales, media relations, mergers, acquisitions, divestitures, joint ventures, affiliations and other business arrangements, contract administration, and advertising are other areas generally considered as potential strategic risks.

   To address this risk, a Risk Manager shall be appointed by the Board of Directors as soon as practicable.

4. **FINANCIAL RISK**

   Decisions that affect the financial sustainability of the organization, access to capital or the timing and recognition of revenue and expenses make up this domain. Risks include: costs associated with malpractice, litigation, and insurance, capital structure, credit and interest rate fluctuations, foreign exchange, growth in programs and facilities, capital equipment, corporate compliance (fraud and abuse), accounts receivable, days of cash on hand, capitation contracts, billing and collection.

The Company had secured a Loan to sustain its pre-operation expenses. It also made a call for payment of subscribed shares which were issued in 2018. It also plans to have a Comprehensive Insurance Plan for its practitioners.

5. HUMAN CAPITAL

This is an important issue in today's tight labor and economic markets especially with the current brain-drain of health workers. Also included are risks associated with employee selection, retention, turnover, staffing, absenteeism, on-the-job work-related injuries (workers' compensation), work schedules and fatigue, productivity and compensation. Human capital associated risks may cover recruitment, retention, and termination of members of the medical and allied health staff.

ACEMCI plans to provide Non-Monetary Stock Benefit to its employees to attract health workers to employ in the hospital.

6. LEGAL/REGULATORY

Risk within this domain incorporates the failure to identify, manage and monitor legal, regulatory, and statutory mandates.

ACEMCI is coming up with a strong Compliance system.

7. TECHNOLOGY

This domain covers machines, hardware, equipment, devices and tools, but can also include techniques, systems and methods of organization. Healthcare has seen an explosion in the use of technology for clinical diagnosis and treatment, training and education, information storage and retrieval, and asset preservation. Examples also include Hospital Information System, social networking and cyber liability.

ACEMCI engaged an Indentor, Endure Medical, Inc. to secure the best machines, hardware and equipment for the hospital. It also entered into a contract with TIPP Plus for its integrated Hospital Information System.

Item 2. Properties

ACE Medical Center – Iloilo is a 9-storey, 200-bed capacity hospital with helipad and one (1) basement parking level. Total floor area is around 28,550.50 sq. m. constructed in a 6,000 sq. m. property located at Barangay Ungka, Jaro, Iloilo City. It will also serve as a Referral Center for Allied Care Experts (ACE) institutions in other parts of the country with which ACEMC Iloilo has entered a Memorandum of Agreement.

The property is covered by Transfer Certificate of Title Nos. 095-2015000546 and 095-2015000547 and Tax Declaration Nos. 15-03-042-00552 and 15-03-042-00553 registered in the name of Allied Care Experts (ACE) Medical Center - Iloilo Inc. and used as collateral for a Real Estate Mortgage with Land Bank of the Philippines.

The land described above is recorded in the books of the company at **Twenty Eight Million Two Hundred Ninety One Thousand Six Hundred Thirty Pesos (P 28,291,630).** Aside from land, the other properties acquired and owned by the company are as follows:

Since 2015 until December 31, 2020, the corporation has acquired office equipment composed of desktop and laptop computers, printers, photocopying machines, steel cabinets and office furniture amounting to **Php 1,576,285.00** net of depreciation.

As of December 31, 2020, ACEMCI has acquired a total of **Php 291,678,238.00** medical equipment. These are operating room lights and tables, C-arm X-ray machine, Digital R/F machine, Digital Panoramic Dental Unit, and meal distribution trolleys, all of which are already delivered to the site and will be installed and used once specific areas in the hospital are ready.

During the first part of the year, the company decided to give up its storage maintained with Iloilo Millenium Warehouse and transfer the equipment stored in that warehouse to the hospital site. The company aims to make use of its now available spaces and eventually save on cost. Total cost of hospital equipment already on the site amounts to P90,921,038.00. However, equipment costs in the amount of P32,063,203.00 are still temporarily stored at Sunny Realty Corporation (Endure warehouse) located at Pasig City, Metro Manila. These will all be delivered to the site once the hospital is ready for their installation.

For the purchase of the remaining equipment, ACEMC Iloilo has engaged the services of Endure Medical, Inc. to help in its importation.

The list for further procurement in the coming year includes Diagnostic Laboratory equipment, Hemodialysis machines and ambulance. Funds for the purchase of additional equipment will be from the loan to be granted by Land Bank of the Philippines which amounts to Php 155,000,000.00, and from the sale of securities. For the acquisition of some machines, ACEMC Iloilo may also opt for a "tie-up" contract with suppliers, if applicable.

The Total Properties and Equipment owned by the company reflected a balance of **Four Hundred Twelve Million Nine Hundred Forty Four Thousand Nine Hundred Seventy Six (P 412,944,976.00)** at the end of the year. (net of depreciation) and broken down as follows:

Land	**28,291,630.00**
Office Equipment (net)	**1,576,285.00**
Medical Equipment	**291,678,238.00**
Hospital Equipment	**90,921,038.00**
Kitchen Tools	**473,521.00**
Books/Periodicals(net)	**4,264.00**

LEGAL PROCEEDINGS OF COMPANY, ITS SUBSIDIARIES AND/OR AFFILIATES

Item 3. Legal Proceedings

ACEMCI is not a party to, and its properties are not the subject of, any material pending legal proceeding that could be expected to have a material adverse effect on the ACEMCI's financial performance.

Item 4. Submission of Matters to a Vote of Security Holders

(a) Due to the COVID-19 pandemic, the 2020 Annual Stockholders Meeting of the company was held on 29 October 2020 at Banker's Village, Tabuc-Suba, Jaro, Iloilo City via remote communication.

(b) In the Election of the 2020 Board of Directors, the following were elected:

NAMES	AGE	CITIZENSHIP
FERJENEL G. BIRON	56	FILIPINO
MERIDE D. LAVILLA	58	FILIPINO
DANILO C. REGOZO	58	FILIPINO
AGNES JEAN M. VILLAFLOR	56	FILIPINO
AMADO LAVALLE JR.	58	FILIPINO
FREDILYN G. SAMORO	56	FILIPINO
MA. GRACE G. PEREZ	43	FILIPINO
LUSYL M. GOMEZ	62	FILIPINO
LEMUEL T. FERNANDEZ	54	FILIPINO

IKE T. MINERVA	46	FILIPINO
ROLEX SUPLICO	62	FILIPINO
FELIX NOLASCO	69	FILIPINO
FELIBERT O. DIANCO*	47	FILIPINO
JERUSHA A. COMUELO*	53	FILIPINO

*Independent Director

Ferjenel G. Biron, Meride D. Lavilla, Danilo C. Regozo, Agnes Jean Villaflor, Amado Lavalle Jr., Fredilyn Samoro, Lemuel Fernandez, Ike Minerva were re-elected as Directors while Felibert Dianco was also elected for a new term as Independent Director. Despite not being nominated, Ronald Ramiro continues to serve as Independent Director in a hold-over capacity due to the failure of one of the candidates for Independent Director to get the required majority vote.

(c) The following matters also formed part of the Agenda and were submitted to the vote of the stockholders owning 87.11%, present in person or by proxy:

1. Approval of Minutes of the 2019 Annual Stockholders Meeting

Mode of Attendance	For	Against	Abstain
Number of Shares Voted	195,930	10	230
% of Shares of Shareholders Present	99.88%	0.01%	0.12%

2. Presentation of the 2020 ACEMCI Annual Report and Approval of the 2019 Audited Financial Statements

	For	Against	Abstain
Number of Shares Voted	195,960	0	210
% of Shares of Shareholders Present	99.89%	0	0.11%

3. Amendment of Articles of Incorporation

(i) Article I – Change of Corporate Name

	For	Against	Abstain
Number of Shares Voted	195,930	80	160
% of Shares of Shareholders Present	99.88%	0.04%	0.08%

(ii) Article III – Change of Principal Place of Business

	For	Against	Abstain
Number of Shares Voted	196,130	30	10
% of Shares of Shareholders Present	99.98%	0.02%	0.01%

4. Amendment of By-Laws

(1) Amendment of Article II Section 4 – addition of email as mode of notice and Amendment of period to notify to at least twenty-one (21) days

(2)

(3)	For	Against	Abstain
Number of Shares Voted	196,150	10	10
% of Shares of Shareholders Present	99.99%	0.01%	0.01%

(4) Amendment of Article II Section 5 – participation of stockholders through remote communication meetings

	For	Against	Abstain
Number of Shares Voted	196, 060	20	90
% of Shares of Shareholders Present	99.94%	0.01%	0.05%

(5) Amendment of Article II Section 6 – addition of tele/video conferencing as a mode of conducting Stockholders meetings

	For	Against	Abstain
Number of Shares Voted	194, 120	2,010	40
% of Shares of Shareholders Present	98.95%	1.02%	0.02%

(6) Amendment of Article II Section 7 – change of deadline for submission of proxies

	For	Against	Abstain
Number of Shares Voted	195,980	80	110
% of Shares of Shareholders Present	99.90%	0.04%	0.06%

(7) Amendment of Article III Section 6 - participation in meetings of Directors through remote communications

	For	Against	Abstain
Number of Shares Voted	196,090	20	60
% of Shares of Shareholders Present	99.96	0.01	0.03

(8) Amendment of Article IV Section 1 – amendment of qualification of Corporate Secretary

	For	Against	Abstain
Number of Shares Voted	192,690	0	3,480
% of Shares of Shareholders Present	98.23%	0	1.77%

(9) Amendment of Article IV Section 8 – separation of the duties of a Chief Finance Officer and Treasurer

	For	Against	Abstain
Number of Shares Voted	196,040	0	130
% of Shares of Shareholders Present	99.93%	0	0.07%

(10) Amendment of Article VI Section 1 – amendment of the location of the office of the Corporation

	For	Against	Abstain
Number of Shares Voted	196,110	30	30
% of Shares of Shareholders Present	99.97%	0.02%	0.02%

5. Ratification of the Acts of the Board and Management

	For	Against	Abstain
Number of Shares Voted	192,510	0	3,600
% of Shares of Shareholders Present	98.13%	0	1.8

6. Election of Directors : Tabulation of Votes for Nominees

Nominees	Votes Garnered
1. DR. FERJENEL G. BIRON	528,421
2. DR. MERIDE D. LAVILLA	223,875
3. DR. FELIX P. NOLASCO	206,221
4. DR. FREDILYN G. SAMORO	205,288
5. DR. MA. GRACE G. PEREZ	192,215
6. DR. AMADO M. LAVALLE JR.	191,660
7. DR. LUSYL M. GOMEZ	172,186
8. DR. IKE MINERVA	168,365
9. DR. DANILO REGOZO	155,652
10. MR. LEMUEL T. FERNANDEZ	154,831
11. ATTY. ROLEX T. SUPLICO	151,382
12. DR. AGNES JEAN M. VILLAFLOR	149,854
13. DR. EVANGELINE Y. ZOZOBRADO	131,605
14. DR. JERUSHA COMUELO	109,391
15. DR. FELIBERT O. DIANCO	107,542
16. DR. RUBEN RAMIREZ	76,815

7. Appointment of External Auditor

	For	Against	Abstain
Number of Shares Voted	195,810	10	350
% of Shares of Shareholders Present	99.82%	0.01%	0.18%

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PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market Price on of and Dividends in Registrant's Common Equity and Related Stockholder Matters

A. Market Information

The Company markets and offers the securities through organic employees who are well versed with Hospital operations. Management believes that the strategic location of the Hospital, the facilities and the services it will provide, and the people behind the Hospital, are sufficient to entice medical specialists and prospective investors to consider the offer. The Company greatly relies on these organic employees and satisfied patients to spread the word about the facilities the Hospital can offer. There is no public trading market for the Company's shares.

ACE Medical Center – Iloilo Inc. is offering 3,600 blocks of common shares in tranches, through a series of offerings at an offer price in progressive amounts.

The staggered Offer Price per series of shares for sale to the public was arrived at by considering several factors including but not limited to: the timing of purchase relative to the completion of the Hospital and its facilities, the number of applicants the Hospital could serve and accommodate, the total development costs based on cost assessments of the engineers, architects and other professionals hired for the project, comparable price of similarly situated structure with similar facilities, market demand, risk undertaken by the original stockholders, the exclusive and premium nature of the Hospital and its intended patients and the acceptability of the pricing strategy to the current market.

The breakdown of the Offer Price is presented as follows:

Series	Number of Blocks of Common Shares	Maximum Proposed Selling Price per block
1st	2,600 blocks	P250,000 per block
2nd	500 blocks	P300,000 per block
3rd	500 blocks	P400,000 per block

The first Two Thousand Six Hundred (2,600) blocks had been sold at the price of Php 250,000. 00 per block by the third quarter of October 2019 and another One Hundred Ten (110) blocks at the price of Php300,000.00 per block were subscribed by December 31, 2019. The remaining Three Hundred Ninety (390) blocks at the price of Php300,000.00 per block were sold in the year 2020. Three (3) blocks of the third series shares were sold by December 2020. The 3rd series were never offered until the 2nd series had been sold out in the same manner that the 2nd series were never offered to the public until the shares from the first series had also been sold out. The offered shares are not listed in the Exchange and are issued over the counter only, through the Company's employees acting as salespersons as reflected in its Registration Statement. The percentage of public ownership of the Company as of **December 31, 2020 is 13.20%.**
The 3,600 blocks that were offered to the public are sold primarily to Medical Specialists who possess the minimum qualifications and are deemed fit to practice, upon recommendation by the Credentials Committee and approved by the Board and Management of ACE Medical Center - Iloilo Inc. Other purchasers are non-medical specialists who are related to medical specialists and those who purchased the shares purely for investment purposes.

B. Holders

There are approximately 43 holders of Founder shares and approximately **2747** holders of common shares of the company as of 31 December 2020.

The Top 20 Stockholders as of 31 December 2020 are as follows:

STOCKHOLDERS	NATIONALITY	NUMBER OF SHARES	PERCENTAGE OF OWNERSHIP
1. BIRON, FERJENEL G.	FILIPINO	COMMON 73, 080 FOUNDER 170	31.17 % 28.33%
2. SAMOY, MARIETTA T.	FILIPINO	COMMON 6780 FOUNDER 20	2.90% 3.33%
3. CERNA-LOPEZ, GEANIE	FILIPINO	COMMON 3390 FOUNDER 10	1.44% 1.67 %
4. SAMORO, FREDILYN G.	FILIPINO	COMMON 3390 FOUNDER 10	1.44% 1.67 %
5. SAMORO, RONNIE Z.	FILIPINO	COMMON 3390 FOUNDER 10	1.44% 1.67 %
6. LAVILLA, MERIDE D.	FILIPINO	COMMON 3390 FOUNDER 10	1.44% 1.67 %
7. LAVALLE, AMADO JR.	FILIPINO	COMMON 3390 FOUNDER 10	1.44% 1.67 %
8. VILLAFLOR, AGNES M.	FILIPINO	COMMON 3390 FOUNDER 10	1.44% 1.67 %
9. RAMIREZ, RUBEN B.	FILIPINO	COMMON 3390 FOUNDER 10	1.44% 1.67 %
10. COMUELO, JERUSHA A.	FILIPINO	COMMON 3390 FOUNDER 10	1.44% 1.67 %
11. MINERVA, IKE	FILIPINO	COMMON 3390 FOUNDER 10	1.44% 1.67 %

12. ORILLAZA, GENEROSO M.	FILIPINO	COMMON 3390 FOUNDER 10	1.44% 1.67 %
13. ORILLAZA, MARISSA A.	FILIPINO	COMMON 3390 FOUNDER 10	1.44% 1.67 %
14. REGOZO, DANILO C.	FILIPINO	COMMON 3390 FOUNDER 10	1.44% 1.67 %
15. PEREZ, MA. GRACE G.	FILIPINO	COMMON 3390 FOUNDER 10	1.44% 1.67 %
16. DIANCO, FELIBERT O.	FILIPINO	COMMON 3390 FOUNDER 10	1.44% 1.67 %
17. ONG, MARY FLOR G.	FILIPINO	COMMON 3390 FOUNDER 10	1.44% 1.67 %
18. GONZALES, NOEL G.	FILIPINO	COMMON 3390 FOUNDER 10	1.44% 1.67 %
19. NOLASCO, FELIX	FILIPINO	COMMON 3390 FOUNDER 10	1.44% 1.67 %
20. NOLASCO, EULENIA	FILIPINO	COMMON 3390 FOUNDER 10	1.44% 1.67 %

C. DIVIDENDS

The company is not yet operating its hospital hence there is no unrestricted retained earnings that could be used for dividends.

D. Recent Sale of Unregistered or Exempt Securities , Including Recent Issuance of Securities Constituting an Exempt Transaction

There is no recent sale of unregistered or exempt securities as all of the Two Hundred Forty Thousand issued Shares (240,000) of the Company are registered securities.

Item 6. Management's Discussion and Analysis or Plan of Operation.

(1) Plan of Operation

Hospital construction is targeted to be complete in the third quarter of 2021, and hospital operation is set to start anytime during the fourth quarter of the same year.

Financial requirements of the corporation during the next twelve (12) months stem from the completion of the hospital structure including its interiors, procurement of additional hospital equipment and additional salaries for the expected increase in manpower during the start of the hospital operation. Hiring for the needed employees will commence about three (3) months prior to target starting date of operation which will be set for the orientation and training of both the medical and paramedical staff.

Current financial position depends on the infusion of capital from the remaining shares from IPO and the loan facility granted by Land Bank of the Philippines. With the increasing cash demands especially that completion target has been set, the corporation must maximize all means to market and sell offered shares to the public. Aside from the active selling of shares by the employees of the corporation assigned to market the shares as reflected in the Company's Registration Statement, the Company will use social media to encourage the public to invest in the hospital without prejudice to compliance with the provisions of the Securities and Regulation Commission regarding the marketing of the said shares. Payment of unpaid subscription by the stockholders was also called for to augment the cash position of the corporation.

At present the Company has thirty four (34) employees but the Company is expected to engage more or less Six Hundred Ninety Four (694) employees in the next 12 months as it commences its operation.

(2) Management's Discussion and Analysis

Results of Operations (December 31, 2020 vs December 31, 2019)

	For the Years Ended December 31		Horizontal Analysis		Vertical Analysis	
	2020	2019	Inc./(Dec.)	%	2020	2019
Revenue	0	0	0	0%	NA	NA
Direct Cost	0	0	0	0%	NA	NA
Gross Profit	0	0	0	0%	NA	NA
Other Income	107,317	97,953	9,364	10%	NA	NA
Gross Income	107,317	97,953	9,364	10%	NA	NA
General and Admin Expenses	29,646,352	25,904,499	3,741,853	14%	NA	NA
Loss From Operations	(29,539,035)	(25,806,546)	(3,732,489)	14%	NA	NA
Finance Cost	13,830,175	11,456,490	2,373,685	0%	NA	NA
Net Loss Before Income Tax	(43,369,210)	(37,263,036)	(6,106,174)	16%	NA	NA
Income Tax Expense	0	0	0	0%	NA	NA
Net Loss for The Year	(43,369,210)	(37,263,036)	(6,106,174)	16%	NA	NA
Other Comprehensive Income/(Loss) for the Year	0	0	0	0%	NA	NA
Total Comprehensive Loss for the Year	**(43,369,210)**	**(37,263,036)**	**(6,106,174)**	**16%**	**NA**	**NA**

Other Income

The hospital is in its finishing stage. As of December 31, 2020, it is 94% complete. However, given its current status, it is not yet income generating. What are currently being recorded as income are mostly interest income earned from bank deposits. During the year, we reflected a total of P107,317 other income which is 10% higher than what was reported last year amounting to P97,953. This was mainly due to the funds that we have parked in our bank accounts during the year.

General and Administrative Expenses

General and Administrative Expenses increased by 14% during the year. This is comparing the ending balances of 2020 and 2019. During the year, we have taken up previous years' honorarium, thus increasing the amount reflected significantly at P8.15M equivalent to 449%. Security for the area was heightened during the year, given that the equipment are already stored in the hospital. Salaries and other governmental expenses also increased during the period.

During the year, the storage rentals were also stopped because the equipment were already transferred to the hospital. Due to CoVID 19 Pandemic, travel restriction were heightened, thus, affecting the transport expenditures.

	For the Years Ended December 31		Horizontal Analysis	
	2020	2019	Inc./(Dec.)	%
Salaries and Allowances	10,607,015	9,990,330	616,685	6%
Board Meetings and Meals	9,960,373	1,815,312	8,145,061	449%
Professional Fees and Legal Fees	2,299,496	5,561,460	(3,261,964)	-59%
Security Services	1,625,740	1,081,964	543,776	50%
Taxes and Licenses	1,350,661	1,775,777	(425,116)	-24%
Insurance Expense	777,807	715,015	62,792	9%
Utilities	760,656	528,286	232,370	44%
SSS, PHIC, and HDMF Contributions	516,045	333,792	182,253	55%
Depreciation	422,949	305,461	117,488	38%
Transportation and Travel	374,228	1,025,919	(651,691)	-64%
Rentals	316,000	1,725,859	(1,409,859)	-82%
Office Supplies	260,391	439,014	(178,623)	-41%
Advertising Expenses	249,143	0	249,143	0%
Unrealized Forex Loss	0	179,510	(179,510)	- 100%
Miscellaneous	125,848	426,800	(300,952)	-71%
TOTALS	**29,646,352**	**25,904,499**	3,741,853	14%

Financial Condition (December 31, 2020 vs December 31, 2019)

Assets

Total assets of the company increased by 18.73%. Most of the increase is attributable mainly to construction in progress. During the year, Advances to related party decreased by 88.91% (P257M). Majority of the items that were previously booked as advances to related party were already taken up as part of the Property and Equipment after the deliveries made during the year. The decrease in the related party account in effect increased the PPEs that are already on hand.

Liabilities

The liabilities of the company slightly decreased by 13.56% for the year 2020. Advances to shareholders were fully paid by the company as of year-end. LBP released additional loans amounting to P119.2M during the year, thus, total loans increased by 15.74%.

Equities

The equity increased by 133.10% amounting to P436M. Share Capital increased by P53.1M (31.57%). Also, net share premium was up by a total of P426.6M equivalent to an increase of 188%. The deficit during the year also increased by P43M which in effect reflected a deduction from the equity account.

For the Years Ending December 31

ASSETS	Dec 31, 2020	Dec 31, 2019	Horizontal Analysis Inc./(Dec.)	%	Vertical Analysis 2020	2019
CURRENT ASSETS						
Cash	48,022,046	15,371,215	32,650,831	212.42%	2.72%	1.03%
Receivables - Others	140,652	167,922	(27,270)	-16.24%	0.01%	0.01%
Advances to Related Party	32,063,203	289,039,039	(256,975,836)	-88.91%	1.81%	19.42%
Advances to Contractors	46,605,879	30,955,691	15,650,188	50.56%	2.64%	2.08%
Advances to Suppliers	7,022,271	3,515,904	3,506,367	99.73%	0.40%	0.24%
Prepayments	213,858	192,306	21,552	11.21%	0.01%	0.01%
	134,067,909	339,242,077	(205,174,168)	-60.48%	7.59%	22.79%
NON-CURRENT ASSETS						
Property and Equipment (net)	412,944,976	155,918,076	257,026,900	164.85%	23.36%	10.47%
Construction-In-Progress	1,215,428,067	993,243,626	222,184,441	22.37%	68.77%	66.72%
Other Non-Current Assets	5,015,228	225,000	4,790,228	2128.99%	0.28%	0.02%
	1,633,388,271	1,149,386,702	484,001,569	42.11%	92.41%	77.21%
TOTAL ASSETS	**1,767,456,180**	**1,488,628,779**	**278,827,401**	**18.73%**	**100.00%**	**100.00%**

LIABILITY AND EQUITY	Dec 31, 2020	Dec 31, 2019	Horizontal Analysis Inc./(Dec.)	%	Vertical Analysis 2020	2019
CURRENT LIABILITIES						
Accounts Payable and Other Liabilities	96,662,087	67,510,071	29,152,016	43.18%	5.47%	4.54%
Income Tax Payable	228	0	228	0.00%	0.00%	0.00%
Loans Payable to Individuals	30,343,471	75,250,000	(44,906,529)	-59.68%	1.72%	5.05%
Notes Payable - Current Portion	19,393,250	17,970,720	1,422,530	7.92%	1.10%	1.21%
	146,399,036	160,730,791	(14,331,755)	-8.92%	8.28%	10.80%

NON-CURRENT LIABILITIES						
Notes Payable - net of Current Portion	856,996,830	739,241,760	117,755,070	15.93%	48.49%	49.66%
Advances from Shareholders	0	260,878,684	(260,878,684)	-100.00%	0.00%	17.52%
	856,996,830	1,000,120,444	(143,123,614)	-14.31%	48.49%	67.18%
TOTAL LIABILITIES	1,003,395,866	1,160,851,235	(157,455,369)	-13.56%	56.77%	77.98%
EQUITY						
Share Capital (net)	221,234,000	168,150,000	53,084,000	31.57%	12.52%	11.30%
Share Premium	653,467,980	226,900,000	426,567,980	188.00%	36.97%	15.24%
Deficit	(110,641,666)	(67,272,456)	(43,369,210)	64.47%	-6.26%	-4.52%
	764,060,314	327,777,544	436,282,770	133.10%	43.23%	22.02%
TOTAL LIABILITIES AND EQUITY	**1,767,456,180**	**1,488,628,779**	**278,827,401**	**18.73%**	**100.00%**	**100.00%**

	2020	2019	2018
Cash and Cash Equivalent	The year-end balance of cash showed an increase from last year's. LBP released additional tranches of loans before the year ended.	Full swing construction would require use of cash and other company assets, thus, the minimal cash balance reflected.	The hospital is gearing for a full swing construction. Thus, company resources, esp. cash, are being utilized for the project.
Advances to Related Party	Equipment purchased were already delivered, thus, the amounts were reclassified to PPEs.	The amount recorded as part of the advances to related party account include those that would cover payments to equipment but not yet delivered or still at the suppliers' warehouse for safekeeping.	
Advances and other receivables	Down payments made to contractors and suppliers. These are being recouped gradually as their work progresses.	The amount included the advances made IFO the contractors and suppliers as down payment. These advances will form part of the payments through gradual application against contractors/ suppliers' billings.	

Property and Equipment (net)			
	These are machines that are already in the possession of the hospital ready for use when it opens.	Additional machines were acquired and recorded by the company.	These are the machines that the hospital was able to acquire as of the time. These are kept safe in the storage being rented by the company.
Construction-In-Progress			
	Construction is at 94% as of year-end. And total amount used to finance the construction increased by P222.0M compared to last year.	The construction has been going on for the last 4 years and slowly, it's been making a big progress.	
Other Non-Current Assets			
	Recorded as deposits to MORE Power Corp is P5.0M and the remaining unused rentals of P15.0K with IMS.	Recorded as other non-current assets are Advanced rentals for IMS at P15K and advanced storage fees of P210M.	
Accounts Payable and Other Liabilities			
	Retention payables account for 40% of the accounts payable, while accrued interest is at 32%. Payables to contractors/suppliers is 25% of the total. Other payables include governmental expenses, etc.	These mostly are retention payables in favor of contractors and also unpaid billings from suppliers/contractors that were received before year end. This also includes governmental/utility payables.	
Notes Payable			
	LBP released an additional FA of almost P120.0M in 2020. total loans now amount to P876.0M.	These are financial assistance provided by the Land Bank of the Philippines (LBP). As at end of 2019, the bank was able to release (in tranches) a total of P757.0M.	
Loans Payable to Individuals			
	These are non-interest bearing loans provided by individual shareholders to help in the construction of the hospital. These loans are slowly being liquidated whenever there are available funds.		
Share Capital			
	As at year end 2020, the company was able to sell and collect 221,234 shares of its 240,000 outstanding shares (92%)	These are the recorded subscribed and paid shares disposed by the company.	
Share Premium			
	Net share premium recorded as at end of 2020 increased by P406.5M as compared to 2019.	Sale of securities in excess of par. These amounts are recorded under share premium.	No transaction

Deficit

The hospital is not yet operating. All expenses of the company (basically administrative) cause the deficit that was recorded.

Statement of Comprehensive Loss	**For the Years Ended December 31**		
	2020	**2019**	**2018**
Revenue	0	0	0
Gross Profit	0	0	0
Other Income	107,317	97,953	137,975
General and Admin Expenses	(29,646,352)	(25,904,499)	(18,944,150)
Finance Cost	(13,830,175)	(11,456,490)	0
Total Comprehensive Loss for the Year	(43,369,210)	(37,263,036)	(18,806,175)
Total RESOURCES	**1,767,106,517**	**1,488,628,779**	**1,058,181,296**

The hospital is expected to open in 2021. Data for the year 2020, includes other income reflecting mostly interest income given that the hospital is not yet operational. The company at present reports losses for the previous years. The expenses incurred by the company during these times were all administrative and construction related.

Key Performance Indicators (KPIs)	**2020**	**2019**	**2018**
LIQUIDITY			
QUICK ASSET RATIO			
Cash + Cash Equivalent + Current Accounts Receivable / Current Liabilities	0.91 : 1	2.11 : 1	2.83 : 1

Remarks:
Most of the company's resources are now being utilized for the construction of the hospital. That is the reason why the cash balance reflected on every year-end report is low. Within 2021, the hospital will be opening its doors to the public, thus, it is expected that the cash and other current assets will reflect a more positive data.

CURRENT RATIO			
Current Assets / Current Liabilities	0.92 : 1	2.11 : 1	3.15 : 1

Remarks:
As for now, cash and other current assets are being utilized for the construction of the hospital. That is the reason why the current ratio of the company reflected a not so attractive information. It is expected to be better when the hospital starts its operation this 2021.

SOLVENCY

	DEBT TO EQUITY RATIO		
Long Term Debt / Equity	1.12 : 1	3.05 : 1	7.47 : 1

Remarks:
Slowly, the company's debt to equity ratio is getting better. With the enhanced selling of shares and eventually collection of payments, we are positive that in no time the financial data will be more attractive.

PROFITABILITY

	NET PROFIT MARGIN		
Net Income / Sales	NA	NA	NA

Remarks:
Hospital is not yet operational. Data is not yet available.

	RETURN ON EQUITY		
Net Income / Stockholder's Equity	NA	NA	NA

Remarks:
Hospital is not yet operational. Data is not yet available.

LEVERAGE

	DEBT TO TOTAL ASSET RATIO		
Total Debt / Total Assets	0.57 : 1	0.78 : 1	0.90 : 1

Remarks:
The building is almost complete so the construction in progress account is getting bigger. This is where most of the resources of the company go. The liquidity of the company may have been affected but the total assets, though not readily convertible to cash, are more than enough to cover its total obligations.

	ASSET TO EQUITY RATIO		
Total Assets / Equity	2.30 : 1	4.57 : 1	9.54 : 1

Remarks:
The hospital is opening very soon. By that time, the company may already be able to show a more stable financial statement. As at present company assets is 230% higher than its equity.

INTEREST RATE COVERAGE RATIO

	INTEREST RATE COVERAGE RATIO		
Earnings Before Interests & Taxes / Interest Expense	NA	NA	NA

Remarks:
Hospital is not yet operational. Data is not yet available.

As of December 31, 2020

1 The company has not been involved in any legal proceedings, tax and/or regulatory assessments.

2 There has been no off balance sheet transactions, arrangements, obligations and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

3 There are no seasonal aspects that had material impact on the results of operations of the company.

4 There are no events nor any default acceleration of an obligation that will trigger direct or contingent financial obligation that is material to the company

5 The company intends to commence its operations in 2021 when the hospital facility will be completed.

6 The company has no investments on foreign securities.

2018 compared by 2017

Hospitals construction was on going despite financial incapability. The founders, on their own accounts, helped out to initially finance the construction of the hospital.

2019 compared to 2018

In the middle of 2019, the authority to sell securities was approved by SEC. This permit enabled the company to hasten the construction of the hospital because funds generated thru the sale of securities.

2020 compared to 2019

Given that the hospital is in full swing, company resources, especially cash has been depleting. Also, the pandemic affected the sakes of securities which eventually affected the construction of the hospital. Despite the odds, the hospital was able to continue, though slowly. Instead of pushing for the original plans of opening the hospital in 2020, the company decided to delay the opening in 2021.

Item 7. Financial Statements

The 2020 Audited Financial Statements of the Company (with the External Auditors' PTR, Name of Certifying Partner and Address) and Statement of Management's Responsibility are attached hereto as **Annex A.**

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no disagreements with Dimaculangan, Dimaculangan and Company CPAs for years 2020, 2019 and 2018 on any matter relating to accounting principles or practices, disclosure of financial statements, auditing scope and procedures.

Note 3, Transition to the PFRS, to the financial statements provide discussion on the change in the financial reporting framework, pursuant to the Securities Regulation Code Rule 68, as Amended (2011), including adjustments made on prior period correction of errors in classification of accounts.

EXTERNAL AUDIT FEES AND SERVICES

The External Auditor has rendered:

- Audit of the registrant's annual financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements for those fiscal years.
- Other assurance and related services that are reasonable related to the performance of the audit or review of the registrant's financial statements.
- The audit committee has approved the above mentioned services

The aggregate fees billed are shown below:

Fees approved in connection with the assurance rendered by Dimaculangan, Dimaculangan and Company CPAs pursuant to the regulatory and statutory requirements for the years ended December 31, 2020 amount to ₱399,632.00 inclusive of 12% VAT, December 31, 2019 amount to ₱674,172.00 inclusive of 12% VAT and December 31, 2018 amount to ₱548,800.00 inclusive of 12% VAT.

Year	2020	2019	2018
Audit Fees	399,632.00	P674,172.00	P548,000.00

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

BOARD OF DIRECTORS AND EXECUTIVE OFFICERS

The overall management and supervision of the Company is undertaken by the Board. The Company's executive officers and management team cooperate with the Board by preparing appropriate information and documents concerning the Company's business operations, financial condition and results of its operations for its review. Currently, the Board consists of fifteen (15) members, of which three (3) are independent directors.
The table below set forth the members of the Company's Board as of December 31, 2020.

Name	Age	Position	Citizenship
Biron, Ferjenel G.	56	Chairman & President	Filipino
Samoro, Fredilyn G.	55	Vice Chairman	Filipino
Lavalle, Amado Jr.	57	Vice President	Filipino
Lavilla, Meride D.	57	Assistant Corp Sec.	Filipino
Villaflor, Agnes Jean M.	56	Director/Treasurer	Filipino
Gomez, Lusyl M.	61	Director/Asst. Treas. (elected on October 29 2020)	Filipino
Gallega-Perez, Ma. Grace	42	Director (elected on October 29 2020)	Filipino
Regozo, Danilo	57	Director	Filipino
Fernandez, Lemuel	53	Director	Filipino
Nolasco, Felix	68	Director (elected on October 29 2020)	Filipino
Suplico, Rolex	62	Director (elected on October 29 2020)	Filipino
Minerva, Ike	45	Director	Filipino
Dianco, Felibert O.	46	Independent Director(elected on March 10 2020)	Filipino
Comuelo, Jerusha A.	53	Independent Director (elected on October 29 2020)	Filipino
Ronald, Ramiro	62	Independent Director	Filipino

All the above individuals were elected as Board of Directors and Officers of the Corporation for the year 2020 until their successors are elected during the Annual Stockholders meeting of ALLIED CARE

EXPERTS (ACE) MEDICAL CENTER-ILOILO, INC. held on 29 October 2020. During the Organizational Meeting on the same day, Dr. Gomez was elected as Asst. Treasurer. On 4 December 2020 Dr. Ramiro was recognized as the third Independent Director for the year 2020 to serve in a hold-over capacity as an Independent Director due to failure of one of the candidates to the BOD to meet the required number of votes. The Compliance Officer, Atty. Maylene B. Villanueva was re-elected as Corporate Secretary in the same meeting until a more suitable candidate becomes available.

The business experience of each of the directors of the Company for the last five (5) years is as follows:

Ferjenel Biron, MD is the Chairman and President of Allied Care Experts (ACE) Medical Center – Iloilo Inc., and Allied Care Experts Medical Center – Bacolod Inc and former President and now Chairman of Asia Pacific Medical Center (APMC) – Aklan Inc. He is also the Founding President of Phil Pharmawealth Inc. from 1993 to present with interruptions on his service during his tenure as Representative of the 4th District of Iloilo from 2004 - 2013 and 2016-2019. He is also the CEO of Endure Medical, Inc. since 2013 to June 2016 and President from July 2020 to present. He is the President of Aesthetica Manila Inc. since 2015. He is a member of the Board of Directors of Allied Care Experts (ACE) Medical Center – Butuan Inc., Allied Care Experts (ACE) Medical Center – GENSAN Inc.and Allied Care Experts (ACE) Medical Center – Cagayan de Oro, Inc.. He also served as member of the Board of Directors of Tagum Global Medical Center, Inc. and is the current President of Smartlab Diagnostics Inc.

Dr. Biron graduated Magna Cum Laude with a degree in B.S Biological Sciences at Western Visayas State University in 1985. He continued his Medical School in the same University and graduated in 1989 and had his Post Graduate Internship at Western Visayas Medical Center Hospital in 1989-1990. In 1999, he completed the Manufacturing and Finance Course for Senior Executives School at Asian Institute of Management. He attended the University of Asia and the Pacific taking up Strategic Business Economic Planning leading to Master in Business in Economics in 2014. He is a thesis away from completing the Master in Hospital Management program of Cebu Doctors College.

Fredilyn G. Samoro, MD, is the current Vice Chairman of the Board of Directors and the Vice President for Marketing of the Company. She is also the President of Allied Care Experts (ACE) Medical Center-Butuan Inc., and Allied Care Experts (ACE) Medical Center - GENSAN INC. Dr. Samoro is a Professorial Lecturer at West Visayas State University, College of Medicine. She is also the School Head/Chief Operations Officer of Iloilo Integrated School from 2005 to present and MD Check Iloilo Inc. from 2009 to present. She is one of the Founding Directors of Healthlink Iloilo (from 2005 to present) Iloilo Integrated School (from 2001 to present) and MD Check Iloilo Inc. (from 2009 to present). Dr. Samoro was also the Vice President of Philippine Obstetrical & Gynecological Society, Panay Chapter in 2013, and the President Philippine Obstetrical and Gynecological Society in 2014. She is currently the Treasurer of Council of Presidents of Ace Medical Center. She is writing her thesis for Master of Arts in Hospital Administration at Cebu Doctor's College.

Amado Lavalle Jr., MD, is the current Executive Vice President. He had served as Director of the Company since 2014. Dr. Lavalle was a Training Officer from 1997 to 2004 and the Chairman from 2009 to 2015 of the Department of Surgery of St. Paul's Hospital. He is also a Consultant of West Visayas State University Hospital Medical Center, Department of Surgery from 1988 to present and Western Visayas Medical Center from 1997 to present. Dr. Lavalle was a consistent Honor Student from Elementary to College. He finished his Bachelor of Science in Biology Sciences at West Visayas State University 1984 and graduated Magna Cum Laude. He continued his Medical Studies in the same University until he graduated in 1988. He had his Post-Graduate Internship at St. Paul's Hospital from 1988 to 1989. Dr. Lavalle had his residency training in General Surgery from 1990 to 1994 in the same hospital. He had his Fellowship Training in Surgical Oncology at UP- PGH in 1996. He is presently taking his Master of Arts in Hospital Administration at Cebu Doctor's University and currently on thesis writing.

Agnes Jean Villaflor, MD, is the Corporate Treasurer and had been a Director of the Company since 2014. Prior to being the Corporate Treasurer of ACEMCI, she is the Medical Director of M3 Dialysis Center from 2007 and the Medical Director of RSI from 2016 to present. She is also the Training Officer of West Visayas State University Medical Center Department of Internal Medicine and the Secretary of

Renal Specialty Inc., She is a Professorial Lecturer at the College of Medicine of West Visayas State University and Central Philippine University. Dr. Villaflor took her Bachelor of Science in Biological Science at the University of the Philippines in the Visayas and graduated in 1985. She took her medical studies at West Visayas State University and graduated in 1989. She had her Post-Graduate Internship at Westen Visayas Medical Center from 1989 to 1990 and had her residency training in Internal Medicine at West Visayas State University Hospital from 1991 to 1993. From 1994 to 1995, she had her Fellowship Training at Philippine General Hospital in Nephrology. She is presently taking her Masteral studies in Hospital Administration at Cebu Doctor's Hospital.

Meride D. Lavilla, MD, was previously the Corporate Secretary of Allied Care Experts Medical Center Iloilo Inc. who stepped down to become Assistant Corporate Secretary on August 2019 to be able to focus on her Directorship. Dr. Lavilla has been the Corporate Secretary of Healthlink Inc. for 3 years where she is currently a director. She is presently an Assistant Corporate Treasurer of Allied Care Experts Medical Center Bacolod Inc. and Executive Vice President of Asia Pacific Medical Center (APMC) – Aklan Inc. She is also a Director of Allied Care Experts Medical Center Cagayan de Oro Inc. and a Founding Member of ACEMC-Gensan and ACEMC-Butuan. Dr. Lavilla has been a Clinical Preceptor for 2nd and 3rd year Medical Students of West Visayas State University, College of Medicine from 1994. She is a member of the Philippine College of Occupational Medicine. She is a Medical Retainer of Vitarich Corporation from 2009 to date and Angelina Bakeshop until 2019. Dr. Lavilla took Bachelor of Science in Biology and graduated Cum Laude from West Visayas State University in 1984. She took her medical studies at West Visayas State University, College of Medicine in 1988. She had her Post-Graduate Internship at St. Paul's Hospital in the year 1988-1989 and Residency training in Pediatrics from 1990 and subsequently became the Chief Resident at West Visayas State University Medical Center in 1993. Dr. Lavilla is completing her thesis for her Master of Arts in Hospital Administration at Cebu Doctors University. Aside from being a Physician, Dr. Lavilla is a registered Nurse and earned her BSN degree at West Negros College in the year 2002-2004.

Danilo C. Regozo, MD, is a Director and Head of the Construction Committee of Allied Care Experts Medical Center Iloilo Inc since 2014. He is presently the Executive Vice President of Allied Care Experts Medical Center - Bacolod Inc and Chairman of the Board of Excel Global Inc. (EGI). Prior to his election as Chairman, he also served as President of EGI from 2017 to 2020. Dr. Regozo is the owner of Farmacia Neo and Regozo Family Medicine Clinic. In addition, he is an Associate Member of Philippine College of Occupational Medicine from 1994 to present. He was the Treasurer from 2001 to 2003 and Vice President from 2003 to 2004 of Philippine Academy of Family Physicians, Iloilo Chapter. Moreover, Dr. Regozo was the Assistant Secretary (2014 – 2016) and Vice President from (2016 – 2018) of Iloilo Medical Society. Dr. Regozo graduated from University of the Philippines in the Viasayas with a Degree in Bachelor of Science in Fisheries in the year 1983. He finished his Bachelor of Science in Biological Sciences at West Visayas State University in 1984. He then completed his Medical Degree at West Visayas State University, College of Medicine in 1988. Dr. Regozo had his Post-Graduate Internship at St. Paul's Hospital in 1988. He was conferred as Diplomate in Family Medicine in 1999, Fellow in Family Medicine in 2004 and Fellow Life in 2014. Aside from being a Physician, Dr. Regozo, is a Registered Nurse. Currently, Dr. Regozo is on his thesis writing for his Master of Arts in Hospital Administration at Cebu Doctor's College.

Ike T. Minerva, MD was first elected as one of the Board of Directors of Allied Care Experts Medical Center Iloilo Inc., on August 2020. He has been the Section Head of Gastroenterology and Endoscopy Unit Head of West Visayas State University Medical Center since 2011. He finished his Bachelor of Medical Technology in 1996 and Medical Degree at West Visayas State University College of Medicine in 2000. He pursued Internal Medicine Residency at West Visayas State University Medical Center, and became a Chief Resident. He graduated his fellowship in Gastroenterology and Hepatology at Manila Doctors' Hospital as the Chief Fellow. Because of his interest in Interventional Endoscopy, he decided to continue his further training at Pusat Perubatan Universiti Malaya in Kuala Lumpur, Malaysia which is one of the few centers in the world catering to Advance Endoscopy Training.

Lemuel T. Fernandez is as an Independent Director of Allied Care Experts Medical Center Iloilo Inc., He is a Director of Aesthetica Manila, Inc. and an Editor in Chief of Daily Guardian since 2002. He was the Past President of Rotary Club of Iloilo and past President of Iloilo Press Club. Mr. Fernandez finished his Degree in Bachelor of Arts at University of Iloilo in the 1988.

Lusyl M. Gomez MD is the Vice President for Finance of the Company. She is a member of the Philippine Pediatric Society. She served as Treasurer and member of the Board of Directors of Healthlink for four (4) years and twelve (12) years respectively and Wellness Medical Pharma for five (5) years. She is a Professor at the School of Dentistry of Iloilo Doctors College for four (4) years and was a school physician at St. Therese College and STI for three (3) years. She is a Vice President for Operation in ExcelGlobal Inc. She is also a stockholder of Qualimed Medical Corp., Medicus and Asia Pacific Medical Center (APMC) – Aklan Inc., Inc. She is a graduate of BS Biology and Medicine of West Visayas State University.

Ma. Grace Gallega-Perez MD is the President of MD Check Inc. since 2012. She is also the Treasurer of Skin Science, Inc. since 2014. She is a graduate of BS Biology in the University of the Philippines in the Visayas and finished her medical degree at West Visayas State University College of Medicine. She is also one of the Board of Directors of the Collegio de las Hijas de Jesus Alumni Association, Inc. She is currently writing her thesis for Master in Hospital Administration at Cebu Doctor's University.

Felix P. Nolasco, MD is the Chairman of Sto. Tomas Doctor's Hospital Medical Center and President of Unihealth Baypointe Hospital Medical Center. He has also been a President of both the Phil. Board of ENT- HNS and Phil. Society of ENT-HNS. He had retired as Chairman of the ENT-HNS Department of East Avenue Medical Center and Executive Officer of Jose Reyes Medical Center in 2016.

Rolex T. Suplico is a Partner at Suplico, Austria and Marbella Law Firm. He is the President of Great Jupiter Mercantille, Inc. since 2015 and Great Odysseus Sec. Agency, Inc. since 2011. He had been in the civil service as Board Member, Vice Governor and Congressman of the Fifth (5th) District of Iloilo. He finished his law degree at the University of the Philippines College of Law.

Felibert O. Dianco, MD is currently an Independent Director of the Company. He is the Assistant Chair of the ICU Committee of West Visayas State University Medical Center. He had been a President of the Philippine Heart Association for two (2) years and is currently a member of the Board of Directors of PCP -Panay Chapter.

Jerusha A. Comuelo, MD is a Treasurer of the Iloilo Neuroscience Group Inc. since 2015 and of West Visayas State University since 2016. She is on her thesis for Master in Hospital Administration at Cebu Doctor's University. She is a Life member of the Philippine Medical Association and a member of Child Neuro Society of Philippines, Philippine League against Epilepsy and Ocean Oceanian of Child Neurology.

Ronald L. Ramiro, MD is an Independent Director of Allied Care Experts Medical Center Iloilo Inc. He has been the President of Allied Care Experts Medical Center – Bohol Inc. since 2014. Dr. Ramiro is also the Medical Director of Ramiro Community Hospital from 1990 to present and Chairman of the Board of Ramiro Community Hospital, He is the Chairman of its Department of Surgery from 1990 to 2014. Further, he was the Vice President of Bohol Critical Care Service Inc. He was appointed as the Chief Resident, Department of Surgery, Cebu Doctor's Hospital from January to December 1998. Dr. Ramiro completed his B.S General Science at Siliman University, Negros Oriental in 1977 and pursued his medical studies at Cebu Institute of Medicine which he completed in 1981. He had his Post-Graduate Internship from 1981 to 1982 at Southern Island Medical Center. Dr. Ramiro had his Residency Training at various hospitals such as Chong Hua Hospital from 1982 to 1984, Cebu Doctors Hospital 1987 and Chief Resident, Cebu Doctors Hospital in 1988. He finished his Master of Arts in Hospital Administration at Cebu Doctor's University in 2015.

<u>Term of Office</u>

Pursuant to the Company's By-Laws, the directors are elected at each annual stockholders' meeting by stockholders entitled to vote. Each director holds office until the next annual election and his successor is duly elected, unless he resigns, dies or is removed prior to election to such.

OFFICERS

The table below sets forth ACEMCI's executive officers in addition to its executive directors listed above as of December 31, 2020.

Name	Age	Position	Citizenship	Period during which individual has served as such
Maylene Villanueva	40	Corporate Secretary/ Compliance Officer	Filipino	August 2019 to present February 2019 up to present
Elmer Samoro	49	Chief Finance Officer	Filipino	February 2019 up to present
Gerald Joel C. Abonado	57	Hospital Administrator	Filipino	September 2019 to present

MAYLENE B. VILLANUEVA is the Corporate Secretary and Compliance Officer of the Company. She is also the President of TIPP Digital Solutions, Inc. She is a Managing Partner in Villanueva and Trasporto and Partners. She was an active member of Junior Chamber International Philippines and served the National Organization as Area Vice President for Area 4 (Visayas Area) (2020), General Legal Counsel (2019) and Regional Vice President for Western Visayas (2016). She is also the Vice President for Legal Affairs and Human Resource of Phil Pharmawealth Inc. and concurrently serves as Corporate Secretary of Quiklab Diagnostics, Inc., Aesthetica Manila Inc. and Smartlab Diagnostics Inc. She is also a current member of the Board of Trustees of the Iloilo State College of Fisheries (ISCOF) representing the Private Sector. She obtained her degrees in Law and Broadcast Communication from the University of San Agustin and the University Philippines in the Visayas respectively.

ELMER SAMORO is the Chief Finance Officer of the Company. He is also the Chief Operating Officer of Healthlink (Iloilo), Inc. His other previous employment was with Metropolitan Bank and Trust Company. He graduated from Central Philippine University in 1991 with a Commerce degree major in Accounting.

GERALD JOEL C. ABONADO is the Hospital Administrator of the Company. He was the Chief of Hospital of Ramon D. Duremdes District Hospital in Dumangas, Iloilo from March 2017 to July 2019 and had been the Director of Administration of the Medical City Iloilo from March 2012 to 2014 and Medical Director of Saviour International Hospital Iloilo City from March 2009 to 2010. He is a member of Philippine College of Geriatric Medicine Specialty Board since October 2012 and Council Member of the Gerson Lerhman Group since November 2011.

INDEPENDENT DIRECTORS

The independent directors of the Company as of 31 December 2020 are as follows:

1. Felibert O. Dianco
2. Jerusha A. Comuelo
3. Ronald L. Ramiro

SIGNIFICANT EMPLOYEES

The Company has no employee who is not an executive officer but who is expected to make a significant contribution to the business.

FAMILY RELATIONSHIPS

One of the directors, Ma. Grace Gallega-Perez and the Chief Finance Officer, Elmer Samoro are the sister and brother-in-law respectively of Vice Chairman, Dr. Fredilyn G. Samoro.

On the other hand, the husband of Director Lusyl Gomez who is also an Assistant Treasurer is the first cousin of the Corporate Treasurer Agnes Villaflor.

INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS

Rolex Suplico, a Director is a defendant in a case filed against him while he was Vice Governor of Iloilo from 2007-2020 The case is People v. Suplico, et.al., with SB-18-CRM-0051 for violation of Sec. 3 (e) of RA 3019 pending at the 5th Division of the Sandiganbayan.

As of 30 June 2021, presentation of Prosecuticn's evidence is still pending.

Item 10. Executive Compensation

Summary of Compensation Table

Annual Compensation

2020

(a) Name and Principal Position	(b) Year	(c) Salary (P)	(e) Annual Bonus (P)	(f) Other Annual Compensation (Per Diem and other allowances)
Ferjenel G. Biron – Chairman and CEO	2020	1,200,000.00	100,000.00	298,000.00
A. Amado M. Lavalle Jr – Executive Vice President	2020	420,000.00	35,000.00	340,000.00
B. Agnes Jean Villaflor – Corporate Treasurer	2020	420,000.00	35,000.00	344,000.00
C. Maylene B. Villanueva - Corporate Secretary/Compliance Officer	2020	840,000.00	70,000.00	-
D. Fredilyn G. Samoro – Vice Chairman	2020	420,000.00	35,000.00	376,000.00
F All other officers and as a group named	2020	1,020,000.00	85,000.00	560,000.00

2019

(a) Name and Principal Position	(b) Year	(c) Salary (P)	(e) Annual Bonus (P)	(f) Other Annual Compensation (Per Diem and other allowances)
CEO Ferjenel G. Biron	2019			600,000.00
A Amado Lavalle	2019			210,000.00
B Meride Lavilla	2019			340,000.00
C Agnes Jean Villaflor	2019			420,000.00
D Fredilyn G. Samoro	2019			550,000.00
E All other officers and as a group named	2019			955,000.00

2018

(a) Name and Principal Position	(b) Year	(c) Salary (P)	(e) Annual Bonus (P)	(f) Other Annual Compensation (Per Diem and other allowances)
CEO Ferjenel G. Biron	2018	Not Applicable	Not Applicable	180,000 (per diem)
A Amado M. Lavalle Jr	2018	Not Applicable	Not Applicable	180,000 (per diem)
B Meride Lavilla	2018	Not Applicable	Not Applicable	180,000 (per diem)
C Agnes Jean Villaflor	2018	Not Applicable	Not Applicable	180,000 (per diem)
D Fredilyn G. Samoro	2018	Not Appliable	Not Applicable	180,000 (per diem)
E All other officers and as a group named	2018	Not Applicable	Not Applicable	180,000 (per diem of 10 directors)

The individual rates of the Top four (4) Executive Directors as specified above was approved by the Board of Directors during the regular meeting last February 23, 2018 thru Board Resolution No. 2018-02-04 to take effect in January 2019 and booked as payable to respective Officers and Directors subject to the availability of funds.

The salary provided for the Executive Directors of ACEMC Iloilo are as follows.

Chairman	Fifty Thousand Pesos (P 50,000.00)
President	Fifty Thousand Pesos (P 50,000.00)
Executive Vice President	Thirty Five Thousand Pesos (P 35,000.00)
Corporate Secretary	Thirty Five Thousand Pesos (P 35,000.00)
Corporate Treasurer	Thirty Five Thousand Pesos (P 35,000.00)
Vice Chairman	Thirty Five Thousand Pesos (P 35,000.00)
Asst. Secretary	Twenty Five Thousand Pesos (P 25,000.00)
Asst. Treasurer	Twenty Five Thousand Pesos (P 25,000.00)

STANDARD ARRANGEMENTS

The company approved a reasonable per diem of each board of director for every board meeting attended is P30,000.00 as specified and shall be effective on Jan. 1, 2019:

a. Regular and Special Board Meeting - P 10,000.00
b. Construction Meeting - P 10,000.00
c. Travel Allowance - P 10,000.00

Due to the COVID-19 Pandemic and the resulting travel restrictions, Board meetings had been conducted via remote communication. For this reason, Directors had not been entitled to travel allowance since April 2020.

OTHER ARRANGEMENTS

There are no other arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly during 2019 and 2020 for any service provided as a director.

EMPLOYMENT CONTRACT BETWEEN THE COMPANY AND EXECUTIVE OFFICERS

There are no special employment contracts between ACEMC Iloilo and the named executive officers.

WARRANTS AND OPTIONS HELD BY THE EXECUTIVES AND DIRECTORS

There are no outstanding warrants or options held by the Company's CEO, the named executive officers, and all officers and directors as a group.

SIGNIFICANT EMPLOYEE

While the company values the contribution of each of its executive and non-executive employees, the Company believes there is no non-executive employee that the resignation or loss of whom would have a material adverse impact in the business of the company. Other than the standard employment contracts, there are no special arrangements with non-executive employees of the Company.

Item 11. Security Ownership of Certain Beneficial Owners and Management

SECURITY OWNERSHIP OF RECORD AND BENEFICIAL OWNERS

As of 31 December 2020 the Company knows no one who beneficially owns in excess of 5% of the Company's common stock except set forth in the table below:

The following table shows the record and beneficial owners of more than 5% of the voting securities of the Company as of December 31, 2020

Class	Names / Address of Record Owner	Name of Beneficial Owner/Relationship with Record Owner	Citizenship	Number of Shares Held	% to Total Outstanding Shares
Common Founder	Biron, Ferjenel G./82 Firefly Cor Butterfly Streets, Valle Verde VI, Pasig City	Biron, Ferjenel G./ Record Owner is also Beneficial Owner.	Filipino	73,080 170	31.17 % 28.33%

SECURITY OWNERSHIP OF MANAGEMENT

The following table shows the security ownership of management in the common shares of the Company as of December 31, 2020.

INDIVIDUAL DIRECTORS

Class	Names of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common Founder	Biron, Ferjenel G./82 Firefly Cor Butterfly Streets, Valle Verde VI, Pasig City	Biron, Ferjenel G./ Record Owner is also Beneficial Owner.	Filipino	31.17 % 28.33%
Common Founder	Samoro, Fredilyn G.	3,390 – Direct 10 - Direct	Filipino	1.44% 1.67%
Common Founder	(Samoro, Ronnie-spouse)	3,390 – Indirect Total 6780 10 - Indirect Total 20		1.44% Total – 2.89% 1.67% Total -3.33%
Common Founder	Lavalle, Amado Jr.	3,390 – Direct 10 - Direct	Filipino	1.44% 1.67%

Common Founder	Lavilla, Meride D.	3,390 – Direct 10 - Direct	Filipino	1.44% 1.67%
Common Founder	Villaflor, Agnes Jean M.	3,390 – Direct 10 - Direct	Filipino	1.44% 1.67%
Common Founder	Gomez, Lusyl M.	3,390 – Direct 10 - Direct	Filipino	1.44% 1.67%
Common Founder	Perez, Grace	3,390 – Direct 10 - Direct	Filipino	1.44% 1.67%
Common Founder	Regozo, Danilo M.	3,390 – Direct 10 - Direct	Filipino	1.44% 1.67%
Common Founder	Fernandez, Lemuel T.	1,990 – Direct 10 - Direct	Filipino	0.84% 1.67%
Common Founder	Nolasco, Felix P.	3,390 – Direct 10 - Direct	Filipino	1.44% 1.67%
Common Founder	Suplico, Rolex T.	1,990 – Direct 10 - Direct	Filipino	.84% 1.67%
Common Founder	Samoy, Marietta T.	6780 – Direct 20 - Direct	Filipino	2.89% 3.33%
Common Founder	Minerva, Ike T.	3,390 – Direct 10 - Direct	Filipino	1.44% 1.67%
Common Founder	Dianco, Felibert	3,390 – Direct 10 - Direct	Filipino	1.44% 1.67%
Common Founder	Comuelo, Jerusha	3,390 – Direct 10 - Direct	Filipino	1.44% 1.67%
Common Founder	Ramiro, Ronald	3,990 – Direct 10 - Direct	Filipino	1.44% 1.67%

OTHER EXECUTIVE OFFICERS

Class	Names of Beneficial Owner	Amount and Nature of Beneficial Ownership	Citizenship	Percent of Class
Common	Samoro, Elmer	10 – Direct	Filipino	0.0042%
Common	Villanueva, Maylene B.	10 – Direct	Filipino	0.0042%

Except as disclosed above, none of the Company's other executive officers or department managers own shares directly or indirectly in the Company. Ownership in the Company is limited to that indicated in the foregoing.

VOTING TRUST HOLDERS OF 5.0% OR MORE

As of 31 December 2020, there were no persons holding more than 5.0% of a class of shares under a voting trust or similar agreement.

CHANGES IN CONTROL

As of 31 December 2020, Dr. Ferjenel Biron had acquired the following shares either through donation or assignment shares from the following founders:

NAME OF STOCKHOLDER-ASSIGNOR	NO. OF SHARES
1. Amado Manuel C. Enriquez	27,120 common shares, 80 Common Founder Shares
2. Marilyn R. Enriquez	800 common shares
3. Jeremy Saquian	1,500 common shares
4. Maita Cruz	700 common shares
5. Demetrio Patrimonio	1,500 common shares
6. Felicisimo de Castro Jr.	3,390 common shares, 10 Founder shares
7. Pedro Tingson	1,500 common shares
8. Gloria de Castro	1,500 common shares
9. Maria Geraldine Gubatina	1,500 common shares
10. Romulo Barrameda	1,500 common shares
11. Roberto de Leon	3,390 common shares, 10 Founder shares
12. Rhodora de Leon	3,390 common shares, 10 Founder shares
13. Felix Nolasco	1,050 common shares
14. Eulenia Nolasco	1,050 common shares
15. Ricardo de los Trinos	3,390 common shares, 10 Founder shares
TOTAL	53,280 common shares , 120 Founder shares

The BIR CAR had been issued for the aforementioned shares except for the shares of Roberto de Leon and Maita Cruz which are pending release. Upon completion of the BIR CAR, Dr. Biron would control 33.33% of the Company.

Item 12. Certain Relationships and Related Transactions

In the normal course of business, the Company transacts with companies/individuals, which are considered related parties. The following were carried out with related parties as at December 31, 2020 and 2019.

In the normal course of business, the Company transacts with companies/individuals, which are considered related parties. The following were carried out with related parties as at December 31, 2020, and 2019:

Category	Outstanding Balance 2018	Amount of Transactions 2019	Outstanding Balance 2019	**Amount of Transactions 2020**	**Outstanding Balance 2020**	Terms	Conditions
Receivable – others (various ACE hospitals)	-	53,931	53,931	(6,459)	47,472	Non-interest bearing, to be collected in cash	Unsecured, unguaranteed, not impaired
Advances to related party	250,327,056	38,711,983	289,039,039	**(256,975,836)**	**32,063,203**	Non-interest bearing, to be collected in cash (a)	Unsecured, unguaranteed, not impaired
	250,327,056	38,765,914	289,092,970	**(256,982,295)**	**32,110,675**		
Accounts Payable - Endure Medical, Inc.	-	22,032,294	22,032,294	**(19,862,337)**	**2,169,957**	Non-interest bearing, to be paid in cash	Unsecured, unguaranteed, not impaired
Advances from shareholders	340,873,908	(79,995,224)	260,878,684	**(260,878,684)**	-	Non-interest bearing, to be paid in cash (b)	Unsecured, unguaranteed, not impaired
	340,873,908	(57,962,930)	282,910,978	**(280,741,021)**	**2,169,957**		

(a) Advances to related party

The Company engaged the services of an indentor (Endure Medical, Inc.) which have relatively significant influence over a key management personnel of the Company. The Indentor facilitates the importation and acquisition of medical equipments, furniture and fixtures for the hospital allotment.

The foregoing is classified as a related party transaction(s) (pursuant to the condition set forth in PAS 24), wherein the key management personnel of Endure Medical, Inc. has significant influence over the Company and its key officer.

(b) Advances from shareholders

In the special meeting of the Board held last May 7, 2018, the directors and shareholders were mandated and empowered to contribute resources and make cash advances to the Company for the development/construction of its medical structures and appurtenances.

In view of this, the shareholders advanced monies in support of the Company's hospital 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 hospital construction.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

On January 2019, during its first meeting after the issuance of the Permit to Offer Securities, the Board of Directors appointed its first Compliance Officer as an initial step in ensuring that it will adhere to the highest standards of good governance.

The Company submitted its Manual on Corporate Governance on 27 June 2019.

In compliance with SEC Memoradundum Circular No. 24 - Series of 2019, the Company submitted its Revised Manual on Corporate Governance on 30 September 2020. It substantially adopted in its

Manual on Corporate Governance all of the recommendations under SEC Memorandum Circular No. 24, Series of 2019, otherwise known as the Code of Corporate Governance for Public Companies and Registered Issuers (CG Code for PCs and RIs). The deviations from the recommendations of the CG Code for PCs and RIs were stated in SEC FORM CG – 2020 dated 31 January 2021 signed by the Compliance Officer.

PART V - EXHIBITS AND SCHEDULES

(a) Exhibits

The 2020 Audited Financial Statements is attached as **Annex "A"** hereto.

(b) Reports on Form 17-C

A summary list of the reports on Form 17-C filed for the year 2020 is attached as **Annex "B"**.

(c) SEC FORM CG – 2020 dated 31 January 2021 is attached hereto as **Annex "C"**

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned; thereunto duly authorized, in the City of on , 2021.

By:

ELMER Z. SAMORO Principal Finance Officer	AGNES VILLAFLOR Corporate Treasurer
AMADO M. LAVALLE JR. Principal Operating Officer	JOSE JEFFREY JOVER Principal Accounting Officer
FERJENEL G. BIRON Principal Executive Officer	MAYLENE VILLANUEVA Corporate Secretary

SUBSCRIBED AND SWORN to before me this 17 MAY 2021 day of 2021 affiant(s) exhibiting to me his/their Valid IDS. as follows:

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
FERJENEL G. BIRON	P1721544A	January 23, 2017	Manila
MAYLENE B. VILLANUEVA	P3513874A	June 28, 2017	Manila

Notary Public

ATTY. JENNA MARY ELLEN L. RENONG
Notary Public for Quezon City
Admin Matter No. 004 (2020-2021)
Attorney's Roll No. 60846; 03-26-12
IBP Membership No. 137511; 01-04-2021; Quezon City
MCLE Compliance No. VI-0028020; April 14, 2022
PTR No. 9341567; 01-04-2021; Quezon City
Commission expires on December 31, 2021

Doc. No.: 94
Page No.: 19
Book No.: IX
Series of 2021.

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned; thereunto duly authorized, in the City of Iloilo on MAY 1 7 2021.

By:

ELMER Z. SAMORO
Principal Finance Officer

AGNES VILLAFLOR
Corporate Treasurer

AMADO M. LAVALLE JR.
Principal Operating Officer

JOSE JEFFREY JOVER
Principal Accounting Officer

FERJENEL G. BIRON
Principal Executive Officer

MAYLENE VILLANUEVA
Corporate Secretary

SUBSCRIBED AND SWORN to before me this May of 7 2021 2021 affiant(s) exhibiting to me his/their Valid IDS, as follows:

NAMES	VALID ID No.	DATE OF ISSUE	PLACE OF ISSUE
AMADO M. LAVALLE JR	PRC#006882	March 23, 2017	Iloilo City
AGNES JEAN M. VILLAFLOR	PRC#0070893	August 8, 2018	Iloilo City
ELMER SAMORO	LTO Lic#F03-95- 094300	January 08, 2019	Iloilo City
JOSE JEFFREY JOVER	LTO Lic#F03-19- 003409	March 8, 2019	Iloilo City

Doc. No.: 411
Page No.: 90
Book No.: VIII
Series of: 2021

Notary Public

ATTY. IRISH M. MOMBAY
NOTARY PUBLIC
NOT. COMM. REG. NO. ... Until December 31, 2021
Roll No. ...
IBP No. 140961 Feb. 1, 2021 / Pasig City
PTR No. 7252431 Jan. 4, 2021 / Iloilo City
MCLE Compliance No. VI-0017225
Mombay Law Office
Unit 1, 3F, Rosary Building, Iznart St., Iloilo City
Cel No. 0937...

----- Forwarded Message -----
From: "eafs@bir.gov.ph" <eafs@bir.gov.ph>
To: "acemci.acctg@yahoo.com" <acemci.acctg@yahoo.com>
Cc: "acemci.acctg@yahoo.com" <acemci.acctg@yahoo.com>
Sent: Friday, 30 April 2021, 04:33:20 pm GMT+8
Subject: Your BIR AFS eSubmission uploads were received

Hi ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - ILOILO INC.,

Valid files

- EAFS008922703RPTTY122020.pdf
- EAFS008922703OTHTY122020.pdf
- EAFS008922703ITRTY122020.pdf
- EAFS008922703AFSTY122020.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-EJE6FHB0PSWWVMNMP334S44W0MNX4YMSX**
Submission Date/Time: **Apr 30, 2021 04:19 PM**
Company TIN: **008-922-703**

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

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

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

ANNEX A

Allied Care Experts (ACE) Medical Center – Iloilo Inc.

Financial Statements
December 31, 2020, 2019 and 2018

and

Independent Auditors' Report

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - ILOILO INC.
2nd floor, Iloilo Medical Society Building,
Luna Street, Brgy. Bantud,
Lapaz, Iloilo City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - ILOILO INC.** (the "Company"), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive loss, statements of changes in equity and statements of cash flows for the years ended December 31, 2020, 2019 and 2018, 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, 2020 and 2019, and its financial performance and its cash flows for the years ended December 31, 2020, 2019 and 2018 in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits 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.

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, 2020, 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

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 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 - ILOILO 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.

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 ZUÑIGA-DIMACULANGAN
Partner
CPA Certificate No. 0036077
SEC Accreditation No. 1777-A (Group B) (September 10, 2019 to September 9, 2022)
BOA Registration No. 0416 (October 19, 2018 to May 25, 2021)
BIR Accreditation No. 08-002906-001-2020 (April 14, 2020 to April 13, 2023)
Tax Identification No.133-451-815
PTR No. MKT 8547296
January 14, 2021

April 18, 2021
Makati City
Philippines

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - ILOILO INC.
STATEMENTS OF FINANCIAL POSITION
(Amounts in Philippine Peso)

ASSETS	*Notes*	December 31, 2020	2019
CURRENT ASSETS			
Cash	***6***	**48,022,046**	15,371,215
Receivable - others		**140,652**	167,922
Advances to related party	***13***	**32,063,203**	289,039,039
Advances to contractors	***7***	**46,605,879**	30,955,691
Advances to supplier	***7***	**7,022,271**	3,515,904
Prepayments		**213,858**	192,306
		134,067,909	339,242,077
NON-CURRENT ASSETS			
Property and equipment (net)	***8***	**412,944,976**	155,918,076
Construction-in-progress	***9***	**1,215,428,067**	993,243,626
Other non-current assets	***17***	**5,015,228**	225,000
		1,633,388,271	1,149,386,702
TOTAL ASSETS		**1,767,456,180**	1,488,628,779

LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable and other liabilities	***10***	**96,662,087**	67,510,071
Income tax payable	***18***	**228**	-
Loans payable to individuals	***11***	**30,343,471**	75,250,000
Notes payable - current portion	***12***	**19,393,250**	17,970,720
		146,399,036	160,730,791
NON-CURRENT LIABILITIES			
Notes payable - net of current portion	***12***	**856,996,830**	739,241,760
Advances from shareholders	***13***	**-**	260,878,684
		856,996,830	1,000,120,444
TOTAL LIABILITIES		**1,003,395,866**	1,160,851,235
EQUITY			
Share capital (net)	***14***	**221,234,000**	168,150,000
Share premium	***14***	**653,467,980**	226,900,000
Deficit		**(110,641,666)**	(67,272,456)
		764,060,314	327,777,544
TOTAL LIABILITIES AND EQUITY		**1,767,456,180**	1,488,628,779

See accompanying Notes to Financial Statements

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - ILOILO INC.
STATEMENTS OF COMPREHENSIVE LOSS
(Amounts in Philippine Peso)

	Notes	For the years ended December 31, 2020	2019	2018
REVENUE		-	-	-
DIRECT COST		-	-	-
GROSS PROFIT		-	-	-
OTHER INCOME	*6,15*	**107,317**	97,953	137,975
GROSS INCOME		**107,317**	97,953	137,975
GENERAL AND ADMINISTRATIVE EXPENSES	*16*	**29,646,352**	25,904,499	18,944,150
LOSS FROM OPERATIONS		**(29,539,035)**	(25,806,546)	(18,806,175)
FINANCE COST	*12*	**13,830,175**	11,456,490	-
NET LOSS BEFORE INCOME TAX		**(43,369,210)**	(37,263,036)	(18,806,175)
INCOME TAX EXPENSE	*18*	-	-	-
NET LOSS FOR THE YEAR		**(43,369,210)**	(37,263,036)	(18,806,175)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(43,369,210)**	(37,263,036)	(18,806,175)
BASIC LOSS PER SHARE	*19*	**(184.53)**	(161.21)	(92.19)

See accompanying Notes to Financial Statements

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - ILOILO INC.
STATEMENTS OF CHANGES IN EQUITY
(Amounts in Philippine Peso)

	Share Capital (Note 14)	Share Premium	Deficit	Total
EQUITY				
As at January 1, 2018	120,000,000	-	(11,203,245)	108,796,755
Additional share capital	21,000,000	-	-	21,000,000
Net loss for the the year	-	-	(18,806,175)	(18,806,175)
As at December 31, 2018	141,000,000	-	(30,009,420)	110,990,580
Additional share capital	27,150,000	-	-	27,150,000
Share premium (Note 14)	-	226,900,000	-	226,900,000
Net loss for the year	-	-	(37,263,036)	(37,263,036)
As at December 31, 2019	**168,150,000**	**226,900,000**	**(67,272,456)**	**327,777,544**
Additional share capital	**53,084,000**	-	-	**53,084,000**
Share premium (Note 14)	-	**426,567,980**	-	**426,567,980**
Net loss for the year	-	-	**(43,369,210)**	**(43,369,210)**
As at December 31, 2020	**221,234,000**	**653,467,980**	**(110,641,666)**	**764,060,314**

See accompanying Notes to Financial Statements

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - ILOILO INC.
STATEMENTS OF CASH FLOWS
(Amounts in Philippine Peso)

		For the years ended December 31,		
	Notes	**2020**	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss before income tax		**(43,369,210)**	(37,263,036)	(18,806,175)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation	***8***	**422,948**	305,461	135,788
Interest income	***6,15***	**(95,937)**	(97,953)	(115,966)
Interest expense	***12***	**(13,830,175)**	(11,456,490)	-
Operating cash outflows before changes in working capital		**(56,872,374)**	(48,512,018)	(18,786,353)
Changes in working capital components:				
Decrease (increase) in current assets:				
Short term investments		-	10,218,347	(148,124)
Receivable - others		**27,270**	5,048,250	(2,032,500)
Advances to related party	***13***	**256,975,836**	(38,711,983)	(131,940,361)
Advances to contractors	***7***	**(15,650,188)**	(6,731,339)	(14,207,719)
Advances to suppliers	***7***	**(3,506,367)**	(3,515,904)	-
Prepayments		**(21,552)**	30,100	(32,765)
Increase (decrease) in current liabilities:				
Accounts payable and other liabilities	***10***	**29,152,016**	39,593,263	(236,959)
Net cash provided by/(used in) operations		**210,104,641**	(42,581,284)	(167,384,781)
Interest received	***6,15***	**95,937**	97,953	115,966
Net cash provided by (used in) operating activities		**210,200,578**	(42,483,331)	(167,268,815)
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	***8***	**(259,986,723)**	(59,630,468)	(55,697,970)
Proceeds from sale of hospital equipment	***9***	**2,536,875**	-	-
Additions to construction-in-progress	***9***	**(222,184,441)**	(405,769,400)	(279,274,095)
Collection of loans receivable		-	37,000,000	-
Increase in other non-current asset	***17***	**(4,790,000)**	(210,000)	-
Net cash used in investing activities		**(484,424,289)**	(428,609,868)	(334,972,065)

Balance forwarded

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - ILOILO INC.
STATEMENTS OF CASH FLOWS
(Amounts in Philippine Peso)

	Notes	For the years ended December 31, 2020	2019	2018
Forwarded balance				
CASH FLOWS FROM FINANCING ACTIVITIES				
Additional share capital	***14***	**53,084,000**	27,150,000	-
Additional paid-in capital	***14***	**426,567,980**	226,900,000	-
Proceeds from bank loan	***12***	**119,177,600**	253,062,480	276,370,000
Payments to loans from individuals	***11***	**(44,906,529)**	-	-
Proceeds from (payments to) advances from shareholders	***13***	**(260,878,684)**	(79,995,224)	82,623,908
Interest paid	***12***	**13,830,175**	11,456,490	-
Net cash provided by financing activities		**306,874,542**	438,573,746	358,993,908
NET INCREASE (DECREASE) IN CASH		**32,650,831**	(32,519,453)	(143,246,972)
CASH, beginning of the year		**15,371,215**	47,890,668	191,137,640
CASH, end of the year	***6***	**48,022,046**	15,371,215	47,890,668

See accompanying Notes to Financial Statements

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – ILOILO INC.
NOTES TO FINANCIAL STATEMENTS
As at December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018
(Amounts in Philippine Peso)

NOTE 1 - CORPORATE INFORMATION AND STATUS OF OPERATIONS

Corporate Information

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER–ILOILO 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. CS201423954 on December 10, 2014.

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 clinics, condo-hospitals, 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 December 27, 2018, the SEC En Banc under SEC MSRD Order No.37 approved effective the registration statement of the Company for 240,000 shares broken down as follows: the primary offering to be sold by way of initial public offering for 36,000 shares equivalent to 3,600 blocks or 10 shares per block at an offer price ranging from ₱250,000 up to ₱400,000 per block. Issued and outstanding Founder shares (600) and common shares (203,400) are not included in the offer. 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 Corporation Governance, and other applicable laws and orders as may be issued by the Commission.

The registered office of the Company is located in 2nd floor, Iloilo Medical Society Building, Luna Street, Brgy. Bantud, Lapaz, Iloilo City.

Status of Operations

Currently, the Company is constructing a multidisciplinary medical facility (hospital) which was expected to be fully completed by December 2018. However, due to circumstances beyond the control of Management, this was moved to April 2021 in which the hospital is estimated to be fully completed and operational.

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 and Presentation

The financial statements have been prepared on the historical cost basis, except for certain financial instruments carried at amortized costs, if any.

Functional and Presentation Currency

These financial statements are presented in Philippine Peso (₱), the currency of the primary economic environment in which the Company operates. All amounts are rounded to the nearest peso, except when otherwise indicated.

NOTE 3 - ADOPTION OF NEW AND REVISED ACCOUNTING STANDARD

Adoption of New and Revised Accounting Standards Effective in 2020

The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new standards and amendments starting January 1, 2020. The adoption of these new standards and amendments did not have any significant impact on the Company's financial statements.

Amendments to PFRS 3, *Definition of Business*

The amendments are to:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

The amendments will not have an impact on the Company's financial statements as the Company did not acquire a business.

Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that re directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

These amendments do have a significant effect on the Company.

Amendments to PAS 1 and PAS 8, *Definition of Material*

The amendments relate to a revised definition of “material”:

“Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” Three new aspects of the new definition include (i) obscuring; (ii) could reasonably be expected to influence; and (iii) primary users.

The amendments stress especially five ways material information can be obscured:

- if the language regarding a material item, transaction or other event is vague or unclear;
- if information regarding a material item, transaction or other event is scattered in different places in the financial statements;
- if dissimilar items, transactions or other events are inappropriately aggregated;
- if similar items, transactions or other events are inappropriately disaggregated; and
- if material information is hidden by immaterial information to the extent that it becomes unclear what information is material.

The amendments are effective for periods beginning on or after January 01, 2020. Earlier application is permitted.

The application of these amendments has no significant impact in the Company’s financial statements.

Amendments to PFRS 16, *COVID-19-Related Rent Concessions*

Amendment to PFRS 16 provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to PFRS 16. 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 the same way it would account for the change applying PFRS 16 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 of 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 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
c) There is no substantive change to other terms and conditions of the lease.

The amendments are effective for annual periods beginning on or after June 1, 2020. Earlier application is permitted, including in financial statements not authorized for issue at May 28, 2020.

The application of the amendments has no significant impact in the Company's financial statements as the Company does not have COVID-19 related rent concessions.

PIC Q&A No. 2019-02, *Accounting for Cryptographic Assets*

The interpretation provides guidance regarding accounting treatment for cryptographic assets. In classifying cryptographic assets, two relevant factors to consider are (i) its primary purpose and (ii) how these assets derive its inherent value. The interpretation provided two (2) cryptographic classifications based on the aforementioned factors, these are (a) crypto currency, or (b) cryptographic assets other than crypto currencies, which are (b.1) asset-based token, (b.2) utility token, and (b.3) security token, or collectively the "Security Tokens".

From the holder of these assets' point-of-view, in the absence of a definitive accounting and reporting guidance from the IASB, the interpretation suggested to report cryptographic assets in the financial statements as either (i) crypto currencies held by an entity, (ii) cryptographic assets other than crypto currencies.

From the issuer of these assets' point-of-view, as a consensus, the following accounting treatments are suggested:

- Crypto currencies held by an entity can be treated either as (i) inventory under PAS 2, or (ii) intangible asset under PAS 38.

- Cryptographic assets other than crypto currencies, the interpretation suggested the following relevant accounting frameworks for consideration:

    i. If the token meets the definition of a financial liability, apply guidance in PFRS 9;

    ii. If the token meets the definition of an equity instrument, apply guidance in PAS 32;

    iii. If the token is a prepayment for goods and services from a contract with a customer, apply guidance in PFRS 15; and

    iv. If the token does not meet any of the aforementioned, consider other relevant guidance. The interpretation is effective for periods beginning on or after February 13, 2019.

The interpretation will not have an impact on the Company's financial statements as the Company has no cryptographic assets.

New Accounting Standards Effective after the Reporting Period Ended December 31, 2020

<u>Standards Issued but not yet Effective:</u>

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, 2021

Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Company shall also disclose information about:

- The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and must be applied retrospectively, however, the Company is not required to restate prior periods.

Effective beginning on or after January 1, 2022

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

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

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 income, 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 income 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.

The future adoption of the amendments will have no effect on the Company's financial statements as the Company has no investment in subsidiaries.

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 contacts 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 contacts (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 and 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.

The future adoption of the amendments will not have an impact on the Company's financial statements as the Company does not have investment in associates and joint ventures.

New Accounting Standards Effective after the Reporting Period Ended December 31, 2020 Adopted by FRSC but pending for approval by the Board of Accountancy

PIC Q&A No. 2020-02, *Conclusion on PIC QA 2018-12E: On certain materials delivered on site but not yet installed*

The interpretation provides guidance on the treatment of the customized materials in recognizing revenue using a cost-based input method.

For each performance obligation satisfied over time, entity shall recognize the revenue by measuring towards complete satisfaction. In such case, materials that are customized, even if uninstalled, are to be included in the measurement of progress in completing its performance obligations.

However, in the case of uninstalled materials that are not customized, revenue should only be recognized upon installation or use in construction. Revenue cannot be recognized even up to the extent of cost unless it met all the criteria listed in the standards.

The Management does not anticipate that the interpretation will have a significant impact on the Company's financial statements since the Company does not have customized materials for installation.

PIC Q&A No. 2020-04 (*Addendum to PIC Q&A 2018-12-D*), *PFRS 15 - Step* 3 - *Requires and Entity to Determine the Transaction Price for the Contract*

The interpretation clarifies that, in case of mismatch between the POC and schedule of payments, there is no significant financing component if the difference between the promised consideration and the cash selling price of the goods or service arises for the reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference.

The Management does not anticipate that the interpretation will have a significant impact on the Company's financial statements since the Company does not have POC projects.

PIC Q&A No. 2020-05, *PFRS 15 - Accounting for Cancellation of Real Estate Sales*

The interpretation provided guidance on the accounting for cancellation of real estate sales and the repossession of the property. They provided three (3) approaches as follows:

1. The repossessed property is recognized at its fair value less cost to repossess
2. The repossessed property is recognized at its fair value plus repossession cost
3. Accounted as modification of contract

Either of the abovementioned approaches are acceptable as long as it's applied consistently. All approaches above should consider payments to buyers required under the Maceda Law and the write-off of any unamortized portion of cost of obtaining a contract in its determination of gain/loss from repossession.

The Management does not anticipate that the interpretation will have a significant impact on the Company's financial statements since the Company does not have Real Estate Sales.

PIC Q&A No. 2019-04, *Confirming Changes to PIC Q&As – Cycle 2019*

The interpretation sets out the changes (i.e., amendments or withdrawal) to certain interpretations. These changes are made as a consequence of the issuance of new PFRS that become effective starting January 1, 2019 and other relevant developments.

<u>PIC Q&As Amended</u>

The following table summarizes the changes made to the amended interpretations:

PIC Q&A Amended	Amendment
PIC Q&A No. 2011-05: PFRS 1 – Fair Value or Revaluation as Deemed Cost	Updated because of applying PFRS 16, *Leases*, for the first-time starting January 1, 2019
PIC Q&A No. 2011-06: Acquisition of investment properties – asset acquisition or business combination?	Reference to PAS 40, *Investment Property*, has been updated because of applying PFRS 16 for the first-time starting January 1, 2019
PIC Q&A No. 2012-02: Cost of a new building constructed on the site of a previous building	Reference to PAS 40 has been updated because of applying PFRS 16 for the first-time starting January 1, 2019
PIC Q&A No. 2017-02: PAS 2 and PAS 16 – Capitalization of operating lease cost as part of construction costs of a building	Updated to comply with the provisions of PFRS 16 and renamed as PIC Q7A No. 2017-02: PAS 2 and PAS 16 – Capitalization of depreciation of ROU asset as part of construction costs of a building

PIC Q&A No. 2017-10: PAS 40 – Separation of property and classification as investment property	Reference to PAS 40 has been updated because of applying PFRS 16 for the first-time starting January 1, 2019
PIC Q&A No. 2018-05: PAS 27 – Liability arising from maintenance requirement of an asset held under a lease	Updated to comply with the provisions of PFRS 16
PIC Q&A No. 2018-15: PAS 1 – Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current	Reference to PAS 40 (included as an attachment to the Q&A) has been updated because of applying PFRS 16 for the first-time starting January 1, 2019

PIC Q&A Withdrawn

PIC Q&A Amended	Basis for Withdrawal
PIC Q&A No. 2017-09: PAS 17 and Philippine Interpretation SIC – 15- Accounting for payments between and among lessors and lessees	The PIC Q&A is considered withdrawn starting January 1, 2019, which is the effective date of PFRS 16. PFRS 16 superseded PAS 17, *Leases,* and Philippines Interpretation SIC-15, *Operating Leases - Incentives*
PIC Q&A No. 2018-07: PAS 27 and PAS 28 – Cost of an associate, joint venture, or subsidiary in separate financial statements	The PIC Q&A is considered withdrawn upon publication of IFRIC agenda decision – Investment in a subsidiary accounted for at cost: Step acquisition (IAS 27, *Separate Financial Statements)* in January 2019

The effective date of the amendments is included in the affected interpretations.

The Management does not anticipate that the new amendments and withdrawal of certain interpretations will have significant impact on the Company's financial statements since the Company did not enter into transactions enumerated above.

PIC Q&A No. 2019-06, *Accounting for step acquisition of a subsidiary in a parent*

The interpretation clarifies how a parent should account for the step acquisition of a subsidiary in its separate financial statements.

Salient points of the interpretation are the following:

IFRIC concluded either of the two approaches may be applied:

- Fair value as deemed cost approach

  Under this approach, the entity is exchanging its initial interest (plus consideration paid for the additional interest) for a controlling interest in the investee (Exchange view). Hence, the entity's investment in subsidiary is measured at the fair value at the time the control is acquired.

- Accumulated cost approach

  Under this approach, the entity is purchasing additional interest while retaining the initial interest (non-exchange view). Hence, the entity's investment in subsidiary is measured at the accumulated cost (original consideration).

Any difference between the fair value of the initial interest at the date of obtaining control of the subsidiary and its original consideration is taken to profit or loss, regardless of whether, before the step acquisition transaction, the entity had presented subsequent changes in fair value of its initial interest in profit or loss or other comprehensive income (OCI).

The interpretation is effective for periods beginning on or after October 19, 2019.

The future adoption of the interpretation will not have an impact on the Company's financial statements as the Company does not plan to acquire a subsidiary.

PIC Q&A No. 2019-07, *Classification of Members' Capital Contributions of Non-Stock Savings and Loan Associations (NSSLA)*

Background:

The Bangko Sentral ng Pilipinas (BSP) issued Circular No. 1045 on August 29, 2019 to amend the Manual of Regulations for Non-Bank Financial Institutions Applicable to Non-Stock Savings and Loan Associations (MORNBFI-S) – Regulatory Capital of Non-Stock Savings and Loan Associations (NSSLAs) and Capital Contributions of Members.

Under the circular, each qualified member of an NSSLA shall maintain only one capital contribution account representing his/her capital contribution. While only one capital account is maintained, the Circular breaks down a member's capital contributions as follows:

a. Fixed capital which cannot be reduced for the duration of membership except upon termination of membership. The minimum amount of fixed capital is Php1,000, but a higher minimum can be prescribed under the NSSLA's by-laws.

b. Capital contribution buffer, which pertains to capital contributions in excess of fixed capital. The capital contribution buffer can be withdrawn or reduced by the member without affecting his membership. However, the NSSLA shall establish and prescribe the conditions and/or circumstances when the NSSLA may limit the reduction of the members' capital contribution buffer, such as, when the NSSLA is under liquidity stress or is unable to meet the capital-to-risk assets ratio requirement under Sec. 4116S of the MORNBFI-S Regulations. Such conditions and/or circumstances have to be disclosed to the members upon their placement of capital contribution buffer and in manners as may be determined by the Board.

For purposes of identifying and monitoring the fixed capital and capital contribution buffer of a member's capital contribution, NSSLAs shall maintain subsidiary ledgers showing separately the fixed and capital contribution buffer of each member. Further, upon receipt of capital contributions from their members, NSSLAs shall simultaneously record the amount contributed as fixed and capital contribution buffer in the aforementioned subsidiary ledgers. However, NSSLAs may use other systems in lieu of subsidiary ledgers provided that the system will separately show the fixed and capital contribution buffer of each member.

The interpretation assessed and concluded that both Fixed Capital and the Capital contribution buffer qualify as "equity" in the NSSLA's financial statements as they both meet all the requirements of paragraphs 16A and 16B of PAS 32, Financial Instruments: Presentation.

The future adoption of the interpretation will not have an impact on the Company's financial statements as the Company is not a member of NSSLA.

PIC Q&A No. 2019-08, *PFRS 16, Leases – Accounting for Asset Retirement or Restoration Obligation ("ARO")*

The interpretation clarifies the recognition of ARO under the following scenarios:

1) Accounting for ARO at lease commencement date

   The cost of dismantling and restoration (i.e., the ARO) should be calculated and recognized as a provision in accordance with PAS 37, with a corresponding adjustment to the related ROU asset as required by PFRS 16.24(d). As such, the lessee will add the amount of ARO to the cost of the ROU asset on lease commencement date, which will then form part of the amount that will be amortized over the lease term.

2) Change in ARO after initial recognition

   2.1) Because ARO is not included as a component of lease liability, the measurement of such ARO is outside the scope of PFRS 16. Hence, its measurement is generally not affected by the transition to PFRS 16. Except in cases where the reassessment of lease-related assumptions (e.g., lease term) would affect the measurement of ARO- related provision, the amount of ARO existing at transition date would not be remeasured; rather, the balance of the ARO provision and any related asset will remain as previously remeasured. The asset will simply be reclassified from property and equipment to the related ROU asset as required under PFRS 16.24(d).

   2.2) Assuming there is a change in lease-related assumptions that would impact the ARO measurement (e.g., change in lease term due to the new PFRS 16 requirements), the following will be the accounting treatment depending on the method used by the lessee in adopting PFRS 16:

   a. *Modified retrospective approach* – Under this approach, the lessee uses the remaining lease term to discount back the amount of provision to transition date. Any adjustment is recognized as an adjustment to the ROU asset and ARO provision. This adjustment applies irrespective of which the two methods in measuring the ROU asset will be chosen under the modified retrospective approach.

   b. *Full retrospective approach* – The ARO provision and related asset, which gets adjusted to the ROU asset, should be remeasured from commencement of the lease, and then amortized over the revised or reassessed lease term. Because full retrospective approach is chosen, it is possible that the amount of cumulative adjustment to the ARO provision and the ROU asset at the beginning of the earliest period presented will not be the same; hence, it is possible that it might impact retained earnings.

The future adoption of the interpretation will not have an impact on the Company's financial statements as the Company does not have an asset retirement or restoration obligation.

PIC Q&A No. 2019-09, *Accounting for Prepaid Rent or Rent Liability Arising from Straight-lining under PAS 17 on Transition to PFRS 16 and the Related Deferred Tax Assets*

The interpretation aims to provide guidance on the following:

1. How a lessee should account for its transition from PAS 17 to PFRS 16 using the modified retrospective approach. Specifically, this aims to address how a lessee should, on transition, account for any existing prepaid rent or rent liability arising from straight-lining of an operating lease under PAS 17, and

2. How to account for the related deferred tax effects on transition from PAS 17 to PFRS 16.

The Company followed the guidelines in the interpretation in determining how to account for any existing prepaid rent or rent liability for its transaction to PFRS 16.

PIC Q&A No 2019-10, ***Accounting for variable payments with rent review***

Some lease contracts provide for market rent review in the middle of the lease term to adjust the lease payments to reflect a fair market rent for the remainder of the lease term. This Q&A provides guidance on how to measure the lease liability when the contract provides for a market rent review.

The Management does not anticipate that the interpretation will have a significant impact on the Company's financial statements since the Company does not have variable lease payments.

PIC Q&A No 2019-11, ***Determining the current portion of an amortizing loan/lease liability***

This interpretation aims to provide guidance on how to determine the current portion of an amortizing loan/lease liability for proper classification/presentation between current and non-current in the statement of financial position.

The Company followed the guidelines in the interpretation in determining the proper classification of lease liability between current and non-current portion.

PIC Q&A No. 2019-12, ***PFRS 16, Leases – Determining the Lease Term***

The interpretation provides guidance how an entity determines the lease term under PFRS 16.

A contract would be considered to exist only when it creates rights and obligations that are enforceable. Therefore, any non-cancellable period or notice period in a lease would meet the definition of a contract and, thus, would be included as part of the lease term. To be part of a contract, any option to extend or terminate the lease that are included in the lease term must also be enforceable.

If optional periods are not enforceable (e.g., if the lease cannot enforce the extension of the lease without the agreement of the lessor), the lessee does not have the right to use the asset beyond the non-cancellable period. Consequently, by definition, there is no contract beyond the non-cancellable period (plus any notice period) if there are no enforceable rights and obligations existing between the lessee and lessor beyond that term.

In assessing the enforceability of a contract, an entity should consider whether the lessor can refuse to agree to a request from the lessee to extend the lease. Accordingly, if the lessee has the right to extend or terminate the lease, there are enforceable rights and obligations beyond the initial non-cancellable period and this, the parties to the lease would be required to consider those optional periods in their assessment of the lease term. In contrast, a lessor's right to terminate a lease is ignored when determining the lease term because, in that case, the lessee has an unconditional obligation to pay for the right to use the asset for the period of the lease, unless and until the lessor decides to terminate the lease.

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease an entity shall consider all relevant facts and circumstances (i.e., including those that are not indicated in the lease contract) that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease.

The Company followed the guidelines in the interpretation in determining the lease terms under PFRS 16.

PIC Q&A No. 2019-13, *PFRS 16, Leases – Determining the lease term of leases that are renewable subject to mutual agreement of the lessor and the lessee*

The interpretation provides guidance how an entity determines the lease term under PFRS 16. This interpretation focuses on lease contracts that are renewable subject to mutual agreement of the parties.

A renewal option is only considered in determining the lease term if it is enforceable. A renewal that is still subject to mutual agreement of the parties is legally unenforceable under Philippine laws until both parties come to an agreement on the terms.

In instances where the lessee have known to be, historically, renewing the lease contract after securing mutual agreement with the lessor to renew the lease contract, the lessee's right to use the underlying asset does not go beyond the one-year period covered by the current contract, as any renewal still has to be agreed on by both parties. A renewal is treated as a new contract.

The Company followed the guidelines in the interpretation in determining the lease terms under PFRS 16.

PIC Q&A No. 2020-01, *Conforming Changes to PIC Q&As – Cycle 2020*

The interpretation sets out the changes (i.e., amendments or withdrawal) to certain interpretations. These changes are made as a consequence of the issuance of new PFRS that become effective starting January 1, 2019 and other relevant developments.

PIC Q&As Amended

The following table summarizes the changes made to the amended interpretations:

PIC Q&A Amended	Amendment
Framework 4.1 and PAS 1.25 – Financial statements prepared on a basis other than going concern	References to *The Conceptual Framework for Financial Reporting* have been updated due to the revised framework effective January 1, 2020
PIC Q&A No. 2016-03: Accounting for common areas and the related subsequent costs by condominium corporations	References to *The Conceptual Framework for Financial Reporting* have been updated due to the revised framework effective January 1, 2020
PIC Q&A No. 2011-03: Accounting for intercompany loans	References to *The Conceptual Framework for Financial Reporting* have been updated due to the revised framework effective January 1, 2020
PIC Q&A No. 2017-08: PFRS 10 – Requirement to prepare consolidated financial statements where an entity disposes of its single investment in a subsidiary, associate or joint venture	References to *The Conceptual Framework for Financial Reporting* have been updated due to the revised framework effective January 1, 2020
PIC Q&A No. 2018-14: PFRS 15 – Accounting for cancellation of real estate sales	References to *The Conceptual Framework for Financial Reporting* have been updated due to the revised framework effective January 1, 2020

<u>PIC Q&A Withdrawn</u>

PIC Q&A Amended	Basis for Withdrawal
PIC Q&A No. 2011-06: Acquisition of investment properties – asset acquisition or business combination?	With the amendment to PFRS 3 on the definition of a business effective January 1, 2020, there is additional guidance in paragraphs B7A-B12D of PFRS 3 in assessing whether acquisition of investment properties is an asset acquisition or business combination (i.e. optional concentration test and assessment of whether an acquired process is substantive).

The effective date of the amendments is included in the affected interpretations.

The Management does not anticipate that the new amendments and withdrawal of certain interpretations will have significant impact on the Company's financial statements since the Company did not enter into transactions enumerated above.

PIC Q&A No. 2020-02, *Conclusion on PIC QA 2018-12E: On certain materials delivered on site but not yet installed*

The interpretation provides guidance on the treatment of the customized materials in recognizing revenue using a cost-based input method.

For each performance obligation satisfied over time, entity shall recognize the revenue by measuring towards complete satisfaction. In such case, materials that are customized, even if uninstalled, are to be included in the measurement of progress in completing its performance obligations.

However, in the case of uninstalled materials that are not customized, revenue should only be recognized upon installation or use in construction. Revenue cannot be recognized even up to the extent of cost unless it met all the criteria listed in the standards.

The Management does not anticipate that the interpretation will have a significant impact on the Company's financial statements since the Company does not have customized materials for installation.

PIC Q&A No. 2020-03, *On the accounting of the difference when the percentage of completion is ahead of the buyer's payment*

The interpretation clarifies that recognition of either contract asset or receivable is acceptable in case the revenue recognized based on percentage of completion (POC) is ahead of the buyer's payment as long as this is consistently applied in transactions of the same nature and disclosure requirements of PFRS 15 for contract assets or receivables, as applicable, are complied.

The Management does not anticipate that the interpretation will have a significant impact on the Company's financial statements since the Company does not have POC projects.

PIC Q&A No. 2020-04 (*Addendum to PIC Q&A 2018-12-D*), *PFRS 15 - Step 3 - Requires and Entity to Determine the Transaction Price for the Contract*

The interpretation clarifies that, in case of mismatch between the POC and schedule of payments, there is no significant financing component if the difference between the promised consideration and the cash selling price of the goods or service arises for the reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference.

The Management does not anticipate that the interpretation will have a significant impact on the Company's financial statements since the Company does not have POC projects.

PIC Q&A No. 2020-05, *PFRS 15 - Accounting for Cancellation of Real Estate Sales*

The interpretation provided guidance on the accounting for cancellation of real estate sales and the repossession of the property. They provided three (3) approaches as follows:

1. The repossessed property is recognized at its fair value less cost to repossess
2. The repossessed property is recognized at its fair value plus repossession cost
3. Accounted as modification of contract

Either of the above mentioned approaches are acceptable as long as it's applied consistently. All approaches above should consider payments to buyers required under the Maceda Law and the write-off of any unamortized portion of cost of obtaining a contract in its determination of gain/loss from repossession.

The Management does not anticipate that the interpretation will have a significant impact on the Company's financial statements since the Company does not have Real Estate Sales.

PIC Q&A No. 2020-06, *PFRS 16 - Accounting for payments between and among lessors and lessees*

The interpretation provides for the treatment of payments between and among lessors and lessees as follows:

		Treatments in the financial statements of			
	Transaction	**Lessor**	**Old lessor**	**New Lessee**	**Basis**
1	Lessor pays old lessee - lessor intends to renovate the building	i. Recalculate the revised leased payments (net of the one-off amount to be paid) and amortize over the revised lease term. ii. If net payable, recognize as expense unless the amount to be paid qualifies as capitalizable cost under PAS 16 or PAS 40; in which case it is capitalized as part of the carrying amount of the associated property if it meets the definition of construction costs	i. Recognize in profit and loss at the date of modification the difference between the proportionate decrease in the right-of-use asset based on the remaining right-of- use asset for the remaining period and remaining lease liability calculated as the present value of the remaining lease payments discounted using the original discount rate of the lease. ii. Recognize the effect of remeasurement of the remaining lease liability as an adjustment to the right-		• PFRS 16; par.87 • PAS 16; pars. 6, 16-17 • PAS 40; par.21 • PFRS 16; par.45 • Illustrative example 18 issued by IASB • PAS 16; pars.56-57

		Treatments in the financial statements of			
	Transaction	**Lessor**	**Old lessor**	**New Lessee**	**Basis**
		under PAS 16 or PAS 40.	of use-asset by referring to the revised lease payments (net of any amount to be received from the lessor) and using a revised discount rate. iii. Revisit the amortization period of right-of- use asset and any related leasehold improvement following the shortening of the term.		
2	Lessor pays old lessee - new lease with higher quality lessee	Same as Item 1	Same as Item 1		Same as Item 1 PFRS 16 par. 83
3	Lessor pays new lessee - an incentive to occupy	i. Finance lease: • If made after commencement date, incentive payable is credited with offsetting debit entry to the net investment lease. • If paid at or prior to commencement date, included in the calculation of gain or loss on disposal on finance lease. ii. Operating lease: add the initial direct costs to the carrying amount of underlying asset and recognize as expense over the lease term either on a straight-line basis of another systematic basis.		i. Record as a deduction to the cost of the right-of-use asset. ii. Lease incentive receivable is also included as reduction in measurement of lease liability. iii. When lessee receives the payment of lease incentive, the amount received is debited with a credit entry to gross up the lease liability.	• PAS 16; par. 68 • PAS 16; par. 71 • PFRS 16; par. 83 • PFRS 16; par. 24
4	Lessor pays new lessee - building alterations specific to the lessee with no further value to lessor	Same as Item 3		i. Same as in fact pattern 1C. ii. Capitalize costs incurred by the lessee for alterations to the building as leasehold	• Same as in fact pattern 1C. • PAS 40; par.21 • PAS 16; pars.16-17

		Treatments in the financial statements of			
	Transaction	**Lessor**	**Old lessor**	**New Lessee**	**Basis**
				improvement in accordance with PAS 16 or PAS 40.	
5	Old lessee pays lessor to vacate the leased premises early	Recognize as income immediately, unless it was within the original contract and the probability criterion was previously met, in which case, the amount would have already been recognized as income using either a straight-line basis or another systematic basis.	Recognize as expense immediately unless it was within the original contract and the probability criterion was previously met, in which case, the financial impact would have been recognized already as part of the lease liability.		• PAS 16 • PAS 38 • PFRS 16; par.18
6	Old lessee pays new lessee to take over the lease		Recognize as an expense immediately.	Recognize as income immediately.	• PAS 16 • PAS 38 • PFRS 16; • Appendix A
7	New lessee pays lessor to secure the right to obtain a lease agreement	i. If finance lease, recognize gain or loss in the profit or loss arising from the derecognition of underlying assets ii. If operating lease, recognize as deferred revenue and amortize over the lease term on a straight- line basis or another systematic basis.		Recognize as part of the cost of the right-of- use asset.	• PFRS 16; par.24 • PAS 16; par.71 • PFRS 16; par.81
8	New lessee pays old lessee to buy out the lease agreement		Recognize as again immediately. Any remaining lease liability and right- of-use asset will be derecognized with net amount through P&L.	Account for as initial direct cost included in the measurement of the right-of- use asset.	• PFRS 16; Appendix A • PFRS 16; Example 13 in par. IE5 • PFRS 16; par.24

These pronouncements do not have an effect on the financial statements of the Company.

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

NOTE 4 - SIGNIFICANT ACCOUNTING POLICIES

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

Current versus Noncurrent Classification

The Company presents 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.

The Company classifies all other assets 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.

Fair Value Measurement

The Company measures financial instruments at fair value at each reporting date.

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

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, and fair value through profit and loss.

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. With the exception of trade receivables, that do not contain a significant financing component or for which the Company has applied the practical expedient, 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 cost. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price as disclosed in the Revenue from contracts with customers.

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

Financial assets at amortized cost (debt instruments)

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 receivable – others as at reporting dates (see Note 6).

Financial assets fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit and 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 or loss.

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

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 at fair value through OCI as at reporting dates.

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 dates.

Derecognition

A 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 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 risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a ‘pass-through’ arrangement, it evaluates if, and to what extent, it has retained the risks 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 a 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.

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).

For advances to related party, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 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.

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.

The Company's financial liabilities include accounts payable and other liabilities (excluding government liabilities), loans payable to individuals, notes payable and advances from shareholders (see Notes 10, 11, 12 and 13).

Subsequent Measurement

For purposes of subsequent measurement, financial liabilities are classified in 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 an entity 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 the statements of 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.

<u>Financial liabilities at amortized cost (loans and borrowings)</u>

After initial recognition, interest-bearing loans and borrowings and other payables are subsequently measured at amortized cost using the ElR 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 ElR. The EIR amortization is included as "Finance cost" in the statement of comprehensive loss.

This category generally applies to accounts payable and other liabilities (excluding government liabilities), loans payable to individuals, notes payable and advances from shareholders (see Notes 10, 11, 12 and 13).

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.

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, 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 comprise of cash in banks and on hand and short-term highly liquid deposits with maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

Advances

Advances are payments made in advance such as down payments for a contractual project or services. They are already paid but not yet incurred. It will be recognized either as an asset or an expense upon completion of the project or services.

Receivable – others has many forms such as advances to contractors and advances to suppliers.

Advances to a related party and loans receivable on the other hand, is recognized if an amount of consideration that is unconditional is due from a related party (i.e. only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets earlier discussed.

Prepayments

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

Prepayments are classified in the statements of financial position as current assets when the cost of services related to the prepayment are expected to be incurred within one year or the Company's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as non-current assets.

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 is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. When assets are derecognized, their cost, 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 income.

Fully depreciated assets are retained in the property and equipment until these are derecognized or until they are no longer in use.

Construction-in-progress

Property development and construction costs are recognized at cost and accumulated in this account. Construction in progress is not depreciated until transferred into appropriate accounts, when construction of asset is completed and put into operational use. Borrowings and any additional costs incurred in relation to the project are recognized in this account.

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 it is not possible to estimate the recoverable amount of an individual asset, 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

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue cost.

Share capital

Share capital is measured at par value for all shares issued.

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.

Other comprehensive income/(loss)

Other comprehensive income/(loss) is defined as comprising items of income and expense that is not recognized in profit or loss as required or permitted by other standards.

Revenue Recognition

<u>Revenue from Contracts with Customers</u>

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 goods is recognized at point in time when control of the asset is transferred to the customer.

The Company does not have revenues from service income from hospital services nor medical goods since the hospital is still in its construction in progress stage, thus the Company is said to be not in commercial operations as of December 31, 2020.

Revenue Recognition outside the Scope of PFRS 15

Interest income

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

Other income

Other income is income generated outside the normal course of business and is recognized when it is probable that the economic benefits will flow to the Company and it can be measured reliably.

Expense Recognition

Expenses are recognized in the profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in liability has arisen that can be measured reliably. Expenses are recognized on the basis of a direct association between the costs incurred and the earning of specific ite ms of income; 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 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 statements of financial position as an asset.

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

Employee Benefits

Short-term benefits

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

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

Post-employment benefits

Defined benefit plan

The Company is subject to the provision 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 serve 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.

However as at reporting dates, the Company has not yet established a fund retirement benefits plan for its employees since the Company has not yet started its commercial operations.

Leases

The Company determines whether arrangements contain a lease to which lease accounting must be applied. The costs of the agreements that do not take the legal form of a lease but convey the right to use an asset are separated into lease payments if the entity has the control of the use or access to the asset, or takes essentially all of the outputs of the asset. The said lease component for these arrangements is then accounted for as finance or operating lease.

The Company as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily take a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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.

Related Party Transactions

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

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. An entity that is a post-employment benefit plan for the employees of the Company and the key management personnel of the Company are also considered to be related parties.

Taxation

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

<u>Current tax</u>

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statements 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. The Company's liability for current tax is calculated using 30% regular corporate income tax (RCIT) rate or 2% minimum corporate income tax (MCIT), whichever is higher.

<u>Deferred tax</u>

Deferred tax is recognized on temporary 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 realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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 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 issues 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 income, net of any reimbursement.

Contingent liabilities are not recognized in the 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 financial statements.

Events After the Reporting Period

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

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.

Critical Judgments in Applying 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:

Functional currency

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine Peso (₱). It is the currency that mainly influences the Company's operations.

Classification of Financial Instrument

The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definition 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.

The Company determines the classification of financial instruments at initial recognition and re-evaluates this designation at every reporting date.

Determination of Whether a Lease is a Finance or Operating Lease

The evaluation of whether an arrangement contains a lease is based on its substance. An arrangement is, or contains, a lease when the fulfillment of the arrangement depends on a specific asset or assets and the arrangement conveys the right to use the asset.

<u>Operating Lease Commitments – Company as Lessee</u>

Based on Management evaluation, the lease arrangements entered into by Company as a lessee are accounted for as operating leases because the Company has determined that the lessor will not transfer the ownership of the leased assets to the Company upon termination of the lease.

Impairment of Non-Financial Assets

Property and equipment is 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, subheadings Provisions and Contingencies.

Key Sources of Estimation Uncertainty

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:

Estimating useful lives of assets

The useful lives of the Company's assets with definite life are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives of the Company's 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 Company's assets. In addition, the estimation of the useful lives is based on the Company's 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 timings 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 the recognized operating expenses and decrease non-current assets.

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

Categories	Estimated Useful Life
Office equipment	3 - 5 years
Medical equipment	5 years
Hospital equipment	5-10 years
Kitchen Tools	3-5 years
Books/Periodicals	3 years

As at December 31, 2020 and 2019, the Company's property and equipment had carrying amounts of ₱281,584,665 and ₱155,918,076, respectively, as disclosed in Note 8. Total accumulated depreciation as at December 31, 2020 and 2019 amounted to ₱1,020,339 and ₱597,391, respectively, as disclosed in Note 8.

Asset impairment other than goodwill

The Company performs an impairment review when certain impairment indicators are present.

Determining the recoverable amount of property and equipment, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that property and equipment are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Company believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges.

As at December 31, 2020, and 2019, Management believes that the recoverable amounts of the Company's property and equipment approximate its carrying amounts. Accordingly, no impairment loss was recognized in both years.

Deferred tax assets

The Company reviews the carrying amounts of deferred tax assets at each financial reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to be utilized. The Company has recognized net deferred tax assets amounting to ₱228 as at December 31, 2020 (see Note 18).

Deferred tax assets with full valuation allowance as at December 31, 2020, 2019 and 2018 amounted to ₱29,853,239, ₱19,407,828 and ₱8,930,906, respectively (see Note 18).

Estimating allowances for doubtful accounts

The Company estimates the allowance for doubtful accounts related to its receivables based on assessment of specific accounts when the Company has information that certain counterparties are unable to meet their financial obligations. In these cases, judgment used was based on the best available facts and circumstances including but not limited to, the length of relationship with the counterparty and the counterparty's current credit status based on credit reports and known market factors. The Company used judgment to record specific reserves for counterparties against amounts due to reduce the expected collectible amounts. These specific reserves are re-evaluated and adjusted as additional information received impacts the amounts estimated.

The amounts and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in the allowance for doubtful accounts would increase the recognized operating expenses and decrease current assets.

Estimating loss allowance for expected credit losses

The Company measures expected credit losses of a financial instrument in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and information about past events, current conditions and forecasts of future economic conditions. When measuring ECL the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

As at December 31, 2020 and 2019, Management believes that there are no expected credit losses in relation to their receivable - others accordingly, no loss allowance was recognized for the year. Total receivable - others as at December 31, 2020 and 2019 amounted to ₱140,652 and ₱ 167,922, respectively.

NOTE 6 - CASH

This account consists of:

	2020	2019
Cash on hand	**30,000**	30,000
Cash in bank	**47,992,046**	15,341,215
	48,022,046	15,371,215

Cash includes cash on hand and cash in bank that are unrestricted and available for current operations. This is stated in the statement of financial position at face amount.

Cash in banks and cash equivalents generally earn interest at the bank's deposit rates. Interest earned from cash in banks amounted to ₱95,937, ₱97,953 and ₱115,966 in 2020, 2019 and 2018, respectively, and is presented as part of "other income" in the statements of comprehensive loss.

Unrealized foreign exchange gain (loss) resulting from translation of foreign currency-denominated cash in bank into Philippine peso amounted to ₱-0- (₱179,510) and ₱22,009 in 2020, 2019 and 2018, respectively, and is presented in the statements of comprehensive loss (see Notes 15 and 16).

NOTE 7 - ADVANCES TO CONTRACTORS AND SUPPLIER

This account consists of:

	2020	2019
Advances to contractors[1)]	**46,605,879**	30,955,691
Advances to supplier[2)]	**7,022,271**	3,515,904
	53,628,150	34,471,595

[1)]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.

[2)]Advances to supplier represents a 15% downpayment made for the acquisition of Healthcare Management Information System.

NOTE 8 - PROPERTY AND EQUIPMENT (net)

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

	Land	Office Equipment	Medical Equipment	Hospital Equipment	Kitchen Tools	Books/ Periodicals	Total
Cost:							
At beginning of year	28,291,630	1,685,877	67,485,393	58,572,651	473,521	6,395	156,515,467
Additions	-	908,616	224,192,845	34,885,262	-	-	259,986,723
Disposal	-	-	-	(2,536,875)	-	-	(2,536,875)
At end of year	**28,291,630**	**2,594,493**	**291,678,238**	**90,921,038**	**473,521**	**6,395**	**413,965,315**
Accumulated depreciation:							
At beginning of year	-	597,213	-	-	-	178	597,391
Depreciation	-	420,995	-	-	-	1,953	422,948
At end of year	**-**	**1,018,208**	**-**	**-**	**-**	**2,131**	**1,020,339**
Net carrying value, December 31, 2020	**28,291,630**	**1,576,285**	**291,678,238**	**90,921,038**	**473,521**	**4,264**	**412,944,976**

Reconciliation of property and equipment (net) as at December 31, 2019 is as follows:

	Land	Office Equipment	Medical Equipment	Hospital Equipment	Kitchen Tools	Books/ Periodicals	Total
Cost:							
At beginning of year	28,291,630	1,107,976	67,485,393	-	-	-	96,884,999
Additions	-	577,901	-	58,572,651	473,521	6,395	59,630,468
At end of year	28,291,630	1,685,877	67,485,393	58,572,651	473,521	6,395	156,515,467
Accumulated depreciation:							
At beginning of year	-	291,930	-	-	-	-	291,930
Depreciation	-	305,283	-	-	-	178	305,461
At end of year	-	597,213	-	-	-	178	597,391
Net carrying value, December 31, 2019	28,291,630	1,088,664	67,485,393	58,572,651	473,521	6,217	155,918,076

Depreciation on kitchen tools, medical and hospital equipment shall commence when the hospital is in commercial operations.

The medical equipment have been paid in full and already recorded in the books. However, the same is still stored in the warehouse of the supplier awaiting delivery upon completion of the Company's hospital building. These are subject of a chattel mortgage as disclosed in Note 12.

The Company has a total contract commitment to purchase medical equipment totaling ₱454,370,959 as of December 31, 2020. Advances to related party amounting to ₱163,423,514 (Note 13) was recognized in the books as it represents advance payment for medical equipment.

The land covered by TCT No. 095-2015000546 and TCT No. 095-2015000547 represent the area located at Barangay Sambag, Jaro District, Iloilo City, Panay Island, where the Company is currently constructing a multidisciplinary special medical facility (hospital) (Note 9) and is the subject of a real estate mortgage as disclosed in Note 12.

Management has reviewed the carrying values of property and equipment as at December 31, 2020 and 2019, for any impairment. Based on the results of its evaluation, there are no indications that these assets are impaired.

NOTE 9 - CONSTRUCTION-IN-PROGRESS

This account consists of accumulated costs for the construction of the Company's hospital building project which is still ongoing as at reporting dates:

	As at end of year 2019	**Amount of Transactions 2020**	**As at end of year 2020**
Payment to contractors	899,659,490	**159,339,575**	**1,058,999,065**
Capitalized borrowing cost	54,250,616	**36,964,760**	**91,215,376**
Other related costs	39,333,520	**25,880,106**	**65,213,626**
	993,243,626	**222,184,441**	**1,215,428,067**

During the development of the hospital building, borrowing costs on interest-bearing loans were capitalized (see Note 12).

Other related costs pertain to planning and project management expenses directly attributable to the construction project.

As certified by the Construction Manager of the Company, the percentage of completion as of report date is pegged at ninety-four percent 20/100 (94.20%).

NOTE 10 - ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account consists of:

	2020	2019
Retention payable[1)]	**39,605,125**	31,199,534
Accrued interest payable[2)]	**30,806,165**	4,903,402
Accounts payable – contractors and suppliers[3)]	**24,273,812**	30,344,249
Government liabilities[4)]	**1,226,680**	751,701
Accrued expense[5)]	**750,305**	311,185
	96,662,087	67,510,071

[1)]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 of the project and final acceptance by the Company.

[2)]Accrued interest payable refers to interest expense incurred on loans from a bank (see Note 12).

[3)]Accounts payable – contractors and suppliers represent unpaid billings of the contractors and balances of equipment already installed in the construction building and as of reporting date.

[4)]Government liabilities pertains to tax withheld from payment to suppliers, employees' compensation and statutory contribution to SSS, PHIC and HDMF.

[5)]Accrued expense is normally settled within one year from financial reporting date.

NOTE 11 - LOANS PAYABLE TO INDIVIDUALS

This account constitutes non-interest bearing and demandable obligations to third parties which was primarily used by the Company to support the preliminary financing aspect of the construction of the hospital structure.

NOTE 12 - NOTES PAYABLE

Notes payable as at December 31 consist of:

	2020	2019
Current portion:		
Notes payable – construction-in-progress	**13,905,691**	17,970,720
Notes payable – medical equipment	**5,487,559**	-
	19,393,250	17,970,720
Non-current portion:		
Notes payable – construction-in-progress	**616,867,909**	539,741,280
Notes payable – medical equipment	**240,128,921**	199,500,480
	856,996,830	739,241,760
	876,390,080	757,212,480

The Landbank of the Philippines – Iloilo Branch (LBP – Iloilo) extended to the Company several term loans equivalent to a credit line facility totaling **₱1.060 BILLION** to finance the construction of hospital structure and the acquisition of various medical equipment and fixtures.

The foregoing credit line facility consists of a term loan 1 the availment of which was granted on 2015 amounting to **₱465 MILLION** allotted for building financing. However, term loan 2 availment amounting to **₱35 MILLION** was eventually cancelled or withdrawn. Subsequently, the bank approved on July 31, 2019, term loan 3 in the amount of **₱195 MILLION** for hospital structure and term loan 4 amounting to **₱400 MILLION** allotted for the acquisition of medical equipment and fixtures.

The loan is available in several drawdowns, payable ranging from 8 years to 10 years in ladderized quarterly amortizations, including grace periods ranging from 1 year to 4 years on principal amortization, with an interest rate of 5% - 6.63% per annum payable quarterly in arrears from date of loan release.

As discussed in Note 8, the loan is collaterized and secured by a Real Estate Mortgage (REM) on both parcels of land owned by the Company, including present and future improvements thereon and Chattel Mortgage on various medical equipment, furniture and fixtures.

Total finance costs incurred on loans for financing of hospital building amounted to ₱36,964,760, ₱34,355,732 and ₱17,895,862 as at December 31, 2020, 2019 and 2018, respectively, and was capitalized to construction-in-progress account in the statements of financial position (see Note 9).

The Company incurred finance costs on loans for acquisition of medical equipment and fixtures amounting to ₱13,830,175, ₱11,456,490 and ₱-0- in December 31, 2020, 2019 and 2018, respectively, and is reflected in the statements of comprehensive loss.

NOTE 13 - RELATED PARTY TRANSACTIONS

In the normal course of business, the Company transacts with companies/individuals, which are considered related parties. The following were carried out with related parties as at December 31, 2020, and 2019:

Category	Outstanding Balance 2018	Amount of Transactions 2019	Outstanding Balance 2019	**Amount of Transactions 2020**	**Outstanding Balance 2020**	Terms	Conditions
Receivable – others (various ACE hospitals)	-	53,931	53,931	**(6,459)**	**47,472**	Non-interest bearing, to be collected in cash	Unsecured, unguaranteed, not impaired
Advances to related party	250,327,056	38,711,983	289,039,039	**(256,975,836)**	**32,063,203**	Non-interest bearing, to be collected in cash (a)	Unsecured, unguaranteed, not impaired
	250,327,056	38,765,914	289,092,970	**(256,982,295)**	**32,110,675**		

Category	Outstanding Balance 2018	Amount of Transactions 2019	Outstanding Balance 2019	**Amount of Transactions 2020**	**Outstanding Balance 2020**	Terms	Conditions
Accounts Payable - Endure Medical, Inc.	-	22,032,294	22,032,294	**(19,862,337)**	**2,169,957**	Non-interest bearing, to be paid in cash	Unsecured, unguaranteed, not impaired
Advances from shareholders	340,873,908	(79,995,224)	260,878,684	**(260,878,684)**	-	Non-interest bearing, to be paid in cash (b)	Unsecured, unguaranteed, not impaired
	340,873,908	(57,962,930)	282,910,978	**(280,741,021)**	**2,169,957**		

(a) Advances to related party

The Company engaged the services of an indentor (Endure Medical, Inc.) which have relatively significant influence over a key management personnel of the Company. The Indentor facilitates the importation and acquisition of medical equipment, furniture and fixtures for the hospital allotment (see Note 8).

The foregoing is classified as a related party transaction(s) (pursuant to the condition set forth in PAS 24), wherein the key management personnel of Endure Medical, Inc. has significant influence over the Company and its key officer.

(b) Advances from shareholders

In the special meeting of the Board held last May 7, 2018, the directors and shareholders were mandated and empowered to contribute resources and make cash advances to the Company for the development/construction of its medical structures and appurtenances.

In view of this, the shareholders advanced monies in support of the Company's hospital 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 hospital construction.

Key Management Personnel Compensation

Key management compensation amounted to ₱4,690,000 and ₱3,075,000 for the years ended December 31, 2020 and 2019, respectively. These amounts are incorporated in the salaries and allowances account in the financial statements.

In 2018, only per diem and transportation allowance for meetings were given to members of the Board as per Board Resolution dated February 5, 2018 (see Note 16).

NOTE 14 - SHARE CAPITAL

Details of the Company's share capital as at December 31, 2020:

	No. of Shares	**Amount**
Authorized share capital – ₱1,000 par value		
Founder's shares	**600**	**600,000**
Common shares	**239,400**	**239,400,000**
Total authorized share capital	**240,000**	**240,000,000**
Subscribed share capital:		
Founder's shares	**600**	**600,000**
Common shares	**234,420**	**234,420,000**
Total subscribed share capital	**235,020**	**235,020,000**
Paid-up share capital (net of subscription receivable ₱13,786,000):		
Founder's shares	**600**	**600,000**
Common shares	**234,420**	**220,634,000**
Total paid-up share capital	**235,020**	**221,234,000**

Details of the Company's share capital as at December 31, 2019:

	No. of Shares	Amount
Authorized share capital – ₱1,000 par value		
Founder's shares	600	600,000
Common shares	239,400	239,400,000
Total authorized share capital	240,000	240,000,000
Subscribed share capital:		
Founder's shares	600	600,000
Common shares	230,550	230,550,000
Total subscribed share capital	231,150	231,150,000
Paid-up share capital (net of subscription receivable ₱63,000,000):		
Founder's shares	600	600,000
Common shares	230,550	167,550,000
Total paid-up share capital	231,150	168,150,000

In 2018, the Company filed a Registration Statement covering its proposed Initial Public Offering (IPO) of its 36,000 common shares. Said registration statement was approved on December 27, 2019, 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 **FIFTY THREE THOUSAND EIGHTY-FOUR (53,084)** common shares. The related share premium after deducting transaction costs associated with the issuance of shares amounted to ₱426,567,980. The common share offer price amounted to ₱200,000 up to ₱300,000 per block [one (1) block = ten (10) common shares].

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

NOTE 15 - OTHER INCOME

Details of account consists of:

	2020	2019	2018
Interest income (Note 6)	**95,937**	97,953	115,966
Gain on sale from scraps	**11,380**	-	-
Unrealized forex gain (Note 6)	-	-	22,009
	107,317	97,953	137,975

NOTE 16 - GENERAL AND ADMINISTRATIVE EXPENSES

Details of account consists of:

	Notes	**2020**	2019	2018
Salaries and allowances[1)]	***13***	**10,607,015**	9,990,330	3,486,660
Board meetings and meals	***13***	**9,960,373**	1,815,312	2,359,644
Professional fee and legal fees[2)]		**2,299,496**	5,561,460	6,035,067
Security services		**1,625,740**	1,081,964	-
Taxes and licenses		**1,350,661**	1,775,777	2,560,748
Insurance expense		**777,807**	715,015	181,292
Utilities		**760,656**	528,286	191,902
SSS, PHIC and HDMF Contributions		**516,045**	333,792	268,769
Depreciation	***8***	**422,949**	305,461	135,788
Transportation and travel	***13***	**374,228**	1,025,919	1,123,206
Rental[3)]	***17***	**316,000**	1,725,859	1,004,550
Office supplies		**260,391**	439,014	115,019
Advertising expenses		**249,143**	-	247,183
Unrealized forex loss	***6***	-	179,510	-
Miscellaneous		**125,848**	426,800	1,234,322
		29,646,352	25,904,499	18,944,150

[1)]The increase in 2019 is due to payment of salaries of directors and officers.

[2)]Material amount of professional fees in 2019 is due to payment for the processing of the secondary licenses of the Company and for enganging a financing officer who shall primarily be responsible in managing the Company's finances, record-keeping, and financial reporting.

[3)]Decrease in rental expense during the year is due to the termination of the office space lease agreement.

NOTE 17 - COMMITMENT UNDER OPERATING LEASES

The Company entered into various lease agreements for the rental of the Company's office space and warehouse for a period of one year, renewable at terms and conditions that the parties may agree upon. Lease agreement includes payment of security deposit amounting to ₱15,000 and ₱225,000 as at December 31, 2020 and 2019, respectively, which shall be refunded without interest on the expiration of the lease period, less any corresponding obligations or damages.

Total rental expense amounted to ₱265,200, ₱1,725,859 and ₱1,004,550 in 2020, 2019 and 2018, respectively (Note 16).

During the year, the Company has not renewed the lease agreement for the office space since the administration function of the Company has moved to the construction site of the hospital building.

NOTE 18 - INCOME TAX EXPENSE

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

I. Regular Corporate Income tax (RCIT)	**2020**	2019	2018
Net loss before income tax	**(43,369,210)**	(37,263,036)	(18,806,175)
Add (deduct) reconciling items:			
Unrealized forex loss	**-**	179,510	-
Interest expense arbitrage	**39,574**	40,406	-
Interest income subjected to final tax	**(95,937)**	(97,953)	(115,966)
Unrealized forex gain	-	-	(22,009)
Net operating loss	**(43,425,573)**	(37,141,073)	(18,944,150)
Tax rate	**30%**	30%	30%
RCIT	**NIL**	NIL	NIL

II. Minimum Corporate Income Tax (MCIT)	**2020**
Gross income	**107,317**
Add (deduct) reconciling items:	
Interest income subjected to final tax	**(95,937)**
Gross taxable income	**11,380**
Tax rate	**2%**
MCIT	**228**

As at December 31, 2019 and 2018, the Company did not generate any revenues subject to minimum corporate income tax.

III. Tax Due (RCIT or MCIT whichever is higher)	**2020**
MCIT	**228**
Less: Tax credits or payments	
Quarterly income tax payments (1st - 3rd quarter)	**-**
Creditable withholding tax (1st - 3rd quarter)	**-**
Creditable withholding tax (4th quarter)	**-**
Income tax payable	**228**

IV. Deferred Tax Asset

As at December 31, 2020, the Company's NOLCO and MCIT that can be claimed as deduction from future taxable income and icome tax payable, respectively, are as follows:

Year Incurred	Expiration date	Beginning balance	Additions	Expired	Claimed	Ending Balance
NOLCO						
2017	2020	8,607,537	-	(8,607,537)	-	-
2018	2021	18,944,150	-	-	-	18,944,150
2019	2022	37,141,073	-	-	-	37,141,073
		64,692,760	**-**	**(8,607,537)**	**-**	**56,085,223**

On September 30, 2020, the Bureau of Internal Revenue issued Revenue Regulation No. 25-2020 implementing Section 4 (bbb) of Republic Act No. 1194, otherwise known as "Bayanihan to Recover as One Act." This regulation covers that the net operating loss of a business or enterprise for taxable years 2020 and 2021 shall be carried over as a deduction from gross income for the next five (5) consecutive years immediately following the year of such loss.

Year Incurred	Expiration date	Beginning balance	Additions	Expired	Claimed	Ending Balance
NOLCO						
2020	**2025**	**56,085,223**	**43,425,573**	**-**	**-**	**99,510,796**

Year Incurred	Expiration date	Beginning balance	Additions	Expired	Claimed	Ending Balance
MCIT						
2020	**2023**	**-**	**228**	**-**	**-**	**228**

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

	2020	2019	2018
NOLCO	**99,510,796**	64,692,760	29,769,686
Tax rate	**30%**	30%	30%
	29,853,239	19,407,828	8,930,906
MCIT	**228**	-	-
	29,853,467		
Valuation allowance (Note 5)	**(29,853,239)**	(19,407,828)	(8,930,906)
Deferred tax asset	**228**	-	-

The Company's deferred tax assets arises from the net operating loss and excess MCIT from the current and prior years period that can be charged against income of the next three taxable years.

The Company provides full valuation allowance on its deferred tax assets from NOLCO since Management believes that the Company will not be able to generate future taxable income in which it can be applied, while the deferred tax assets from MCIT is presented as part of "other non-current assets" in the statements of financial position.

NOTE 19 - CREATE ACT

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises Act "RA 11534" 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. Some of the provisions that may have an impact on the Company's operations are as follows:

1. Reduction of the Corporate Income Tax rate from 30% to 20% applicable to domestic corporations with net taxable income not exceeding P5,000,000 and with total assets not exceeding P100 Million (excluding land on which the business entity's office, plant and equipment are situated) in excess of these ceilings, the rate is from 30% to 25% starting July 01, 2020.
2. Reduction of the Minimum Corporate Income Tax from 2% to 1% starting July 1, 2020 to June 30, 2023.
3. Reduction of the non-deductible interest expense from 33% to 20% of the gross interest income.
4. Imposition of the Improperly Accumulated Earning Tax has been repealed.
5. Enhanced deduction in claiming NOLCO for five (5) years.

This is a non-adjusting event because the law has not yet been substantially enacted as of the reporting date. Accordingly, the current and deferred taxes reported on the financial statements are measured using the income tax rate of 30%. The effect of the CREATE Act will be reflected on the 2021 financial statements.

Presented below is a summary of the potential impact of the above provisions on the Company's 2020 financial statements:

	Amount reflected on the 2020 FS	Amount computed based on RA 11534	Impact Increase/(Decrease)
1. Deferred tax assets	228	171	(57)
2. Income tax payable	228	171	(57)
3. Interest expense arbitrage	39,574	31,779	(7,795)

NOTE 20 - BASIC LOSS PER SHARE

Basic loss per share is computed as follows:

	2020	2019	2018
Loss attributable to ordinary shares	**(43,369,210)**	(37,263,036)	(18,806,175)
Divide by: Weighted average number of ordinary shares outstanding	**235,020**	231,150	204,000
Basic loss per share	**(184.53)**	(161.21)	(92.19)

There are no potential dilutive ordinary shares outstanding as at December 31, 2020, 2019 and 2018.

NOTE 21 - FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

The Company is exposed to financial risks such as market risk which includes interest rate risk, credit risk and liquidity risk. The Company's policies and objective in managing these risks are summarized below:

Market risk

Market risk refers to the possibility that changes in market prices, such as interest rates, affect the Company's profit or the value of its financial instruments. The Company focuses on market risk areas such as interest rate risk. The objective and management of these risks are discussed below.

Interest rate risk

Interest rate risk refers to the possibility that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate.

The Company's financial instruments that are interest-bearing are its cash notes payable (Note 6).

Cash in banks are subject to prevailing interest rates (see Note 6). Considering that such financial assets have short-term maturity, management does not foresee any cash flow and fair value interest rate risk to have a significant impact on the Company's operations.

The Company's notes payable is exposed to prevailing interest rates subject to repricing based on the tenor of the benchmark rate used (see Note 12). However, upon management assessment, these do not present significant interest rate risk.

The Company has no established policy in managing interest rate risk. Management believes that fluctuations on the interest rates will not have significant effect on the Company's financial performance.

Credit risk

Credit risk refers to the possibility that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company does not have any significant credit risk exposure to any single counterparty or any Company. The Company defines counterparties as having similar characteristics if they are related entities.

The credit quality of the Company's financial assets is as follows:

Cash

The credit risk for cash is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

Receivable - others

The Company has no significant concentrations of credit risk on receivable - others. The Company's receivable - others are actively monitored to avoid significant concentrations of credit risk. The Company evaluates balances of debtors lacking an appropriate credit history where credit records are available.

Management believes that there are no indicators of impairment on the Company's receivable - others.

Liquidity Risk

Liquidity risk arises when the Company may encounter difficulty in meeting the obligation associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's objective of managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages liquidity risk by maintaining banking facilities and by continuously monitoring forecast and actual cash flows. The Company maintains sufficient levels of cash to meet building construction requirements. The Company avails of funds from related parties and shareholders and bank loans when needed.

The table below summarizes the maturity profile of the Company's financial liabilities:

2020	**1 to 12 months**	**1 to 5 years**	**Total**
Accounts payable and other liabilities*	**95,435,407**	**-**	**95,435,407**
Loans payable to individuals	**30,343,471**	**-**	**30,343,471**
Notes payable	**19,393,250**	**856,996,830**	**876,390,080**
	145,172,128	**856,996,830**	**1,002,168,958**

2019	1 to 12 months	1 to 5 years	Total
Accounts payable and other liabilities*	66,758,370	-	66,758,370
Loans payable to individuals	75,250,000	-	75,250,000
Notes payable	17,970,720	739,241,760	757,212,480
Advances from shareholders	-	260,878,684	260,878,684
	159,979,090	1,000,120,444	1,160,995,534

**excluding government liabilities*

NOTE 22 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the categories of assets and liabilities presented in the statements of financial position are shown below:

	2020		2019	
Financial assets	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Cash	**47,992,046**	**47,992,046**	15,341,215	15,341,215
Receivable - others	**140,652**	**140,652**	167,922	167,922
	48,132,698	**48,132,698**	15,509,137	15,509,137

	2020		2019	
Financial liabilities	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Accounts payable and other liabilities	**95,435,407**	**95,435,407**	66,758,370	66,758,370
Loans payable to individuals	**30,343,471**	**30,343,471**	75,250,000	75,250,000
Notes payable	**876,390,080**	**876,390,080**	757,212,480	757,212,480
Advances from shareholders	**-**	**-**	260,878,684	260,878,684
	1,002,168,958	**1,002,168,958**	1,160,995,534	1,160,995,534

The difference between the cash and accounts payable and other liabilities disclosed in the statements of financial position and the amounts disclosed in this note pertains to cash on hand and government liabilities, respectively, that are not considered as financial assets and liabilities.

Due to the short-term maturities of cash and cash equivalents, receivables – others, accounts payable and other liabilities and loans payable to individuals, their carrying amounts approximate their fair values.

The fair value of notes payable approximates its carrying 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 a 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.

NOTE 23 - CAPITAL RISK MANAGEMENT

The Company's capital management objectives are:

- To ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.
- To invest the capital in investments that meet the expected return with the commensurate level of risk exposure.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payments to shareholders or issue new shares.

The Company monitors its financial leverage using the debt-to-equity ratio which is computed as total liabilities divided by total equity as shown in the table below:

	2020	2019
Total liabilities	**1,003,395,866**	1,160,851,235
Total equity	**764,060,314**	327,777,544
	1.31 : 1	3.54 : 1

The loan agreement provides certain restrictions and requirements with respect to, among others, maintenance of financial ratios (current ratio of 1:1 and debt-to-equity ratio of 80:20), percentage of ownership of specific shareholders, creation of property encumbrances and additional guarantees for the incurrence of additional long-term indebtedness.

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

NOTE 24 - EVENTS BEFORE/AFTER REPORTING DATE

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the International community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The Philippine Government, as a matter of national interest has implemented a nationwide community quarantine in March 2020, in accordance with the World Health Organization's (WHO) call for global response to combat the outbreak, as well as cushion the impending impact of the pandemic to the population, including both local and international commerce and industry.

Presently, the full impact of the lingering COVID 19 outbreak continues to evolve as of the date of this report and have threatened to impose its negative impact on the financial condition and results of operations, particularly solvency and liquidity, including the industry workforce and the supply chain.

Accordingly, the National Government enacted legislations (particularly the Bayanihan Act 1 & 2) to activate, among others, the logistical support mechanism of providing monetary grants to local communities and, above all, extend financial subsidies or assistance to the stakeholders and proponents of the local business sector.
However, since the Company has not started commercial operations, Management, therefore, have ascertained that the current circumstances of the lingering presence of the pandemic are not reasonably expected to have any immediate material impact on its financial standing or status and that no uncertainties yet, related to going concern may be applicable to the Company.

NOTE 25 - APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company as at December 31, 2020, including its comparatives as at 2019 and for the years ended 2019 and 2018, were approved and authorized for issuance by the Board of Directors on April 18, 2021.

SUPPLEMENTARY INFORMATION REQUIRED BY REVENUE REGULATION (RR) 15-2010

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

On November 25, 2010, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) 15-2010, which requires certain information on taxes, duties, 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 disclos*u*res 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 for the year is as follow:

	2020
Documentary stamp tax for loans payable charged to taxes and licenses	**893,832**
Documentary stamp tax for subscription of shares	**118,500**
	1,012,332

Taxes and licenses

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

	2020
Documentary stamp tax	**1,012,332**
Real property tax	**15,119**
Notarial fees	**53,100**
Others	**270,110**
	1,350,661

Withholding Taxes

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

	2020
Expanded withholding taxes	**2,705,155**
Compensation withholding tax	**609,159**
	3,314,314

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, 2020.

RR 19-2020 and RR 34-2020

During the year, 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.

* * *

ANNEX "B"

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER-ILOILO

Summary of 17-C REPORT 2020

January 8, 2020

- Report on the acceptance of the irrevocable resignation of Dr. Amado C. Enriquez as Chairman and Election of Dr. Ferjenel G. Biron as Chairman and change of schedule of Annual Stockholders Meeting.

February 19, 2020

- Report on the Resignation as Independent Director of Lemuel Fernandez and Election by the BOD of Lemuel Fernandez as Director vice Amado Enriquez and Election of Felibert Dianco as Independent Director vice Lemuel Fernandez

May 14, 2020

- Report on the Authorization of Ferjenel G. Biron to request Land Bank of the Philippines to extend the maturity date of the Term of Loans and Application for a Chattel Mortgage from Land Bank of the Philippines to finance the acquisition of various equipment and Postponement of Annual Stockholder's Meeting,

August 5, 2020

- Report on the Schedule of the Annual Stockholders' and Election of Board of Directors for the year 2020.

September 1, 2020

- Report on the Postponement of the Annual Stockholders' Meeting and Approval by the Board of the business address of Allied Care Experts (ACE) Medical Center-Iloilo Inc. from Iloilo Medical Society, Brgy. Bantud, Luna Street, Lapaz, I.C. to Brgy. Ungka I, Jaro, Iloilo City.

September 18, 2020

- Report on the Postponement of the Annual Stockholders' Meeting.

September 29, 2020

- Report on the Disqualification of one of the Independent Directors

November 3, 2020

- Report on the Election of 2020 Board of Directors and Officers

December 4, 2020

- Report on the Appointment of Dr. Felibert O. Dianco as Lead Independent Director and recognition of the Board of Dr. Ramiro as Independent Director in a hold-over capacity. Amending Pages 33,35,53-58, 60-74 and the Table of Contents

"ANNEX C"

SECURITIES AND EXCHANGE COMMISSION
SEC FORM CG – 2020

CERTIFICATE

I, **MAYLENE B. VILLANUEVA**, of legal age and with office address at Brgy. Ungka I, JAro, Iloilo City,after being sworn to in accordance with law, hereby depose and state that:

1. I am the incumbent Compliance Officer of Allied Care Experts (ACE) Medical Center - Iloilo, Inc. (the "Company"), a corporation duly organized and existing in accordance with the laws of the Republic of the Philippines, with principal office address at Iloilo Medical Society, Lapaz, Iloilo City 5000.

2. In 2020, the Company substantially adopted in its Manual on Corporate Governance all of the recommendations under SEC Memorandum Circular No. 24, Series of 2019, otherwise known as the Code of Corporate Governance for Public Companies and Registered Issuers (CG Code for PCs and RIs);

3. During the same year, the Company deviated from the following recommendations of the CG Code for PCs and RIs for the reasons stated below:

Recommendation/s	Explanation/s
(Please see attached Annex A)	

(Please use additional sheet if necessary)

4. I am issuing this Certificate in compliance with the requirement of the Securities and Exchange Commission on the annual reporting of the extent of the Company's compliance with the CG Code for PCs and RIs.

IN WITNESS WHEREOF, I have signed this Certificate this ____ day of 29 JAN 2021, ____ at Quezon City, Philippines.

MAYLENE B. VILLANUEVA
Compliance Officer

Countersigned by:

FERJENEL. G. BIRON
President/ Chief Executive Officer

SUBSCRIBED AND SWORN TO before me this ____ day of 29 JAN 2021, at Quezon City, Philippines, affiant exhibiting to me her competent evidence of identity bearing her signature and photograph, Passport ID No. P3513874A, issued on 06/28/17, at DFA Manila and valid until 27 June 2022.

WITNESS my hand and notarial seal on the date and place above written,

NOTARY PUBLIC

ATTY. [illegible] L. RENONG
Notary Public for Quezon City
Admin Matter No. 004 (2020-2021)
Attorney's Roll No. 60846; 03-26-12
IBP Membership No. 137511; 01-04-2021; Quezon City
MCLE Compliance No. VI-0028020; April 14, 2022
PTR No. 9341567; 01-04-2021; Quezon City
Commission expires on December 31, 2021

Doc. No.: 467
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Book No.: VI
Series of 2021

ANNEX A

RECOMMENDATIONS	EXPLANATION
Recommendation 1.5 The Board should ensure that it is assisted in its duties by a Corporate Secretary, should be a separate individual from the same Compliance Officer. The Corporate Secretary should not be a member of the Board of Directors and should annually attend a training on corporate governance.	The position of a Corporate needs to be occupied by someone who has a legal background and at the time familiar with the history and strategic direction of the hospital. At the moment, aside from cost Considerations entailed by hiring separate individuals for the position of the Corporate Secretary and Compliance Officer, the Corporation has not found a suitable candidate for Corporate Secretary aside from the current Compliance Officer whom they think will be effective for the current needs of the Corporation which is preparing for the opening of the Hospital.
Recommendation 1.6 The Board should ensure that it is assisted in its duties by a Compliance Officer, who should have a rank of Senior Vice President or an equivalent position with adequate stature and authority in the corporation. The Compliance Officer should not be a member of the Board of Directors and should annually attend a training on corporate governance.	The rank of Senior Vice President was not specified in the current Manual on Corporate Governance due to the objection of some directors although by virtue of the principle of non-dimunition of rank and benefit espoused in the Labor Code of the Philippines, the Compliance Officer holds the rank of Senior Vice President as it had been previously stated in the 2019 Manual on Corporate Governance.
Recommendation 3.4 Subject to a corporation's size, risk profile, nature and complexity of operations, the Board should establish a separate Board Risk Oversight Committee (BROC) that should be responsible for the oversight of a company's Enterprise Risk Management System to ensure its functionality and effectiveness. The BROC should be composed of at least three (3) directors, the majority of whom should be independent directors, including the Chairperson. At least one member of the committee must have relevant thorough knowledge and experience on risk and risk management.	The present MCG did not provide for the creation of a Board Risk Oversight Committee (BROC) as it is not yet operational.

Recommendation 5.1:

The Board should be composed of a majority of non-executive directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to carry out proper checks and balances.

Instead of should, the company used the term may in the MCG as it had not started its operations and the Board deem it necessary that during the pre- operation until the commencement of the operations of hospital, the Board must be comprised mostly of executive directors who are considered founders and most familiar with the business model for alignment of strategies and policies.

Recommendation 5.2 :

The Board should have at least two (2) independent directors, or such number as to constitute at least one-third of the members of the Board, whichever is higher.

Due to the fact that the corporation is not yet operating its hospital, it is the business judgement of the Board to limit the Independent Directors to three (3) at the moment in order to accommodate more executive directors who are crucial in establishing the policies in preparation for the opening of the Hospital.

Recommendation 5.5

The positions of Chairperson of the Board and Chief Executive Officer or its equivalent position, should be held by separate individuals and each should have clearly defined responsibilities.

It is the business judgement of the hospital the positions of Chairperson and Chief Executive Officer be occupied by the same person to provide an established and unified leadership prior to the operation of the hospital.