

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

**QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES
REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER**

1. For the quarterly period ended **SEPTEMBER 30, 2022**
2. Commission identification number **CS201423954** 3. BIR Tax Identification No: **008-922-703**.

**ASIA PACIFIC MEDICAL CENTER ILOILO INC (Formerly ALLIED CARE EXPERTS (ACE)
MEDICAL CENTER – ILOILO, INC.)**

4. Exact name of issuer as specified in its charter

Iloilo City, Philippines

5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

Brgy. Ungka, Jaro, Iloilo City

7. Address of issuer's principal office

5000

Postal Code

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

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

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

Title of each Class	Number of Shares Outstanding	Amount of Debt
Founder Shares	600	
Common Shares	235,290	
Debt Outstanding		P1,198,970,590

11. Are any or all of the securities listed on a Stock Exchange?

Yes [] No []

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 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 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 []

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PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The Financial Statements (FS) of the Company as of and for the nine months ended September 30, 2022 is incorporated herein. (see Annex A)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Management Discussions and Analysis (MD&A) or Plan of Operations

RESULTS OF OPERATIONS (September 30, 2022 vs September 30, 2021)

	As of the Quarter Ending		Horizontal Analysis		Vertical Analysis	
	Sept. 30, 2022	Sept. 30, 2021	Inc./ (Dec.)	%	2022	2021
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	8,164	23,605	(15,441)	-65%	NA	NA
Gross Income	8,164	23,605	(15,441)	-65%	NA	NA
General and Admin Expenses	14,933,443	12,326,305	2,607,138	21%	NA	NA
Loss From Operations	(14,925,279)	(12,302,700)	(2,622,579)	21%	NA	NA
Finance Cost	21,506,428	9,578,222	11,928,206	0%	NA	NA
Net Loss Before Income Tax	(36,431,707)	(21,880,922)	(14,550,785)	66%	NA	NA
Income Tax Expense	0	0	0	0%	NA	NA
Net Loss for The Year	(36,431,707)	(21,880,922)	(14,550,785)	66%	NA	NA
Other Comprehensive Income/(Loss) for the Year	0	0	0	0%	NA	NA
Total Comprehensive Loss for the Year	(36,431,707)	(21,880,922)	(14,550,785)	66%	NA	NA

Other Income –

The company recognized other income of P8,164. All these were earned from the bank as interest on deposits. To date, the company has not recognized operational income given that the hospital building is still under construction. As of the end of September 2022, the completion rate of the building is at 98.93%. It is expected to finish this November and hopefully could commence operations in December 2022.

General and Administrative Expenses –

Over-all the 3rd Quarter figures of the general and administrative expenses increased by 21.15%. As shown in the following comparative schedule, the material variances were noted on Salaries and Wages (+16% - P1.2M), Honorarium (P1.29M), and Taxes and Licenses (+400% - 753.0K). There were also accounts whose balances dropped: Security Services (-35% - P480.0K), Insurance and utility expenses that dropped by P250.0K. Salary increased due primarily to the wage increase mandated by DOLE + the hiring of numerous personnel in preparation of the hospital opening. Honorarium were recognized and taken up for payment, along with it came the computation of taxes to be paid, thus, the increase also in taxes. Security services expenses decreased due to segregation of cost application, recognized as part of this report are only pertaining to the admin portion of the services, thus, the lower values.

GENERAL & ADMINISTRATIVE EXPENSES (September 30, 2022 vs September 30, 2021)

	As of the Quarter Ending		Horizontal Analysis	
	Sept. 30, 2022	Sept. 30, 2021	Inc./ (Dec.)	%
Salaries and Allowances	8,514,987	7,314,869	1,200,118	16.41%
Board Meetings and Meals	18,770	27,341	(8,571)	-31.35%
Honorarium	1,288,889	0	1,288,889	0.00%
Professional Fees	866,053	1,001,435	(135,382)	-13.52%
Legal and Audit Fees	354,850	350,000	4,850	0.00%
Security Services	904,339	1,384,289	(479,950)	-34.67%
Taxes and Licences	941,235	188,119	753,116	400.34%
Insurance Expense	0	144,642	(144,642)	-100.00%
Utilities - Power/Light/Water	0	105,321	(105,321)	-100.00%
SSS, PHIC, and HDMF Contributions	508,310	444,028	64,282	14.48%
Depreciation	471,700	370,531	101,169	27.30%
Amortization of Intangible Asset	8,333	29,167	(20,834)	-71.43%
Transportation and Travel	43,183	30,001	13,182	43.94%
Postage and Communication Expenses	95,166	3,372	91,794	2722.33%
Trainings and Seminars	128,739	114,255	14,484	12.68%
Web Hosting and Computer Software/Hardware E	146,595	36,119	110,476	0.00%
Rentals	9,500	50,152	(40,652)	-81.06%
Office Supplies	239,100	328,016	(88,916)	-27.11%
Advertising Expenses	55,000	42,414	12,586	0.00%
Repairs and Maintenance	22,351	9,667	12,684	131.21%
Bank Service Charges	6,550	0	6,550	0.00%
Miscellaneous	309,793	352,567	(42,774)	0.00%
TOTALS	14,933,443	12,326,305	2,607,138	21.15%

Loss for the Period –

As reiteration, the hospital is not yet operating, thus, all administrative, finance, and general costs recorded, in effect, caused the company to recognize losses.

FINANCIAL CONDITION (September 30, 2022 vs September 30, 2021)

ASSETS		Sept. 30, 2022	Sept. 30, 2021	Horizontal Analysis		Vertical Analysis	
				Inc./ (Dec.)	%	Sept. 30, 2022	Sept. 30, 2021
CURRENT ASSETS							
Cash		1,395,281	2,734,040	(1,338,759)	-48.97%	0.07%	0.15%
Receivables - Others		2,639,843	3,924,906	(1,285,063)	-32.74%	0.13%	0.21%
Advances to Related Party		35,595,773	35,595,773	(0)	0.00%	1.76%	1.91%
Advances to Contractors		54,273,390	58,766,371	(4,492,981)	-7.65%	2.68%	3.15%
Advances to Suppliers		1,551,654	4,108,949	(2,557,295)	-62.24%	0.08%	0.22%
Unused Office Supplies		95,516	11,894	83,622	703.04%	0.00%	0.00%
Prepayments		742,376	742,377	(1)	0.00%	0.04%	0.04%
		96,293,833	105,884,310	(9,590,477)	-9.06%	4.76%	5.67%
NON-CURRENT ASSETS							
Property and Equipment (net)		425,616,058	417,981,040	7,635,018	1.83%	21.04%	22.38%
Construction-In-Progress		1,495,822,357	1,339,111,298	156,711,059	11.70%	73.95%	71.69%
Intangible Asset (net)		0	20,833	(20,833)	-100.00%	0.00%	0.00%
Other Non-Current Assets		5,015,171	5,015,171	0	0.00%	0.25%	0.27%
		1,926,453,586	1,762,128,342	164,325,244	9.33%	95.24%	94.33%
TOTAL ASSETS		2,022,747,419	1,868,012,652	154,734,767	8.28%	100.00%	100.00%
LIABILITY AND EQUITY							
LIABILITY AND EQUITY		Sept. 30, 2022	Sept. 30, 2021	Horizontal Analysis		Vertical Analysis	
				Inc./ (Dec.)	%	Sept. 30, 2022	Sept. 30, 2021
CURRENT LIABILITIES							
Accounts Payable and Other Liabilities		96,323,103	99,450,002	(3,126,899)	-3.14%	4.76%	5.32%
Accounts Payable - PTP		4,715,000	0	4,715,000	0.00%	0.23%	0.00%
Loans Payable to Related party		183,834,969	46,004,926	137,830,043	0.00%	9.09%	2.46%
Loans Payable to Individuals		20,596,700	26,431,254	(5,834,554)	-22.07%	1.02%	1.41%
Notes Payable - Current Portion		8,506,075	19,393,250	(10,887,175)	-56.14%	0.42%	1.04%
		313,975,847	191,279,432	122,696,415	64.15%	15.52%	10.24%
NON-CURRENT LIABILITIES							
Notes Payable - net of Current Portion		884,994,743	856,996,830	27,997,913	3.27%	43.75%	45.88%
TOTAL LIABILITIES		1,198,970,590	1,048,276,262	150,694,328	14.38%	59.27%	56.12%

EQUITY									
Share Capital				235,290,000	235,060,000	230,000	0.10%	11.63%	12.58%
Share Premium (net)				770,566,829	717,198,979	53,367,850	7.44%	38.10%	38.39%
Deficit				(182,080,000)	(132,522,589)	(49,557,411)	37.40%	-9.00%	-7.09%
				823,776,829	819,736,390	4,040,439	0.49%	40.73%	43.88%
TOTAL LIABILITIES AND EQUITY				2,022,747,419	1,868,012,652	154,734,767	8.28%	100.00%	100.00%

ASSETS

The company's assets now total P2.023B. P1.926B represent Construction in Progress (for the Building)(P1.495B), Property and Equipment – amounting to P425.6M + Other Assets (MORE Deposits + Rental Deposits) – P5.0K. The non-current assets comprise 95% of the total assets while current assets' figure is at 5%.

Cash and Cash Equivalents. The construction of the hospital has been eating all the funds of the company. Balances now are maintained at low. The construction is almost done at 98.93%. When the hospital operates, these figures will totally change and better financial standing will be attained.

Receivables and Advances. Total receivables and advances amount to P94.06. Of this amount, P54.27M (57.7%) is advances to Contractors while P1.55M was advanced to suppliers. Advances to related party amounts to P35.6M (37.85%), the remaining receivables total P2.64M

Unused Office Supplies and Prepayments. Office supplies purchased are taken up as unused supplies and gradually dispensed as used. The balance represents the remaining cost of supplies still outstanding and unused as of September 30, 2022.

Property and Equipment. Comparing balances this year and the previous, there was an increase of P7.6M. These represents various equipment / machineries acquired such as UPS and Batteries for Imaging Equipment, Clinical Centrifuge, Blood Separator, Plasma Thawerd Extractor, Microscope for Laboratory Equipment, PC and Laptops and Refrigerator for Presidential Suite Rooms.

Construction-In-Progress. The building is expected to be completed this November, 2022. As at end of September 2022, completion rate stands 98.93%. Construction cost is now at P1.496B. A little more cost will eventually finish the transaction. The company is positive to start operations before the year ends.

Other Non-Current Assets. This account is made up of the following: Deposit to MORE POWER Corporation - P5.0M, and P15,000.00 - deposit made in favor of Iloilo Medical Society (IMS) for the office rent.

LIABILITIES

The company's liabilities account for 59% of its resources. As compared to the previous year's total, this year's balance was higher by 14.38% (P150.7M). Loans payable to related party increased by P137.8M. These loans were used to pay off interest and principal payables of the company.

Accounts Payables and Other Liabilities. The payables accounts of the company are composed of the following: Retention Payable (P48.39M); Accrued Interest Payables (P10.10M); Governmental Liabilities (P177.7K); Other payables (P37.42M).

Accounts Payables - Privilege to Practice (PTP). These are payments made by investors as non-refundable payments for their opportunity/privilege to practice as medical professionals once the hospital is done and operational.

Loans Payable to Related Party. These are loans extended by Phil Pharmawealth, Inc. (PPI) to the company. Account balance now stands P183.8M. Interest is paid every quarter. These loans were availed to help pay off company obligations.

Loans from Individuals. These are loans accorded to the company to help in the construction of the hospital building. This is gradually liquidated whenever funds are available. Ending balance as of September 30, 2022 is P20.6M.

Notes Payable (LBP) - As of September 30 2022, total loans provided by LBP already amounted to P935.12M. Total payments made totaled P41.62M. To date, outstanding bank loan amounts to P893.5M.

EQUITY

The equity as of end of September 2022 account for 40.73% of the total resources. Share capital now amounts to P235.29M, while Share premium increased by P53.4M for a total of P770.6M balance. The deficit increased by P49.6M.

Share Capital. These are the total paid up shares of the company. Of the 240,000 shares of the company 235,290 have been sold and paid up. This is 98.04% of the total shares.

Share Premiums (net). Shares are sold via IPO at a premium. 1 Block is equal to 10 shares. Prices are as follows: 2,600 Blocks - P250.0K/blk; 500 Blocks - P300.0K/blk; and 500 Blocks - P400.0K/blk. The balance reflected in this account is the total of sold shares at a premium net of total subscriptions receivable. This account now stands P770.6M. P53.4M higher than the previous year's balance.

Deficit. This is the result of all the deficits recorded by the company over the years. The company is not yet operating, thus, administrative and finance costs caused the company to take up a deficit.

FINANCIAL SOUNDNESS INDICATOR

As of June 30

2022

2021

LIQUIDITY

QUICK ASSET RATIO

Cash + Cash Equivalent + Current Accounts Receivable / Current Liabilities	0.30 : 1	0.55 : 1
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Remarks:

Cash and cash equivalents are the most used resources during this period where construction of the hospital building is almost done. Funds generated mostly go to the construction of the hospital. The quick asset ratio of the company may not be reflecting a positive figure as of the moment, with half and less than half of the current liabilities that may immediately be covered in case demanded. But this is all because of the construction that's still on going. Once this is done and finished, quick asset ratio will surely get better.

CURRENT RATIO

Current Assets / Current Liabilities	0.31 : 1	0.55 : 1
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Remarks:

The same as the quick asset ratio, the figures reflected is not so positive. This, however, will surely change when the construction is done and the hospital is operating. For now, the current assets of the company are affected by the construction of the hospital. Almost all of the funds generated are channeled to the project.

SOLVENCY

DEBT TO EQUITY RATIO

Long Term Debt / Equity	1.07 : 1	1.05 : 1
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Remarks:

The long term debts of the company may very well be covered by the present equity of the company. At present ratio is almost 1:1 for 2 consecutive years, and this will get better in the coming years as the hospital starts to operate this coming months.

PROFITABILITY

NET PROFIT MARGIN

Net Income / Sales	-	-
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Remarks:

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

RETURN ON EQUITY

Net Income / Stockholder's Equity	-	-
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Remarks:
Hospital is not yet operational. Data is not yet available.

LEVERAGE

DEBT TO TOTAL ASSET RATIO

Total Debt / Total Assets	0.59 : 1	0.56 : 1
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Remarks:
The construction of the hospital building is nearing its completion. The ratios show that debts are just a little percentage higher than half of the assets, which would also translate to better figures for the equity. This gives us idea on how financing for the construction was. On the last stretch of the construction, a big portion of the funds came from the loans provided for by LBP, thus the increase in the debt side of the ratio for 2022.

ASSET TO EQUITY RATIO

Total Assets / Equity	2.46 : 1	2.28 : 1
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Remarks:
The total equity of the company is almost half of the total assets. This also shows that a big part of the funds used for the construction of the hospital came from the sale of shares, which mostly comprise the equity section of the company's financials.

INTEREST RATE COVERAGE RATIO

INTEREST RATE COVERAGE RATIO

Earnings Before Interests & Taxes / Interest Expense	-	-
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Remarks:
Hospital is not yet operational. Data is not yet available.

Trends, Events or Uncertainties that have had or that are reasonably expected to affect revenues or income

As at September 30, 2022:

1. There are no known material commitments for capital expenditure. But the hospital now is trying to complete its equipment and machineries so as to be ready for the upcoming opening, which is tentatively scheduled on the end part of 2022.
2. There are no known trends, events or uncertainties that have had an impact on net operational revenues or income since the hospital has not opened yet.

Structural adjustments were introduced in the construction of the building to be compliant

with the current requirements of the Department of Health mainly because of the CoVID 19 pandemic. It may not yet be ascertained whether or not there will be an effect in the operations of the hospital and eventually on its financial capabilities but the founders and the 500 strong doctor-investors of the hospital guarantee a stable operations in the coming years.

3. There are no seasonal aspects that had a material impact on the results of operations of the Company.
4. There are no events or any default or acceleration of an obligation that will trigger direct or contingent financial obligation that is material to the Company.
5. There are no off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities or other persons created during the period.
6. The Company is not a party to any lawsuit or claims arising from the ordinary course of business.

PART II - OTHER INFORMATION

There are no additional material information to be disclosed which were not previously reported under SEC Form 17-C

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AMADO M. LAVALLE JR.
PRESIDENT
November 15, 2022

ELMER Z. SAMORO
CHIEF FINANCE OFFICER
November 15, 2022



ASIA PACIFIC
MEDICAL CENTER
ILOILO
BRGY. UNGKA, JARO, ILOILO CITY,
PHILIPPINES 6000

Statements of Financial Position

ASSETS	Sept. 30, 2022	Sept. 30, 2021	Sept. 30, 2020
CURRENT ASSETS			
Cash	1,395,281	2,734,040	38,554,742
Receivables - Others	2,639,843	3,924,906	55,208,070
Advances to Related Party	35,595,773	35,595,773	163,423,514
Advances to Contractors	54,273,390	58,766,371	0
Advances to Suppliers	1,551,654	4,108,949	0
Unused Office Supplies	95,516	11,894	0
Prepayments	742,376	742,377	416,837
	96,293,833	105,884,310	257,603,163
NON-CURRENT ASSETS			
Property and Equipment (net)	425,616,058	417,981,040	281,437,215
Construction-In-Progress	1,495,822,357	1,339,111,298	1,130,537,065
Intangible Asset (net)	0	20,833	0
Other Non-Current Assets	5,015,171	5,015,171	5,310,000
	1,926,453,586	1,762,128,342	1,417,284,280
TOTAL ASSETS	2,022,747,419	1,868,012,652	1,674,887,443
LIABILITY AND EQUITY			
CURRENT LIABILITIES			
Accounts Payable and Other Liabilities	96,323,103	99,450,002	70,009,600
Accounts Payable - PTP	4,715,000	0	0
Loans Payable to Related party	183,834,969	46,004,926	0
Loans Payable to Individuals	20,596,700	26,431,254	75,250,000
Notes Payable - Current Portion	8,506,075	19,393,250	14,019,591
	313,975,847	191,279,432	159,279,191
NON-CURRENT LIABILITIES			
Notes Payable - net of Current Portion	884,994,743	856,996,830	832,370,489
Advances from Shareholders	0	0	9,848,471
	884,994,743	856,996,830	842,218,960
TOTAL LIABILITIES	1,198,970,590	1,048,276,262	1,001,498,151
EQUITY			
Share Capital (net)	235,290,000	235,060,000	184,400,000
Share Premium	770,566,829	717,198,979	577,776,000
Deficit	(182,080,000)	(132,522,589)	(88,786,708)
	823,776,829	819,736,390	673,389,292
TOTAL LIABILITIES AND EQUITY	2,022,747,419	1,868,012,652	1,674,887,443



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Statements of Comprehensive Loss

	For the Quarter Ended		Inc./ (Dec.)
	Sept. 30, 2022	Sept. 30, 2021	
Revenue	0	0	0
Direct Cost	0	0	0
Gross Profit	0	0	0
Other Income	8,164	23,605	(15,441)
Gross Income	8,164	23,605	(15,441)
General and Admin Expenses	14,933,443	12,326,305	2,607,138
Loss From Operations	(14,925,279)	(12,302,700)	(2,622,579)
Finance Cost	21,506,428	9,578,222	11,928,206
Net Loss Before Income Tax	(36,431,707)	(21,880,922)	(14,550,785)
Income Tax Expense	0	0	0
Net Loss for The Year	(36,431,707)	(21,880,922)	(14,550,785)
Other Comprehensive Income/(Loss) for the Year	0	0	0
Total Comprehensive Loss for the Year	(36,431,707)	(21,880,922)	(14,550,785)



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Statement of Changes in Equity

	Share Capital	Share Premium	Deficit	Total
EQUITY				
As at December 31, 2017	120,000,000		(11,203,245)	108,796,755
Additional Share Capital	21,000,000			21,000,000
Net Loss for 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		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		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
Additional Share Capital	13,826,000			13,826,000
Share Premium		72,698,639		72,698,639
Net Loss for the Quarter			(35,006,627)	(35,006,627)
As at December 31, 2021	235,060,000	726,166,619	(145,648,293)	815,578,326
Additional Share Capital	230,000			230,000
Share Premium		44,400,210		44,400,210
Net Loss for the Quarter			(36,431,707)	(36,431,707)
As at September 30, 2022	235,290,000	770,566,829	(182,080,000)	823,776,829



Statement of Cash Flow

For the 9 Months ended Sept. 30

	2022	2021
Cash Flows from Operating Activities		
Net Loss before taxes	(36,431,707)	(21,880,922)
Adjustments to reconcile net loss before tax to net cash used in operating activities:		
Interest Income	(8,164)	(19,505)
Operating cash flows before changes in working capital	(36,439,871)	(21,900,427)
Changes in working capital components:		
Decrease (increase) in current assets:		
Advances to Contractors	813,447	(12,160,492)
Advances to Suppliers	5,120,090	2,913,322
Advances to related Party		(3,532,570)
Other Receivables	597,710	(3,924,906)
Unused Office Supplies	(95,516)	128,758
Prepayments	(416,363)	(528,519)
Other Assets	0	0
Increase (decrease) in current liabilities:		
Accounts payable and other liabilities	9,070,244	4,957,872
Net cash provided by/(used in) operations	(21,350,259)	(34,046,962)
Interest received	8,164	19,505
Net cash provided by/(used in) operating activities	(21,342,095)	(34,027,457)
Cash Flows from Investing Activities		
Additions to construction in progress	(7,811,440)	(5,036,064)
Additions to property and equipment (net)	(138,098,133)	(123,683,231)
Intangible Asset	8,333	(20,833)
Increase in Non-Current Assets	0	57
Net cash used in investing activities	(145,901,240)	(128,740,071)
Cash Flows from Financing Activities		
Additional Loan release (Payment of Loan) - LBP	32,182,374	0
Accounts Payable - PTP	4,715,000	
Proceeds from (payment of) Income Taxes Payable	0	(228)
Proceeds from (payment of) Loans to Individuals	(2,403,300)	(3,912,217)
Proceeds from Loans Payable to Related Party	75,000,000	43,834,969
Proceeds from Subscriptions receivable		
Issuance of share capital	230,000	13,826,000
Additional paid-in Capital	44,400,210	63,730,999
Net cash provided by financing activities	154,124,284	117,479,523
Net increase (decrease) in Cash and Cash Equivalent	(13,119,051)	(45,288,005)
Cash and Cash Equivalents, Beg.	14,514,332	48,022,046
Cash and Cash Equivalents, End	1,395,281	2,734,041

I hereby certify that the information set forth in this report is complete and correct.

ELMER Z. SAMORO
CHIEF FINANCE OFFICER
November 15, 2022

ASIA PACIFIC MEDICAL CENTER – ILOILO, INC.
(Formerly: Allied Care Experts (ACE) Medical Center - Iloilo Inc.)

NOTES TO FINANCIAL STATEMENTS

As at September 30, 2022 and 2021 (Amounts in Philippine Peso)

NOTE 1 - CORPORATE INFORMATION AND STATUS OF OPERATIONS

Corporate Information

ASIA PACIFIC MEDICAL CENTER – ILOILO, INC. *(Formerly: 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.

On August 2, 2021, the Securities and Exchange Commission approved the Company’s amendment of its corporate name to Asia Pacific Medical Center – Iloilo, Inc.

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 Corporate Governance, and other applicable laws and orders as may be issued by the Commission.

The registered office of the Company was also amended from 2nd floor, Iloilo Medical Society Building, Luna Street, Brgy. Bantud, Lapaz, Iloilo City to Brgy. Ungka, Jaro Iloilo City, where the hospital construction site is located.

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 second half of 2022 in which the hospital is estimated to be fully completed and operational.

The Company has incurred an accumulated deficit of ₱182,080,000 and ₱132,522,589 as at September 30, 2022 and 2021, respectively, as a result of various general and administrative expenses incurred while the Company is still in its pre-commercial operation stage. It is expected to generate positive result upon commencement of its commercial operations.

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

Statement of Compliance

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

Basis of Preparation and Presentation

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

Functional and Presentation Currency

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

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

Adoption of New and Revised Accounting Standards Effective in 2021

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

Amendments to PFRS 16, COVID-19-Related Rent Concessions beyond June 30, 2021.

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

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

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

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

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

Management of the Company has assessed that the adoption of the amendment has no impact on the Company's financial statements as the Company does not have COVID-19-related rent concessions.

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

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

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

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

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

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

The interpretation is effective on or after January 29, 2021. Management's assessment on the impact of this interpretation to the Company's financial statements is incorporated in Note 17. The Company's current tax expense is calculated using 25% regular corporate income tax (RCIT). Deferred tax assets as at December 31, 2021 were re-measured using 25% RCIT.

Standards Issued but not yet Effective:

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

Effective beginning on or after January 1, 2022

Amendments to PFRS 3, References to the Conceptual Framework

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Annual Improvements to PFRS Standards 2018-2020 Cycle

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

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

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

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

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

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

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

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

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

Amendments to PAS 41 – Taxation in fair value measurements

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

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

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

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

Effective Beginning on or after January 01, 2023

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

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

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

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

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

PFRS 17, Insurance Contracts

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

The key principles in PFRS 17 are that an entity:

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

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

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

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

Deferred Effectivity

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

The amendments to PFRS 10 and PAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement 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 IASB; however, earlier application of the amendments is permitted.

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

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarized below. 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 statements 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.

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

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

Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

Financial Instruments

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

Financial Assets

Date of Recognition

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

"Day 1" Difference

Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where

there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes “Day 1” difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the “Day 1” difference.

Financial assets

Initial Recognition and Measurement

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

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

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

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

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

Subsequent Measurement

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

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

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 petty cash fund), receivable – others and other non-current assets (excluding deferred tax assets) as at reporting dates.

Financial assets fair value through OCI (debt instruments)

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

The Company does not have debt instruments designated at fair value through OCI as at reporting 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 statements of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as recovery of part of the cost of the financial assets, in which case, such gains are recovered in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statements 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 statements 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

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

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

When the Company has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' agreement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership. When it has neither transferred nor retained substantially all of the risk and rewards

of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on the basis that reflects the rights and obligations that the Company has retained.

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

Reclassification

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

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

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

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

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

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

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

Impairment

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

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

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

Write-off

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

Financial Liabilities

Initial Recognition and Measurement

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

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

Subsequent Measurement

The measurement of financial liabilities is classified into two categories:

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are designated upon initial recognition at fair value through profit or loss.

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

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

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

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

Financial liabilities at amortized cost (loans and borrowings)

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

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

This category generally applies to accounts payable and other liabilities (excluding government liabilities), loans payable to individuals, loans to a related party and notes payable (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 statements of comprehensive loss.

Fair Value Option

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

Classification of Financial Instrument between Liability and Equity

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

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

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

Offsetting of financial instruments

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

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

Cash

Cash in the statements of financial position comprise of cash in banks and on hand that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

Advances

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

Receivable – others 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 and Other Current Assets

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 profit or loss as they are consumed in operations or expire with the passage of time.

Other current assets represent assets of the Company which are expected to be realized or consumed within one year or within the Company's normal operating cycle whichever is longer. Other current assets are measured initially and subsequently presented in the financial statements at cost.

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

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

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

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

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

Intangible Assets

Intangible assets are initially measured at cost and are subsequently measured at cost less accumulated amortization and any accumulated impairment loss. These are amortized using the straight-line method. If there is an indication that there has been a significant change in amortization rate, useful life or residual value of an intangible asset, the amortization is revised prospectively to reflect the new expectations.

When assets are sold, retired or otherwise disposed of, their cost and related accumulated amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss is reflected in profit or loss for the period.

Construction-in-progress

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

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

Impairment of Non-Financial Assets

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

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

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

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

Equity

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

Share premium

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

Deficit

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

Revenue Recognition

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

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

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

Service income from hospital services

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

Sale of medical goods

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

The Company does not have revenues from hospital services nor sale of medical goods since it is still in its construction stage, thus, not yet in commercial operations as at March 31, 2022.

Other Revenues

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

Related Party Relationships and Transactions

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

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

Employee Benefits

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

Short-term Benefits

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

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

Retirement or Post-employment Benefits

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

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

Borrowing costs

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

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

Foreign Currency Translations

Translations denominated in foreign currencies are initially recorded using the exchange rates prevailing at transaction dates. Foreign currency-denominated monetary assets and liabilities are translated using the closing exchange rates at reporting dates. Exchange gains or losses arising from foreign currency translations are credited to or charges against current 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.

Income Tax

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the 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.

Deferred tax

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

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

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

Earnings (Loss) per Share

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

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

Provisions and Contingencies

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

discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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

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

Events after the Reporting 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.

Judgments in Applying the Company's Accounting Policies

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

Business Model Assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is

evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate, whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant Increase of Credit Risk

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

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

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.

Operating Lease Commitments – Company as Lessee

Based on Management evaluation, the lease arrangements entered into by the 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.

Recognition of Deferred Income Taxes

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

Impairment of Non-Financial Assets

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, subheading “*Provisions and Contingencies.*”

Estimates and Assumptions

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

Assessment for ECL on Other Financial Assets at Amortized Cost

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

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

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

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

The Company has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Company only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no provision for ECL on other financial assets at amortized cost was recognized as at September 30, 2022 and 2021.

The carrying amounts of other financial assets at amortized cost are as follows:

	Sept. 2022	Sept. 2021
Cash in banks	1,395,281	2,734,040
Receivable - others	2,639,843	3,924,906
Other non-current assets*	5,015,000	5,015,000
	9,050,124	11,673,946

*excluding deferred tax assets amounting to ₱171 and ₱171 as at September 30, 2022 and 2021, respectively.

Assessment for Impairment of Non-financial Assets

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

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

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

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

No impairment loss on non-financial assets was recognized as at September 30, 2022 and 2021.

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

	Sept. 2022	Sept. 2021
Advances to related parties	35,595,773	35,595,773
Advances to contractors	54,273,390	58,766,371
Advances to suppliers	1,551,654	4,108,949
Property and equipment (net)	425,616,058	417,981,040
Intangible assets (net)	0	20,833
Construction-in-progress	1,495,822,357	1,339,111,298
	2,012,859,232	1,855,584,264

Estimating useful lives of assets

The Company estimates the useful lives of property and equipment and intangible assets based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment and intangible assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment and intangible assets is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any

period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment and intangible assets would increase recorded operating expenses and decrease non-current assets.

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

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 September 30, 2022 and 2021, the Company's property and equipment had carrying amounts of **₱425,616,058** and ₱417,925,316, respectively, as disclosed in Note 8.

Amortization of intangible is calculated on a straight-line basis over 1 year. As at September 30, 2022, the Company's intangible assets has been fully amortized.

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 September 30, 2022 and 2021, 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 periods.

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 ₱171 and ₱171 as at September 30, 2022 and 2021 (see Note 17).

Deferred tax assets with full valuation allowance as at **September 30, 2022**, December 31, 2021, and 2020 amounted to **₱28,690,742**, ₱28,866,042, and ₱29,853,239, respectively (see Note 17).

NOTE 6 - CASH

This account consists of:

	Sept. 2022	Sept. 2021
Petty cash fund	30,000	30,000
Cash in banks	1,365,281	2,704,040
	1,395,281	2,734,040

Cash includes petty cash fund and in banks that are unrestricted and available for current operations. This is stated in the statements of financial position at face amount.

Cash in banks generally earn interest at the prevailing bank's deposit rates. Interest earned from bank accounts amounted to ₱8,164 and ₱23,605 in September 30, 2022 and 2021, respectively, and is presented as part of "other income (charges)" in the statements of comprehensive loss (see Note 15).

NOTE 7 - ADVANCES TO CONTRACTORS AND SUPPLIERS

This account consists of:

	Sept. 2022	Sept. 2021
Advances to contractors ¹⁾	54,273,390	58,766,371
Advances to suppliers ²⁾	1,551,654	4,108,949
	55,825,044	62,875,320

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 are down payments made to suppliers of medical equipment and/or construction materials ordered. The amounts represent 15% - 50% of the total contract price of the items purchased.

NOTE 8 - PROPERTY AND EQUIPMENT (net)

Reconciliation of property and equipment (net) as at September 30, 2022 is as follows:

	Land	Office Equipment	Medical Equipment	Hospital Equipment	Kitchen Tools	Books/ Periodicals	Total
Cost:							
At beginning of year	28,291,630	2,842,952	292,224,738	94,913,982	1,039,762	11,545	419,324,609
Additions	-	1,087,126	5,603,402	1,560,000	32,613	-	8,283,141
At end of year	28,291,630	3,930,078	297,828,140	96,473,982	1,072,375	11,545	427,607,750
Accumulated depreciation:							
At beginning of year	-	1,515,529	-	-	-	4,462	1,519,991
Depreciation	-	470,413	-	-	-	1,288	471,701
At end of year	-	1,985,942	-	-	-	5,750	1,991,692
Net carrying value, Sept. 30, 2022	28,291,630	1,944,136	297,828,140	96,473,982	1,072,375	5,795	425,616,058

Reconciliation of property and equipment (net) as at September 30, 2021 is as follows:

000000	Land	Office Equipment	Medical Equipment	Hospital Equipment	Kitchen Tools	Books/ Periodicals	Total
Cost:							
At beginning of year	28,291,630	2,594,493	291,678,238	90,921,038	473,521	6,395	413,965,315
Additions	–	298,460	546,500	3,992,943	566,241	–	5,404,144
At end of year	28,291,630	2,892,953	292,224,738	94,913,981	1,039,762	6,395	419,369,459
Accumulated depreciation:							
At beginning of year	–	1,018,208	–	–	–	2,131	1,020,339
Depreciation	–	366,481	–	–	–	1,599	368,080
At end of year	–	1,384,689	–	–	–	3,730	1,388,419
Net carrying value, Sept. 30, 2021	28,291,630	1,508,264	292,224,738	94,913,981	1,039,762	2,665	417,981,040

Depreciation on kitchen tools, medical and hospital equipment shall commence when it is available for use – when it is in the location and condition necessary to be capable of operating in the manner intended by the Management.

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, 2021. Advances to related parties amounting to ₱35,595,774 as of September 30, 2022 (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 September 30, 2022 and 2021, 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 beginning of year 2021	Amount of Transactions 2022	As at end of September 2022
Payment to contractors	1,156,744,337	62,442,433	1,219,186,770
Capitalized borrowing cost	128,930,107	31,903,488	160,833,595
Other related costs	72,049,780	43,752,212	115,801,992
	1,357,724,224	138,098,133	1,495,822,357

During the development and construction 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-eight point ninety three percent (98.93%).

NOTE 10 - ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account consists of:

	Sept. 2022	Sept. 2021
Retention payable ¹⁾	48,388,857	41,625,719
Accounts payable – contractors and suppliers ²⁾	37,051,440	20,268,805
Accrued interest payable ³⁾	10,098,461	36,965,917
Government liabilities ⁴⁾	416,289	316,339
Accounts Payable - PTP ⁵⁾	4,715,000	-
Accrued expenses ⁶⁾	368,056	273,222
	101,038,103	99,450,002

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 and turnover of the project and final acceptance by the Company.

²⁾ 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.

³⁾ Accrued interest payable refers to interest expense incurred on loans from bank (see Note 12).

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

⁵⁾ Accounts Payable – PTP pertain to the amounts paid by the investing doctors who intended to practice at the hospital.

⁶⁾ Accrued expenses are 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 September 30, 2022 consist of:

	Sept. 2022	Sept. 2021
Current portion:		

Notes payable – construction-in-progress	6,307,741	13,905,691
Notes payable – medical equipment	2,198,334	5,487,559
	8,506,075	19,393,250
<hr/>		
Non-current portion:		
Notes payable – construction-in-progress	592,927,184	657,496,349
Notes payable – medical equipment	292,067,559	199,500,481
	884,994,743	856,996,830
	893,500,818	876,390,080

The Land Bank 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 to finance the construction of hospital building. 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% to 6.63% per annum payable quarterly in arrears from date of loan release.

As discussed in Note 8, the loan is collateralized 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 the construction of hospital building amounted to **₱ 31,903,488** and **₱ 25,923,536** for the years ended September 30, 2022 and 2021, 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 **₱7,626,325** and **₱ 9,578,221** for the years ended September 30, 2022 and 2021, 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, December 31, 2021 and September 30, 2022:

Category	Outstanding Balance 2020	Amount of Transactions 2021	Outstanding Balance 2021	Amount of Transactions 2022	Outstanding Balance 2022	Terms	Conditions
Receivable – others (various ACE hospitals)	47,472	-	47,472	-	47,472	Non-interest bearing, to be collected in cash	Unsecured, unguaranteed, not impaired
Advances to related parties:							
Endure Medical, Inc.	32,063,203	16,666	32,079,869	-	32,079,869	Non-interest bearing, to be collected in cash (a)	Unsecured, unguaranteed, not impaired
TIPP Digital Solutions Inc.		3,515,904	3,515,904	-	3,515,904	Non-interest bearing, to be collected in cash (b)	Unsecured, unguaranteed, not impaired
	32,063,203	3,532,570	35,595,773	-	35,595,773		

Accounts Payable - Endure Medical, Inc.	2,169,957	8,369,521	10,539,478	2,997,030	13,536,508	Non-interest bearing, to be paid in cash	Unsecured, unguaranteed, not impaired
Loans payable to a related party	-	108,834,969	108,834,969	75,000,000	183,834,969	Interest bearing, to be paid in cash (c)	Unsecured, unguaranteed, not impaired

(a) Advances to a related party - Endure Medical, Inc.

The Company engaged the services of an indenter (Endure Medical, Inc.) which has relatively significant influence over a key management personnel of the Company. The Indenter 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 to a related party - TIPD Digital Solutions Inc.

The account represents a 15% downpayment made for the acquisition of Healthcare Management Information System.

(c) Loans payable to a related party

The account represents an unsecured interest-bearing loan from Phil Pharmawealth, Inc., which has relatively significant influence over a key management personnel of the Company. The loan was incurred to use for payment of the interest with Land Bank of the Philippines (LBP). The loan bears an interest ranging from 5.50%-6.50% per annum and is payable subject to the availability of funds. 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 ₱3,939,792, ₱3,410,000.00 for the years ended September 30, 2022 and 2021 respectively. These amounts are incorporated in the salaries and allowances account in the financial statements.

NOTE 14 - SHARE CAPITAL

Details of the Company's share capital as at September 30, 2022:

	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	234,690	234,690,000
Total subscribed share capital	235,290	235,290,000

Paid-up share capital:		
Founder's shares	600	600,000
Common shares	234,690	234,690,000
Total paid-up share capital	235,290	235,290,000

Details of the Company's share capital as at September 30, 2021:

	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	234,460	234,460,000
Total subscribed share capital	235,060	235,060,000

Paid-up share capital		
Founder's shares	600	600,000
Common shares	234,460	234,460,000
Total paid-up share capital	235,060	235,060,000

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, 2018, in accordance with the provisions of the SEC's Securities Regulation Code (see Note 1).

As of date, pursuant to the SEC's approval, the Company issued a total of **THIRTY-ONE THOUSAND TWO HUNDRED NINETY (31,290)** common shares. The total related share premium after deducting transaction costs associated with the issuance of shares amounted to ₱766,085,029. The common share offer price amounted to ₱250,000 up to ₱400,000 per block [(1) block = ten (10) common shares].

Founder shares have the exclusive right to vote and be voted upon as directors for five (5) years from the date of SEC registration. The founder shares' exclusive right to vote and be voted upon expired on December 10, 2019. It now has the same rights as that of the common shares.

NOTE 15 - OTHER INCOME (CHARGES)

Details of account consists of:

	September 2022	September 2021
Interest income (Note 6)	8,164	23,605
Gain on sale from scraps	-	-
	8,164	23,605

NOTE 16 - GENERAL AND ADMINISTRATIVE EXPENSES

Details of the account consist of:

	September 30, 2022	September 30, 2021
-		
Salaries and Allowances ²	5,520,710	4,986,156
Board Meetings and Meals ¹	849,305	17,963
Professional Fees, Audit Fees and Legal Fees	753,503	808,853
Security Services ³	725,994	925,941
Taxes and Licenses	354,774	177,319
Insurance Expense	0	807,759
SSS, PHIC, and HDMF Contributions	319,691	291,465
Depreciation	303,203	244,965
Amortization of Intangible Asset	8,333	16,667
Transportation and Travel	21,039	19,173
Postage and Communication Expenses	64,633	78,215
Trainings and Seminars	123,214	64,880
Web Hosting and Computer Software/Hardware Exp	116,624	15,000
Rentals	0	30,152
Office Supplies	98,260	93,328
Advertising Expenses	55,000	9,547
Repairs and Maintenance	11,319	9,479
Bank Service Charges	3,450	0
Miscellaneous	935	264,150
TOTALS	9,329,987	8,861,013

¹⁾ Increase is attributed to the take up of Honorarium for the Board of Directors.

²⁾ Increase is due to the increase in salary as mandated by DOLE

³⁾ Decrease is due to the adjustment of take for the account. Portion of these expenses are taken up as part of the construction in progress, given that the purpose of the security is to aid the building construction.

NOTE 17 - INCOME TAX EXPENSE

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

I. Regular Corporate Income tax (RCIT)	Sept. 2022	Dec. 2021	Dec. 2020
Net loss before income tax	(36,431,707)	(35,006,627)	(43,369,210)
Add (deduct) reconciling items:			
Interest expense arbitrage	-	5,533	39,574
Non-deductible penalties on taxes (Note 16)	-	133,499	-
Unrealized forex loss (Note 6)	-	-	-
Interest income subjected to final tax (Notes 6 and 15)	(8,164)	(22,133)	(95,937)
Net operating loss	(36,439,871)	(34,889,728)	(43,425,573)
Tax rate	25%	25%	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 (Notes 6 and 15)	(95,937)
Gross taxable income	11,380
Tax rate	2%
MCIT	228

For the years ended December 31, 2021 and 2019, 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 (1 st - 3 rd quarter)	-
Creditable withholding tax (1 st - 3 rd quarter)	-
Creditable withholding tax (4 th quarter)	-
Income tax payable	228

CREATE ACT

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

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

A. Corporate Income Tax (CIT)

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

B. Deductions from Gross Income

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

C. VAT Exempt Transactions

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

IV. Deferred Tax Asset

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

Year Incurred	Expiration date	Beginning balance	Additions	Expired	Claimed	Ending Balance
NOLCO						
2018	2021	18,944,150		(18,944,150)	–	–
2019	2022	37,141,073		–	–	37,141,073
		56,085,223		(18,944,150)	–	37,141,073

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

Year Incurred	Expiration date	Beginning balance	Additions	Expired	Claimed	Ending Balance
NOLCO						
2020	2025	43,425,573		–	–	43,425,573
2021	2026	34,889,728		–	–	34,889,728
Sept.2022	2027	–	36,439,871	–	–	36,439,871
		78,315,301	36,439,871	–	–	114,755,172
Effect of CREATE Law		7,795	–	–	–	7,795
		78,323,096	36,439,871	–	–	114,762,967

Year Incurred	Expiration date	Beginning balance	Additions	Expired	Claimed	Ending Balance
MCIT						
2020	2023	228		–	–	228
Effect of CREATE Law		(57)	–	–	–	(57)
		171	–	–	–	171

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

	Sept. 2022	Dec. 2021	Dec. 2020
NOLCO	114,762,967	115,464,169	99,510,796
Tax rate	25%	25%	30%
	28,690,742	28,866,042	29,853,239
MCIT	171	171	228
	28,690,912	28,866,213	29,853,467
Valuation allowance (Note 5)	(28,690,742)	(28,866,042)	(29,853,239)
Deferred tax asset	171	171	228

The Company's deferred tax assets arises from excess MCIT from the current and prior year's period that can be charged against income of the next three taxable years and is presented as part of "other non-current assets" in the statements of financial position.

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

NOTE 18 - BASIC LOSS PER SHARE

Basic loss per share is computed as follows:

	Sept. 2022	Sept. 2021
Loss attributable to ordinary shares	(36,431,707)	(21,880,922)
Divide by: Weighted average number of ordinary shares outstanding	235,290	235,060
Basic loss per share	(154,84)	(93.09)

There are no potential dilutive ordinary shares outstanding as at September 30, 2022 and 2021.

NOTE 19 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Financial Risk

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

The Company's principal financial assets and financial liabilities consist of cash (excluding petty cash fund), receivable - others, other non-current assets payable (excluding deferred tax assets), accounts payable and other liabilities (excluding government liabilities), loans payable to individuals, loans payable to a related party and notes payable which arise from operations.

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

Credit risk

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

The Company's financial assets at amortized cost are composed of cash (excluding petty cash fund), receivable – others and other noncurrent assets (excluding deferred tax assets). The Company limits its exposure to credit risk by investing its cash only with banks that have good credit standing and reputation in the local and international banking industry. These instruments are graded in the top category by an acceptable credit rating agency and, therefore, are considered to be low credit risk investments.

Receivable - others and other non-current assets are being monitored on a regular basis to ensure timely execution of necessary intervention efforts to minimize credit losses.

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

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

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

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

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

As at September 30, 2022				
	Financial assets at amortized cost			Total
	12-month ECL	Lifetime ECL – not credit impaired	Lifetime ECL – credit impaired	
Cash in banks**	1,365,281	–	–	1,365,281
Receivable - others	2,639,843	–	–	2,639,843
Other non-current assets*	–	5,015,000	–	5,015,000
	4,005,124	5,015,000	–	9,020,124

*Excluding deferred tax assets amounting to ₱171 as at Sept. 30, 2022.

**Excluding petty cash fund amounting to ₱30,000 as at Sept. 30, 2022.

As at September 30, 2021

	Financial assets at amortized cost			Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
		– not credit impaired	– credit impaired	
Cash in banks**	2,734,040	–	–	2,734,040
Receivable - others	3,924,906	–	–	3,924,906
Other non-current assets*	–	5,015,000	–	5,015,000
	6,658,946	5,015,000	–	11,673,946

*Excluding deferred tax assets amounting to ₱171 as at Sept. 30, 2021.

**Excluding petty cash fund amounting to ₱30,000 as at Sept. 30, 2021.

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 primary source of the Company's interest rate risk relates to its cash in banks, notes payable and loans payable to a related party (Notes 6, 12 and 13).

Cash in banks are subject to prevailing market interest rates. Considering that such financial assets have short-term maturities, the Company does not foresee any cash flow and fair value interest rate risks to have a significant impact on the Company's operations.

Likewise, notes payable and loans payable to a related party are subject to prevailing market interest rates. As such, these are subject to fluctuations in market interest rates for a given period.

The Company has no established policy in managing interest rate risk. Any favorable or unfavorable effect of fluctuation on interest rates is absorbed by the Company. The effect of such is presented in the Company's financial performance.

Liquidity Risk

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

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

As at September 30, 2022

	On Demand	Within 1 year	More than 1 year but less than 5 years	More than 5 years	Total
Financial Assets:					
Cash*	1,365,281	–	–	–	1,365,281
Receivable - others	2,639,843	–	–	–	2,639,843
Other non-current assets**	–	–	5,015,000	–	5,015,000
	4,005,124	–	5,015,000	–	9,050,124

*Excluding petty cash fund amounting to ₱30,000 as at Sept. 30, 2022.

**Excluding deferred tax assets amounting to ₱171 as at Sept. 30, 2022.

	On Demand	Within 1 year	More than 1 year but less than 5 years	More than 5 years	Total
Financial Liabilities:					
Accounts payable and other liabilities***	100,621,814	–	–	–	100,621,814
Loans payable to individuals	20,596,700	–	–	–	20,596,700
Loans payable to related party	183,834,969	–	–	–	183,834,969
Notes payable		8,506,075	884,994,743	–	893,500,818
	305,053,483	8,506,075	884,994,743	–	1,198,554,301

***Excluding government liabilities amounting to P416,289 as at Sept. 30, 2022.

As at September 30, 2021

	On Demand	Within 1 year	More than 1 year but less than 5 years	More than 5 years	Total
Financial Assets:					
Cash*	2,704,040	–	–	–	2,704,040
Receivable - others	3,924,906	–	–	–	3,924,906
Other non-current assets**	–	–	5,015,000	–	5,015,000
	6,628,946	–	5,015,000	–	11,643,946

*Excluding petty cash fund amounting to P30,000 as at Sept 30, 2021.

**Excluding deferred tax assets amounting to P171 as at Sept 30, 2021.

Financial Liabilities:					
Accounts payable and other liabilities***	99,133,663	–	–	–	99,133,663
Loans payable to individuals	26,431,254	–	–	–	26,431,254
Loans Payable to Related Party	46,004,926				46,004,926
Notes payable	–	19,393,250	856,996,830	–	876,390,080
	171,569,843	19,393,250	856,996,830	–	1,047,959,923

***Excluding government liabilities amounting to P316,339 as at Sept 30, 2021.

FAIR VALUES OF FINANCIAL INSTRUMENTS

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

	As at September 30, 2022		As at September 30, 2021	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
Financial Assets:				
Cash*	1,365,281	1,365,281	2,704,040	2,704,040
Receivable - others	2,639,843	2,639,843	3,924,906	3,924,906
Other non-current assets**	5,015,000	5,015,000	5,015,000	5,015,000
	9,050,124	9,050,124	11,643,946	11,643,946

*Excluding petty cash fund amounting to P30,000 as at Sept 30, 2022 and 2021.

**Excluding petty cash fund amounting to P171 as at Sept 30, 2022 and 2021..

Financial Liabilities:				
Accounts payable and other liabilities***	100,621,814	100,621,814	99,133,663	99,133,663
Loans payable to individuals	20,576,700	20,576,700	26,431,254	26,431,254
Loans payable to a related party	183,834,969	183,834,969	46,004,926	46,004,926
Notes payable	893,500,818	893,500,818	876,390,080	876,390,080
	1,198,554,301	1,198,554,301	1,047,959,923	1,047,959,923

***Excluding government liabilities amounting to P416,289 and P316,339 as at Sept 30, 2022 and 2021, respectively.

Assumption Used to Estimate Fair Values

The carrying amounts of cash, receivable - others, accounts payable and other liabilities, loans payable to individuals, and loans payable to a related party approximate their fair values as at reporting dates due to the short-term nature of the transactions.

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

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

Fair Value Hierarchy

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

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

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

	As at September 30, 2022		
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Un- observable Inputs (Level 3)
Financial Assets:			
Cash*	1,365,281	–	–
Receivable - others		2,639,843	–
Other non-current assets**		5,015,000	–
	1,365,281	7,654,843	–

*Excluding petty cash fund amounting to ₱30,000 as at September 30, 2022.

**Excluding deferred tax assets amounting to ₱171 as at September 30, 2022.

Financial Liabilities:

Accounts payable and other liabilities***	–	100,621,814	–
Loans payable to individuals	–	20,576,700	–
Loans payable to a related party	–	183,834,969	–
Notes payable	–	893,500,818	–
	–	1,198,554,301	–

***Excluding government liabilities amounting to ₱416,289 as at Sept. 30, 2022.

	As at September 30, 2021		
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Un- observable Inputs (Level 3)
Financial Assets:			
Cash*	2,704,040	–	–
Receivables	–	3,924,906	–
Other non-current assets**	–	5,015,000	–
	<u>2,704,040</u>	<u>8,939,906</u>	<u>–</u>

*Excluding petty cash fund amounting to ₱30,000 as at September 30, 2022.

**Excluding deferred tax assets amounting to ₱171 as at September 30, 2022.

Financial Liabilities:			
Accounts payable and other liabilities***	–	99,133,663	–
Loans Payable to individuals	–	26,431,254	–
Loans Payable to Related Party	–	46,004,926	–
Notes payable	–	876,390,080	–
	–	<u>1,047,959,923</u>	<u>–</u>

***Excluding government liabilities amounting to ₱316,339 as at September 30, 2022.

There were no reclassifications made between the different fair value hierarchy level as at September 30, 2022 and 2021.

CAPITAL MANAGEMENT

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

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

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

	Sept. 2022	Sept. 2021
Share capital	235,290,000	235,060,000
Share premium	770,566,829	717,198,979
Deficit	(182,080,000)	(132,522,589)
	<u>823,776,829</u>	<u>819,736,390</u>

The loan agreement with Landbank (Note 12) provides certain restrictions and requirements with respect to, among others, maintenance of financial ratios (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 dates, all covenants and requirements are complied with except for the required financial ratio wherein the financial institution was made aware of since the Company has not yet started commercial operations.

NOTE 20 - IMPACT OF CORONAVIRUS (COVID-19) UPDATE

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

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

NOTE 21 - APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company as at and for the quarter ended September 30, 2022, including its comparatives as at September 30, 2021 were approved and authorized for issuance by the Board of Directors on 15 November 2022.

SUPPLEMENTARY INFORMATION REQUIRED BY REVENUE REGULATION (RR)

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

Revenue Regulations (RR) 15-2010

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

Output and Input Value-Added Tax

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

Documentary Stamp Tax

Documentary stamp tax paid by the Company during the year amounted to ₱42,000 for the newly subscribed common shares.

Taxes and licenses

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

	September 2022
Penalties and surcharges	0
Documentary stamp tax	478,591
Real property tax	15,119
Geo-hazard assessment	0
Business permits	417,940
Fire safety inspection fee	9,750
Community tax certificate	500
Annual BIR registration fee	500
Others	17,935
	940,335

Withholding Taxes

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

	September 2022
Expanded withholding taxes	1,486,744
Compensation withholding tax	422,922
	1,909,666

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 September 30, 2022.

RR 19-2020 and RR 34-2020

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

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

* * *



**ASIA PACIFIC
MEDICAL CENTER
ILOILO**

BRGY. UNGKA, JARO, ILOILO CITY,
PHILIPPINES 5000

We hereby certify that the information set forth in this report for the quarter ended September 30, 2022 is complete and correct

That the Board of Directors reviews and approves the interim financial statements including the schedules attached therein.

That the interim financial statement of the company will be filed and subject to audit by the independent auditor appointed by the stockholders.

Dr. Ferjanel G. Biron
Chairman of the Board

Dr. Amado M. Lava Jr.
President

Dr. Agnes Jean M. Villaflor
Treasurer

Elmer Z. Samoró
Chief Finance Officer