

Acknowledgement Notice Re: Allied Care Experts (ACE) Medical Center Iloilo Inc - 17 Q
June 2020

From: ERMD FS1 (ermdfs1@sec.gov.ph)

To: acemci.acctg@yahoo.com

Date: Monday, November 16, 2020, 05:12 PM GMT+8

Dear Customer,

SUCCESSFULLY ACCEPTED

(subject to verification and review of form and content of the attached document)

This serves as acknowledgement confirmation. Please print and submit together with the hard copies of the document.

Note: If the email is received on a Saturday, Sunday or holiday (non-working day) the receipt date shall be on the next working day.

Thank you.
SEC ICTD

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 June 30, 2020
2. Commission identification number CS201423954 3. BIR Tax Identification No: 008-922-703.

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)

Iloilo Medical Society, Brgy. Bantud Luna St. La Paz, Iloilo City

5000

7. Address of issuer's principal office 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 of common stock outstanding and amount of debt outstanding
Founder	600
Common	232,230
Amount of Debt Outstanding	P 1,014,387,374

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

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

The Financial Statements (FS) of the Company as of and for the three months ended March 31, 2020 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 (June 30, 2020 vs June 30, 2019 vs June 30, 2018)

	30-Jun-20	30-Jun-19	Horizontal Analysis		30-Jun-18
			Difference	%	
Revenue	0	0	0	0.00%	0
Direct Cost	0	0	0	0.00%	0
Gross Profit	0	0	0	0.00%	0
Other Income	61,862	-104,788	166,650	-159.04%	105,037
Gross Income	61,862	-104,788	166,650	-159.04%	105,037
General and Admin Expenses	9,935,539	14,393,550	-4,458,011	-30.97%	5,445,142
Loss from Operations	-9,873,677	-14,498,338	4,624,661	-31.90%	-5,340,105
Finance Cost	6,697,912	2,850,743	3,847,169	134.95%	0
Net Loss Before Income Tax	-16,571,589	-17,349,081	777,492	-4.48%	-5,340,105
Income Tax Expense	0	0	0	0.00%	0
Net Loss for the Year	-16,571,589	-17,349,081	777,492	-4.48%	-5,340,105
Other Comprehensive Income/(Loss) for the Year	0	0	0	0.00%	0
Total Comprehensive Loss for the Year	-16,571,589	-17,349,081	777,492	-4.48%	-5,340,105

INCOME

The hospital is still under construction. It may be noted in the statement that only other income is recorded as source of income. These are income earned from bank interests, the only source of income of the company as of the moment given that it is not yet operating.

EXPENSES

General and administrative expenses decreased by 30.97%. See data below:

GENERAL AND ADMINISTRATIVE EXPENSES (Period ended June 30, 2020 vs June 30, 2019)

	30-Jun-20	30-Jun-19	Horizontal Analysis	
			Difference	%
Salaries and Allowances	5,016,958	3,501,935	1,515,023	43.26%
SSS, PHIC, HDMF Contributions	268,833	499,356	-230,523	-46.16%
Professional and Legal Fees	1,217,632	4,073,056	-2,855,424	-70.11%
Board Meetings and Meals	20,337	1,250,264	-1,229,927	-98.37%
Marketing fees (shareholder incentive)	200,000	0	200,000	0.00%
Security services	680,084	364,327	315,757	86.67%
Transportation and Travel	356,920	580,045	-223,125	-38.47%
Taxes and Licenses	685,424	1,511,374	-825,950	-54.65%
Rentals	403,600	914,350	-510,750	-55.86%

Utilities	350,751	193,188	157,563	81.56%
Depreciation Expense	182,439	99,855	82,584	82.70%
Insurance Expense	382,444	867,437	-484,993	-55.91%
Office Supplies	129,918	173,430	-43,512	-25.09%
Repairs & Maintenance	13,535	0	13,535	0.00%
Miscellaneous	26,664	364,933	-338,269	-92.69%
Total	9,935,539	14,393,550	-4,458,011	-30.97%

FINANCE COST (INTEREST EXPENSES)

Interest Expenses for the 6-month period as at June 2020 and 2019 are as follows: June 2020: P6,697,912, June 2019: P2,850,743. It may be noted that there is a difference of 135% (P3.85M) during the periods mentioned. This is attributed to the increase in the interest bearing loans payable of the company.

LOSS FOR THE PERIOD

Incurred losses are mainly attributed to the general and administrative costs as well as the finance costs that are increasing year after year. The hospital is still being constructed and basically, the company is not yet generating income.

FINANCIAL CONDITION (June 30, 2020 vs June 30, 2019 vs June 30, 2018)

	30-Jun-20	30-Jun-19	Horizontal Analysis		30-Jun-18
			Difference	%	
ASSETS					
Current Assets					
Cash and Cash Equivalent	13,651,937	25,779,343	(12,127,406)	-47.04%	108,032,747
Short Term Investments	0	10,224,199	(10,224,199)	-100.00%	10,169,812
Advances to Related Party	163,423,514	142,329,643	21,093,871	14.82%	202,771,755
Receivable - Others	53,996,943	23,237,007	30,759,936	132.37%	28,469,273
Loans Receivable	0	2,787,439	(2,787,439)	-100.00%	37,000,000
Prepayment	401,574	0	401,574	0.00%	222,407
	231,473,968	204,357,631	27,116,337	13.27%	386,665,994
Non-Current Assets					
Property and Equipment (net)	280,285,985	339,561,237	(59,275,252)	-17.46%	41,319,099
Construction-In-Progress	1,089,752,877	782,936,049	306,816,828	39.19%	476,770,012
Other Non-Current Assets	5,365,000	15,000	5,350,000	35666.67%	15,000
	1,375,403,861	1,122,512,286	252,891,575	22.53%	518,104,111
TOTAL ASSETS	1,606,877,829	1,326,869,917	280,007,912	21.10%	904,770,105
LIABILITIES and EQUITY					
LIABILITIES					
Current Liabilities					
Accounts Payable and Other Liabilities	78,922,328	38,174,053	40,748,275	106.74%	26,361,750
Loans Payable to Individual	75,250,000	75,250,000	0	0.00%	75,250,000
Notes Payable - Current Portion	14,019,591	27,073,081	(13,053,490)	-48.22%	0
	168,191,919	140,497,134	27,694,785	19.71%	101,611,750
Non-Current Liabilities					
Notes Payable - Net of Current Portion	781,788,889	706,527,400	75,261,489	10.65%	366,130,000
Advances from Shareholders	64,406,566	353,043,884	(288,637,318)	-81.76%	312,571,705
	846,195,455	1,059,571,284	(213,375,829)	-20.14%	678,701,705
TOTAL LIABILITIES	1,014,387,374	1,200,068,418	(185,681,044)	-15.47%	780,313,455
EQUITY					
Share Capital (net)	169,830,000	174,160,000	(4,330,000)	-2.49%	141,000,000

Share Premium	506,504,500	0	506,504,500	0.00%	0
Deficit	(83,844,044)	(47,358,501)	(36,485,543)	77.04%	(16,543,350)
	592,490,456	126,801,499	465,688,957	367.26%	124,456,650
TOTAL LIABILITIES AND EQUITY	1,606,877,829	1,326,869,917	280,007,912	21.10%	904,770,105

ASSETS

CASH AND CASH EQUIVALENTS

It may be noted in the data for the last three years that the cash balance is in the down trend. The company's cash account is reflected at P13.6M for June 2020, for June 2019 it was recorded at P25.8M, while in 2018 the balance was P 108.0M. Especially now that the building is almost done, transactions of the company mostly would involve cash, basically to pay off obligations for contractors, suppliers, and other parties affected.

This year is even more challenging. The factors that affected most in the cash collections of the company is the CoVID 19 Pandemic. A number of our investors and would-be-investors changed their minds. Some decided not to invest anymore because of the uncertainties brought about by the pandemic. They would rather hold on to their cash than invest it or even deposit to banks.

SHORT-TERM INVESTMENTS

The Short Term investments of the company were withdrawn in 2019 and used as additional funds for the construction of the hospital.

ADVANCES TO RELATED PARTY

The company hired an indenter (considered a related party) to facilitate the importation and acquisition of machines and equipment for the hospital. Movement in the account is caused by the application of payment required for certain machines and equipment already transacted by the corporation. The balance of the account reflects the amount already paid to the indenter for the machines/equipment to be utilized in the hospital when it opens.

RECEIVABLES – OTHERS

Receivables – Others accounts consist of various receivables and advances that the company made. Advances to contractor balance as of end of June is at P50.45M. These are mostly down payments for contracts made and are liquidated periodically as the work of the contractor progresses. Advances to suppliers amounts to P3.5M. This represents amounts paid in advance to suppliers to ensure delivery of goods or materials needed for the building.

LOANS RECEIVABLE

Loans to ACE MC Butuan was fully paid off in 2019. Account balance now is 0.

OTHER ASSETS

The increase in the prepayments account is due to the purchase of insurance for the building and some hospital equipment.

PROPERTY AND EQUIPMENT

Property and Equipment account represents the fixed assets of the company. These may be movable or immovable assets used by the company for its benefit and mainly to generate income. As at present, the company has been starting to purchase equipment for hospital use. The decrease in the PPE account balance noted is to adjust the amount reported to properly classify the account. The amount adjusted was transferred to the advances to related party account given that equipment is still with the indenter and awaiting delivery to the company.

CONSTRUCTION-IN-PROGRESS

The construction progress is now about 87%. Comparing the yearly balances of the account would show us the picture of how the construction developed during the last three years. Total amount

used for the building construction increased by P308.0M from June 2018 to 2019. The same amount was used to finance the construction for the period June 2019 to June 2020.

OTHER NON-CURRENT ASSETS

Warehouse rental deposits with Iloilo Millenium Realty & Development Corp. (P210.0K), rental deposits with ATC (P55.0K), and office rental deposits with IMS. Additional refundable deposit against ATC amounting to P85.0K was recorded this quarter. Also, refundable deposit against MORE Power Corp. was taken up at the amount of P5.0M.

LIABILITIES

PAYABLES

Retention payables make up 49.5% of the account amounting to P34M. These are the amounts retained by the company from the billings tendered by the contractors. These may be released to the contractors upon proper verification by the company that the work rendered by the contractor is done accordingly. This account also includes those payables to suppliers who already tendered their billings and invoices but was not paid due to cut offs. Almost 2% of these amount may be accounted for payables to government entities such as, SSS, Pag-Ibig, and Philhealth contributions that are settled on a monthly basis.

LOANS PAYABLE TO INDIVIDUALS

This account pertains to the non-interest bearing borrowings of the company from private individuals. The funds generated were used partly to finance the Building Construction. Payments shall be taken from the excess operational cash upon demand of lenders.

NOTES PAYABLE

The company obtained a term loan from Land Bank of the Philippines amounting to P1.06B. The purpose of such loan was to finance the construction of the hospital and purchase of medical equipment. Funds are made available to the company on several draw downs. As of this period, LBP was able to release a total of P795.8M.

ADVANCES FROM SHAREHOLDERS

This is part of the advances made by the shareholders to the company for the development of its medical structures and appurtenances. These are non-interest bearing advances, and payments are subject to availability of excess operational funds. Gradually, advances are paid off by the company. As of end of June 2020, the remaining unpaid balance of the account is P64.4M.

SHARE CAPITAL

Share capital now stands at P169.8M. Since the company started selling shares in 2019, it may be worthy to note that as at end of June 2020, the company was able to sell 28,830 share of the 36,000 shares available for sale, accounting for 12.38% of the total shares outstanding of the company.

ADDITIONAL PAID-IN CAPITAL

Some securities were sold at a premium. As of this period, premium on sales recorded a total of P506.5M.

DEFICIT

The deficit reflected in the statement of financial condition is due to the increasing general and administrative costs incurred by the company especially that as of now, the hospital is not yet operational and not generating any income other than bank interests.

KEY PERFORMANCE INDICATORS for the 3-yr period :

JUNE		
2019	2018	2017

<p>Liquidity</p> <p>a. Quick Ratio – the capacity of the company to cover its short term obligations using only its most liquid assets [(cash + cash equivalent + AR) / current liabilities]</p> <p>The quick asset ratio of the company for the last three (3) years show positive information. The company is liquid enough to pay off its current obligations should there be a need to settle it right away.</p> <p>b. Current Ratio – the company’s capacity to meet current obligations out of its liquid assets (current assets / current liabilities)</p> <p>The company’s current assets is at least 138% higher than its current obligations as the end of June 2020. Like in the previous years, the company reflects positive financial information that it’ll be able to fund its current obligations using its current assets.</p>	<p>1.37 : 1</p> <p>1.38 : 1</p>	<p>27 : 1</p> <p>1.45 : 1</p>	<p>3.44 : 1</p> <p>3.08 : 1</p>
<p>Solvency</p> <p>a. Debt to Equity Ratio – The indicator of which group of accounts has greater representation in the total resources of the company. (long-term debt / equity)</p> <p>The company is on the completion stage of the hospital. To finance the construction of the hospital, the company forged a loan with Land Bank of the Philippines (LBP). The provisions made by LBP caused the company to record long term loan accounts that basically are reflected in the financial statements.</p> <p>It may be noted in the years 2017 and 2018, the trend of the figures is going up, while, in 2019, it went down. This is because it was only in 2019 that the company was granted its secondary license, thus, the company was already authorized to sell its securities publicly which in effect helped to increase its equity account. And eventually presented a more positive debt to equity ratio. This trend is expected to continue in the coming years given that the company is in full swing in its sale of securities.</p>	<p>1.71 : 1</p>	<p>9.46 : 1</p>	<p>6.27 : 1</p>

<p>Profitability</p> <p>a. Net Profit Margin – This is the ability of the company to generate surplus for the stockholders. (net income / sales)</p> <p>The company is not yet operational, therefore, net Profit margin cannot be ascertained.</p> <p>b. Return on Equity – This is the ability of the company to generate returns on investments of the stockholders. (net income / stockholder's equity)</p> <p>The company is not yet operational, thus, it is improbable to determine the return to equity as at present time.</p>	0	0	0
<p>Leverage</p> <p>a. Debt to Total Asset Ratio – The proportion of the total assets financed by creditors. (total debt / total assets)</p> <p>The year 2017 and 2018 showed an upward trend. In 2019, the figure started to go down. This is indicative of a positive future results given that the company's assets are starting to build up faster than its liabilities. The sale of securities help a lot in this aspect, the funds generated were infused to the company's assets which in turn was used to help finance the construction of the hospital which will eventually turn out to be a company asset.</p> <p>b. Asset to Equity Ratio – Indicator of the over-all financial stability of the company. (total assets / equity)</p> <p>The company's assets make up the company's resources. Part of it is the shareholder's equity. The previous 2 years of company reflected that the equity account is merely 10% of the total assets. But beginning 2019, when the company was approved of its secondary license, the share capital and premiums were already recognized because of the securities sold. This boasted the equity balance of the account and eventually presented a more positive financial information.</p>	0.63 : 1	0.90 : 1	0.86 : 1
	2.71 : 1	10.46 : 1	7.27 : 1

Interest Rate Coverage			
a. Interest Rate Coverage Ratio – Measures the company’s ability to meet its interest payments. (earnings before interest and taxes / interest exp)	0	0	0
The company is at its construction stage, given so, payment of interests are dependent on funds generated thru sale of securities and not from income generated.			

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

ATTY. MAYLENE VILLANUEVA
CORPORATE SECRETARY
Date/ September 24, 2020

ELMER Z. SAMORO
CHIEF FINANCE OFFICER
Date/ September 24, 2020

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - ILOILO, INC.
STATEMENT OF FINANCIAL CONDITION
(Amounts in Philippine Peso)

	30-Jun-20	30-Jun-19
ASSETS		
Current Assets		
Cash and Cash Equivalent	13,651,937	25,779,343
Short Term Investments	0	10,224,199
Advances to Related Party	163,423,514	142,329,643
Receivable - Others	53,996,943	23,237,007
Loans Receivable	0	2,787,439
Prepayment	401,574	0
	231,473,968	204,357,631
Non-Current Assets		
Property and Equipment (net)	280,285,985	339,561,237
Construction-In-Progress	1,089,752,877	782,936,049
Other Non-Current Assets	5,365,000	15,000
	1,375,403,861	1,122,512,286
TOTAL ASSETS	1,606,877,829	1,326,869,917
LIABILITIES and EQUITY		
LIABILITIES		
Current Liabilities		
Accounts Payable and Other Liabilities	78,922,328	38,174,053
Loans Payable to Individual	75,250,000	75,250,000
Notes Payable - Current Portion	14,019,591	27,073,081
	168,191,919	140,497,134
Non-Current Liabilities		
Notes Payable - Net of Current Portion	781,788,889	706,527,400
Advances from Shareholders	64,406,566	353,043,884
	846,195,455	1,059,571,284
TOTAL LIABILITIES	1,014,387,374	1,200,068,418
EQUITY		
Share Capital (net)	169,830,000	174,160,000
Share Premium	506,504,500	0
Deficit	(83,844,044)	(47,358,501)
	592,490,456	126,801,499
TOTAL LIABILITIES AND EQUITY	1,606,877,829	1,326,869,917

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

	30-Jun-20	30-Jun-19	30-Jun-18
Revenue	0	0	0
Direct Cost	0	0	0
Gross Profit	0	0	0
Other Income	61,862	-104,788	105,037
Gross Income	61,862	-104,788	105,037
General and Admin Expenses	9,935,539	14,393,550	5,445,142
Loss from Operations	-9,873,677	-14,498,338	-5,340,105
Finance Cost	6,697,912	2,850,743	0
Net Loss Before Income Tax	-16,571,589	-17,349,081	-5,340,105
Income Tax Expense	0	0	0
Net Loss for the Year	-16,571,589	-17,349,081	-5,340,105
Other Comprehensive Income/(Loss) for the Year	0	0	0
Total Comprehensive Loss for the Year	-16,571,589	-17,349,081	-5,340,105

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

	Share Capital	Share Premium	Deficit	Total
EQUITY	120,000,000		(2,959,006)	117,040,994
As of Jan. 1, 2017			(8,244,239)	(8,244,239)
Net Loss for the Year				
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		(67,272,456)	100,877,544
Additional Share Capital	1,680,000			1,680,000
Share Premium		506,504,500		506,504,500
Net Loss for the 6-Month Period			(16,571,589)	(16,571,589)
As at June 30, 2020	169,830,000	506,504,500	(83,844,045)	592,490,455

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

	Notes	For the six months period ended June 30		
		2020	2019	2018
CASH FLOWS FROM OPERATING EXPENSES				
Net loss before tax		(16,571,589)	(17,349,081)	(5,340,105)
Adjustments to reconcile net receipts to net cash used in operating expenses				
Depreciation	9	182,438	99,855	38,318
Interest income	6	(61,862)	(52,987)	(69,034)
Operating cash flow before changes in working capital		(16,633,450)	(17,302,213)	(5,370,820)
changes in working capital components:				
Decrease (increase) in current assets:				
Short Term Investments	7	-	(5,852)	(99,590)
Advances to Related Party	13	125,615,525	8,647,368	(84,385,060)
Receivable - Others	8	(19,357,426)	6,203,516	(15,268,969)
Other Current Assets		(209,268)	222,408	(32,764)
Increase (decrease) in current liabilities				
Payables	11	11,412,257	10,257,244	(1,792,018)
Net cash used in operations		100,827,638	8,022,471	(106,949,222)
Interest received	6	61,862	52,987	69,034
Net cash used in operating activities		100,889,500	8,075,458	(106,880,188)
CASH FLOWS FROM FINANCING ACTIVITIES				
Additions to property and equipment	9	(124,367,909)	(143,717,977)	(326,530)
Additions to construction in progress	10	(96,509,251)	(195,461,823)	(168,569,880)
Increase in other non current assets		(5,140,000)	-	-
Net Cash used in investing activities		(226,017,160)	(339,179,800)	(168,896,410)
CASH FLOWS FROM FINANCING ACTIVITIES				
Loans receivable	14	-	34,212,561	-
Proceeds of notes payable	13	38,596,000	229,450,481	138,350,000
Proceeds from advances from shareholders	14	(196,472,118)	12,169,975	54,321,705
Additional share capital		1,680,000	-	-
Additional paid in capital		279,604,500	33,160,000	-
Net cash provided by financing activities		123,408,382	308,993,017	192,671,705
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,719,278)	(22,111,325)	(83,104,893)
CASH AND CASH EQUIVALENTS beginning of the year		15,371,215	47,890,668	191,137,640
CASH AND CASH EQUIVALENTS end of the year		13,651,937	25,779,343	108,032,747

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – ILOILO INC.

NOTES TO FINANCIAL STATEMENTS

As of and for the periods ended June 30, 2020 and 2019

(Amounts in Philippine Peso)

NOTE 1 - CORPORATE INFORMATION AND STATUS OF OPERATIONS

Corporate Information

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER–ILOILO INC. (the “Company”) was incorporated as a domestic corporation under Philippine laws and was duly registered with the Securities and Exchange Commission (SEC) under registration No. CS201423954 on December 10, 2014.

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

On December 27, 2018, the SEC En Banc under SEC MSRD Order No.37 approved effective the registration statement of the Company for 240,000 shares broken down as follows: the primary offering to be sold by way of initial public offering for 36,000 shares equivalent to 3,600 blocks or 10 shares per block at an offer price ranging from ₱250,000 up to ₱400,000 per block. Issued and outstanding Founder shares (600) and common shares (203,400) are not included in the offer. These shares have been registered and may now be offered for sale or sold to the public subject to full compliance with the provisions of the Securities Regulation Code and its Amended Implementing Rules and Regulations, Revised Code of Corporation Governance, and other applicable laws and orders as may be issued by the Commission.

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

Status of Operations

Currently, the Company is constructing a multidisciplinary medical facility (hospital) which was expected to be fully completed by December 2018. However, due to circumstances beyond the control of Management, this was moved to September 2020 in which the hospital is estimated to be fully completed and operational.

NOTE 2 - FINANCIAL REPORTING FRAMEWORK AND BASIS OF PREPARATION PRESENTATION**Statement of Compliance**

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

Basis of Preparation and Presentation

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

Functional and Presentation Currency

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

NOTE 3 - ADOPTION OF NEW AND REVISED ACCOUNTING STANDARD

The accounting standards adopted are consistent with those of the previous financial year, except that the Company has adopted the following new standards and amendments starting January 01, 2019. The adoption of these new standards and amendments did not have any significant impact on the Company's financial statements.

- PFRS 16, *Leases*
- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*
- Amendment to PAS 19, *Employee Benefits Plan Amendment, Curtailment or Settlement*
- Amendment to PAS 28, *Long – term Interest in Associates and Joint Ventures*
- Philippine Interpretation IFRIC – 23, *Uncertainty over Income Tax Treatments*
- Annual Improvements to PFRSs 2015 – 2017 Cycle
 - Amendments to PFRS 3, *Business Combinations*
 - PFRS 11, *Joint Arrangements Previously Held Interest in Joint Operation*
 - Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*
 - Amendments to PAS 23, *Borrowing Cost, Borrowing Cost Eligible for Capitalization*

New Accounting Standards Effective after the Reporting Period Ended December 31, 2019

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

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

“Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the

basis of those financial statements, which provide financial information about a specific reporting entity.”

Three new aspects of the new definition include (i) obscuring; (ii) could reasonably be expected to influence; and (iii) primary users.

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

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

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

The Company does not expect significant impact relative to these amendments.

Amendments to PFRS 3, *Definition of a Business*

The amendments are to:

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

The amendments are effective for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 01, 2020 and to asset acquisitions that occur on or after the beginning of that period.

The Company does not expect significant impact relative to these amendments.

PFRS 17, *Insurance Contracts*

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

The key principles in PFRS 17 are that an entity:

- identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the

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

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

The standard is effective for periods beginning on or after January 01, 2022. 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.

New Accounting Standards Effective After the Reporting Period Ended December 31, 2019 Adopted by FRSC but pending for approval by the Board of Accountancy

PIC Q&A No. 2019 – 01, PFRS 15, *Revenue from Contracts with Customers – Accounting for Service Charges*

The interpretation clarifies the treatment of service charges collected from hotel guests or restaurant customers.

Salient points of the interpretation are the following:

- Eighty-five (85%) percent, as a minimum, of the collected Service Charge should be excluded from the transaction price and as such should be recognized as a liability to the employees pursuant to Article 96 of the Labor Code.

As paragraph 47 of PFRS 15 defines transaction price as “the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.”

- The remaining portion should be included in the transaction price because this is an additional consideration in exchange for the goods and services provided and benefits directly inure to the hotel/restaurant.

The interpretation is effective for period beginning on or after February 13, 2019.

The Company does not expect a significant impact relative to this interpretation as the said revenue stream is not relevant to the principal business activity of the Company.

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

The interpretation provides guidance regarding the accounting treatment for Cryptographic assets. In classifying Cryptographic assets, two relevant factors to consider are (i) its primary purpose, and (ii) how these assets derive its inherent value. The interpretation provides two (2) Cryptographic classification based on the aforementioned factors, these are (a) Cryptocurrency, or (b) Cryptographic assets other than Cryptocurrencies, which are (b.1) Asset – based token, (b.2) Utility token, and (b.3) Security token, or collectively the “Security Tokens”.

From the holder of these assets’ point-of-view, in the absence of a definitive accounting and reporting guidance from the IASB, the interpretation suggests to report Cryptographic assets in the financial statements as either (i) Cryptocurrencies held by an entity, or (ii) Cryptographic assets other than cryptocurrencies.

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

- Cryptocurrencies held by an entity can be treated either as (i) Inventory under PAS 2, or (ii) Intangible asset under PAS 38.
- Cryptographic assets other than Cryptocurrencies, the interpretation suggested the following relevant accounting frameworks for consideration:
 - i. If the Token meets the definition of a financial liability, apply guidance in PFRS 9;
 - ii. If the Token meets the definition of an equity instrument, apply guidance in PAS 32;
 - iii. If the Token is a prepayment for goods and services from a contract with a customer, apply guidance in PFRS 15; and
 - iv. If the Token does not meet any of the aforementioned, consider other relevant guidance.

The interpretation is effective for periods beginning on or after February 13, 2019.

The interpretation will not have a significant impact on the Company’s financial statements as the Company does not have cryptographic assets.

PIC Q&A No. 2019 – 03, PFRS 15, *Revenue from Contracts with Customers – Revenue Recognition guidance for Sugar Millers*

The interpretation clarifies the revenue recognition of Sugar Milling Companies under: (i) Output Sharing Agreement, and (ii) Cane Purchase Agreement.

Under Output Sharing Agreement, revenue recognition commences upon conversion of Planter’s cane into raw sugar. Further, unsold raw sugar owned by the Miller shall be accounted for as inventory in accordance with PAS 2, *Inventories*.

Under Cane Purchase Agreement, revenue recognition commences upon transfer of control, at a point in time, to customer or buyer of a sale transaction. Further, the cost of purchased canes shall be treated either as production or milling cost of the Miller.

The interpretation is effective for periods beginning on or after March 28, 2019.

The Company does not expect a significant impact relative to this interpretation as the said revenue stream is not relevant to the principal business activity of the Company.

NOTE 4 - SIGNIFICANT ACCOUNTING POLICIES

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

Current versus Noncurrent Classification

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

An Asset is current when it is:

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

The Company classifies all other assets as noncurrent.

A liability is current when:

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

All other liabilities are classified as noncurrent.

Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

Financial Instruments

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

Financial Assets

Initial Recognition and Measurement

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables, that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction cost. Trade receivables that do not contain a significant financing component

or for which the Company has applied the practical expedient are measured at the transaction price as disclosed in the Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised 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 FVOCI with recycling of cumulative gains and losses (debt instruments)
- financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- financial assets at FVTPL.

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 and cash equivalents (excluding cash on hand), short-term investments, advances to related party, receivable – others, and loans receivable as at December 31, 2019 (see Notes 6, 7, 8 and 14).

Financial assets fair value through OCI (debt instruments)

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

The Company does not have debt instruments at FVOCI as at reporting dates.

Financial assets designated at fair value through OCI (equity instruments)

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

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

The Company does not have equity instruments at 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 statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

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

The derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if; the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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

Derecognition

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

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

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

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

Impairment

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

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

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

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full or in part before taking into account any credit enhancements held by the Company. A financial asset is written off in full or in part when there is no reasonable expectation of recovering the contractual cash flows.

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 FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Company's financial liabilities include accounts payable and other liabilities (excluding government liabilities), loans payable to individuals, notes payable and advances from shareholders (see Notes 11, 12, 13 and 14).

Subsequent Measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

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

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition at FVTPL.

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

Gains or losses on liabilities held for trading are recognized in the statements of comprehensive 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)

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

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

This category generally applies to accounts payable and other liabilities (excluding government liabilities), loans payable to individuals, notes payable and advances from shareholders. (see Notes 11, 12, 13 and 14).

Derecognition

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

Offsetting of financial Instruments

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

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

Cash and cash equivalents

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

Advances

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

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

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

Prepayments

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

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

Property and Equipment

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

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

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

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

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

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

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

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

Construction-in-progress

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

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

Impairment of Non-Financial Assets

At each reporting date, the Company assesses whether there is any indication that any of its tangible assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment

loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units (CGUs), or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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.

Impairment losses recognized in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized as income.

Equity Instruments

Share capital

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

Share premium

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

Deficit

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

Other comprehensive income/(loss)

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

Revenue Recognition

Revenue from Contracts with Customers

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.

Service income from hospital services

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

Sale of medical goods

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

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

Revenue Recognition Outside the Scope of PFRS 15

Interest income

Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Other income

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

Expense Recognition

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

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

Employee Benefits

Short-term benefits

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

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

Post-employment benefits

Defined benefit plan

The Company is subject to the provision of Republic Act No. 7641 (known as the Retirement Law). This requires that in the absence of a retirement plan, an agreement providing benefits for retiring employees in the private sector, an employee upon reaching the age of 60 years or more, but not beyond 65 years, who has 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.

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

Leases

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

The Company as lessee

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily take a substantial period of time to get ready for its intended use or sale are capitalized as part of

the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

Related Party Transactions

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

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

Taxation

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

Current tax

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statements of comprehensive loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using 30% regular corporate income tax (RCIT) rate or 2% minimum corporate income tax (MCIT), whichever is higher.

Deferred tax

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

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

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

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

Current and deferred tax for the year

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

Earnings (Loss) per Share

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

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

Provisions and Contingencies

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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

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

Events After the Reporting Period

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

Comparatives

Where necessary, certain accounts have been reclassified and comparative figures have been adjusted to conform with the current year's financial statements presentation.

For financial statements presentation, property and equipment, net amounting to ₱99,350,046 is reclassified to advances to related party in the statement of financial position as at December 31, 2018. This pertains to medical equipment that are already fully paid but not yet delivered.

The effect of this reclassification in the financial statements as at December 31, 2018, is summarized below:

	2018		
	<i>As previously reported</i>	<i>Net Adjustment</i>	<i>As currently reported</i>
Statement of financial position			
Advances to related party	150,977,011	99,350,046	250,327,057
Property and equipment (net)	195,943,115	(99,350,046)	96,593,069
Statement of cash flows:			
Increase in advances to related party	(32,590,315)	(99,350,046)	(131,940,361)
Additions to property and equipment	(155,048,016)	99,350,046	(55,697,970)

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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical Judgments in Applying Accounting Policies

The following are the critical judgments, apart from those involving estimations, that Management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in financial statements.

Functional currency

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Company operates. It is the currency that mainly influences the Company's cost of operation, and in effect, its revenue.

Classification of Financial Instrument

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

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

Determination of Whether a Lease is a Finance or Operating Lease

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

Operating Lease Commitments – Company as Lessee

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

Key Sources of Estimation Uncertainty

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

Estimating useful lives of assets

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

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

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

As at June 30, 2020 and 2019, the Company's property and equipment had carrying amounts of ₱281,065,814 and ₱339,953,022, respectively, as disclosed in Note 9. Total accumulated depreciation as at June 30, 2020 and 2019 amounted to ₱779,829 and ₱391,785, respectively, as disclosed in Note 9.

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 reporting dates, Management believes that the recoverable amounts of the Company's property and equipment approximate its carrying amounts. Accordingly, no impairment loss was recognized in both years.

Deferred tax assets

The Company reviews its deferred tax assets at each reporting date and reduces its carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The Company's assessment on the recognition of deferred tax assets on deductible temporary difference is based on the Company's forecasted taxable income of the following reporting period. This forecast is based on the Company's past results and future expectations on revenues and expenses. As at June 30, 2020 and 2019, the Company had assessed that they will not generate sufficient taxable income for the utilization of deferred tax assets in the succeeding years.

Deferred tax assets with full valuation allowance as at June 30, 2020, December 31, 2019, and June 30, 2019 amounted to ₱21,815,602, ₱19,407,828, and ₱14,104,194, respectively (see Note 18).

Estimating allowances for doubtful accounts

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

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

Estimating loss allowance for expected credit losses

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

As at June 30, 2020 and 2019, Management believes that there are no expected credit losses in relation to their advances to contractors and advances to suppliers, accordingly, no loss allowance was recognized for the period. Total Receivables – Others as at June 30, 2020 and 2019 amounted to ₱53,996,943 and ₱23,237,007, respectively (see Note 8).

NOTE 6 - CASH AND CASH EQUIVALENTS

This account consists of:

	June 2020	June 2019
Cash on hand	33,000	20,000
Cash in bank	13,625,470	22,548,366
Cash equivalents	-	3,210,977
	13,658,470	25,779,343

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

Cash equivalents are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Company.

Cash in banks and cash equivalents generally earn interest at the bank's deposit rates. Interest earned from cash in banks amounted to ₱61,862 and ₱52,987 in June 30, 2020 and 2019, respectively, and is presented as part of "other income" in the statements of comprehensive loss. Interest income is recognized as a reduction on the capitalized borrowing cost (see Note 10).

NOTE 7 - SHORT-TERM INVESTMENT

This account pertains to short-term time deposits with original maturity date of more than three (3) months but less than a year with interest rate ranging from 1.00% to 2.50% per annum in 2020. Interest income earned on short-term investments is recognized as a reduction to the capitalized borrowing cost. The company's account of this type was fully terminated in 2019.

NOTE 8 - RECEIVABLE – OTHERS

This account consists of:

	June 2020	June 2019
Advances to contractors ¹⁾	50,455,037	23,013,134
Advances to supplier ²⁾	3,515,904	-
Advances for liquidation ³⁾	26,002	120,133
Accrued interest receivable ⁴⁾	-	103,740

53,996,943 23,237,007

¹⁾Advances to contractors represent advances for each awarded project activity and is liquidated via deduction, on a pro-rata basis, from the contractor's periodic progress billings.

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

³⁾Advances for liquidation represents cash advances to employees for official business transactions.

⁴⁾Accrued interest receivable represents interest earned on loans receivable from a related party and from cash equivalents (see Notes 14 and 6).

NOTE 9. PROPERTY AND EQUIPMENT (net)

Reconciliation of property and equipment (net) as at June 30, 2020 is as follows:

	Land	Office Equipment	Medical Equipment	Hospital Furnitures & Fixtures	Kitchen Tools	Books / Periodicals	Total
Cost:							
At beginning of Year	28,291,630	1,685,877	162,221,747	58,572,651	473,521	6,395	251,251,821
Additions		171,697	32,179,171				32,350,868
Disposals				(2,536,875)			(2,536,875)
As of June 30, 2020	28,291,630	1,857,574	194,400,918	56,035,776	473,521	6,395	281,065,814
Accumulated depreciation:							
At beginning of Year		597,213				178	597,391
Depreciation		181,373					181,373
As of June 30, 2020	0	778,586	0	0	0	1,243	779,829
Net carrying value as at June 30, 2020	28,291,630	1,078,988	194,400,918	56,035,776	473,521	5,152	280,285,985

Depreciation on medical equipment shall commence when the hospital is in commercial operations.

The medical equipments 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 13.

The Company has a total contract commitment to purchase medical equipments totaling P454,370,959 as of December 31, 2019. Advances to supplier amounting to P163,423,514 (Note 14) was recognized in the books as it represents advance payment for equipment and construction supplies.

Reconciliation of property and equipment (net) as at June 30, 2019 is as follows:

Cost:	Land	Office Equipment	Medical Equipment	Hospital Furnitures & Fixtures	Kitchen ools	Total
At beginning of Year	28,291,630	1,107,976	166,835,439			196,235,045
Additions		246,393	31,030,237	87,884,265	24,557,082	143,717,977
Disposals						0
As of June 30, 2019	28,291,630	1,354,369	197,865,676	87,884,265	24,557,082	339,953,022
Accumulated depreciation:						
At beginning of Year		291,930				291,930
Depreciation		99,855				99,855
Disposals						0
As of June 30, 2019	0	391,785	0	0	0	391,785
Net carrying value as at June 30, 2019	28,291,630	962,584	197,865,676	87,884,265	24,557,082	339,561,237

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 10) and is the subject of a real estate mortgage as disclosed in Note 13.

Management has reviewed the carrying values of property and equipment as at June 30, 2020 and 2019, for any impairment. Based on the results of its evaluation, there are no indications that these assets are impaired.

NOTE 9 - CONSTRUCTION-IN-PROGRESS

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

	June 2020	June 2019
Construction in Progress, December (prior yr)	993,243,626	587,474,226
Additions (six-month period)	96,509,251	195,461,823
Construction in Progress, end of June	1,089,752,877	782,936,049

The total construction cost of the hospital building is estimated to be at ₱1,180,130,700 as of December 31, 2019.

Included in the construction in progress accounts are the capitalized financing cost and other related costs pertaining to planning and project management which are attributable to the construction of the building.

As certified by the Construction Manager of the Company, the percentage of completion as of report date is pegged at eighty three percent (87%).

NOTE 10 - ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account consists of:

	June 2020	June 2019
Retention payable ¹⁾	34,792,053	27,327,028
Accrued interest payable ²⁾	5,051,108	4,261,675
Government liabilities ³⁾	1,276,617	182,953
Accrued expense ⁴⁾	507,991	-
Due to contractors ⁵⁾	37,294,558	4,498,152
Other payables ⁶⁾		1,904,265
	78,925,367	38,174,073

¹⁾Retention payable refers to the amount withheld by the Company from the contractor's periodic progress billings as provided for in their respective contract. This shall be released to the contractor, net of deductions, if any, upon full completion of the project and final acceptance by the Company.

²⁾Accrued interest payable refers to interest expense incurred on loans from a bank (see Note 13).

³⁾Government liabilities pertains to tax withheld from payment to suppliers, employees' compensation and statutory contribution to SSS, PHIC and HDMF.

⁴⁾Accrued expense is normally settled within one year from financial reporting date.

⁵⁾Due to contractors refer to unpaid billings of the contractors for the construction of the hospital as at June 30, 2020.

⁶⁾Other payables pertain to unpaid expenses incurred during the year which are noninterest-bearing and are generally settled within the next 12 months.

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 June 30 consist of:

	2020	2019
Current portion:		
Notes payable – construction-in-progress	14,019,591	27,073,081
Notes payable – medical equipment	-	-
	14,019,591	27,073,081
Non-current portion:		
Notes payable – construction-in-progress	582,288,409	507,026,919
Notes payable – medical equipment	199,500,480	199,500,481
	781,788,889	706,527,400

The Landbank of the Philippines – Iloilo Branch (LBP – Iloilo) extended 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 which was granted on 2015 amounting to **₱465 MILLION** allotted for building financing. However, term loan 2 availment amounting to **₱35 MILLION** was eventually cancelled or withdrawn. Subsequently, the bank approved on July 31, 2018, term loan 3 in the amount of **₱195 MILLION** for hospital structure and term loan 4 amounting to **₱400 MILLION** allotted for the acquisition of medical equipment and fixtures.

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

As discussed in Note 9, 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 equipments, furniture and fixtures.

Total finance costs incurred on loans for financing of hospital building amounted to ₱18,175,299, and ₱20,297,016 as at June 30, 2020 and 2019, respectively, and was capitalized to construction-in-progress account in the statements of financial position (see Note 10).

The Company incurred finance costs on loans for acquisition of medical equipments, fixtures and transportation equipment amounting to ₱6,697,912, and ₱2,850,743 in June 30, 2020 and 2019, 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, 2019, and 2018:

Category	Outstanding Receivable 2018	Amount of Transactions 2019	Outstanding Receivable 2019	Amount of Transactions 2020	Outstanding Receivable June 2020	Terms	Conditions
Advances to related party	250,327,057	38,711,982	289,039,039	(125,615,525)	163,423,514	Interest bearing, to be collected in cash (a)	Unsecured, unguaranteed, not impaired
Loan receivable ACEMC – Butuan Inc.	37,000,000	(37,000,000)	-	-	-	Interest bearing, to be collected in cash (b)	Unsecured, unguaranteed, not impaired
Loan payable ACEMC–Bacolod	-	50,000,000	-	-	-	Interest bearing, to be paid in cash (c)	Unsecured, unguaranteed, not impaired
Advances from shareholders	340,873,909	(79,995,225)	260,878,684	(196,472,118)	64,406,566	Interest bearing, to be paid in cash (d)	Unsecured, unguaranteed, not impaired

(a) Advances to related party

The Company engaged the services of an indenter (Endure Medical, Inc.) which have relatively significant influence over a key management personnel of the Company. The Indenter facilitates the importation and acquisition of medical equipments, furniture and fixtures for the hospital allotment (see Note 9).

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) Loan receivable – ACEMC – Butuan Inc.

The Company granted a loan to its affiliate ACE Medical Center - Butuan Inc., in the amount of ₱37,000,000 with interest rate of 5% per annum payable monthly commencing on the last day of the month after the date of the advance of the loan plus pro-rated interest rates of 5% per month on the maturity value of the loan after its due date of May 16, 2017. As of date, the receivable account had been fully collected.

Interest income earned from the loan receivable amounted ₱-0-, ₱765,072, and ₱1,942,500 as of March 31, 2020, December 31, 2019, and 2018, respectively, and recognized as reduction to the borrowing costs.

(c) Loans payable – ACEMC Bacolod Inc.

The Company borrowed from its affiliate, ACE Medical Center – Bacolod, Inc., in the amount of ₱50,000,000 with interest rate of 5.8% per annum payable monthly. Maturity date of the said loan is three months from the execution of the agreement, renewable upon mutual consent. As of reporting date, the account has been fully paid.

Interest expense incurred from the loan payable amounted ₱483,333 as of December 31, 2019 and are capitalized as borrowing costs to construction-in-progress (see Note 10).

(d) Advances from shareholders

In the special meeting of the Board held last May 7, 2017, the directors and shareholders were mandated and empowered to contribute resources and make cash advances to the Company for the development/construction of its medical structures and appurtenances.

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

Key Management Personnel Compensation

Key management compensation amounted to ₱1,680,000 and ₱-0- for the period ended June 30, 2020 and 2019, respectively. These amounts are incorporated in the salaries and allowances account in the financial statements.

In 2018, only per diem and transportation allowance for meetings were given to members of the Board as per Board Resolution dated February 5, 2017 (see Note 17).

NOTE 14 - SHARE CAPITAL

Details of the Company's share capital as at June 30, 2020:

	No. of Shares	Amount
Authorized share capital – ₱1,000 par value		
Founder's shares	600	600,000
Common shares	239,400	239,400,000
Total authorized share capital	240,000	240,000,000
Subscribed share capital:		
Founder's shares	600	600,000
Common shares	232,230	232,230,000
Total subscribed share capital	232,830	232,830,000
Paid-up share capital (net of subscription receivable ₱63,000,000):		
Founder's shares	600	600,000
Common shares	169,230	169,230,000
Total paid-up share capital	169,830	169,830,000

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

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

In 2018, the Company filed a Registration Statement covering its proposed Initial Public Offering (IPO) of its 36,000 common shares. Said registration statement was approved on December 27, 2018, in accordance with the provisions of the SEC's Securities Regulation Code (see Note 1).

Pursuant to the SEC's approval, the Company sold a total of **TWENTY EIGHT THOUSAND EIGHT HUNDRED THIRTY (28,830)** common shares. From January to June 2020, the

company sold 1,680 share. The common share offer price amounted to ₱250,000 up to ₱400,000 per block [one (1) block = ten (10) common shares].

In 2018, the SEC approved the increase in the Company's authorized share capital from **ONE HUNDRED TWENTY MILLION (₱120,000,000) PESOS** to **TWO HUNDRED FORTY MILLION (₱240,000,000) PESOS** divided into **SIX HUNDRED (600) FOUNDER SHARES AND TWO HUNDRED THIRTY NINE THOUSAND FOUR HUNDRED (239,400) COMMON SHARES** both at **ONE THOUSAND (₱1,000) PESOS PAR VALUE PER SHARE**.

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

NOTE 15 - OTHER INCOME

This account consist of:

	June 2020	June 2019
Interest income (Note 6)	61,862	52,987
Unrealized forex gain (Note 6)	-	(157,775)
	61,862	104,788

NOTE 16 - GENERAL AND ADMINISTRATIVE EXPENSES

This account consists of the following:

	30-Jun-20	30-Jun-19
Salaries and Allowances	5,016,958	3,501,935
SSS, PHIC, HDMF Contributions	268,833	499,356
Professional and Legal Fees	1,217,632	4,073,056
Board Meetings and Meals	20,337	1,250,264
Marketing fees (shareholder incentive)	200,000	0
Security services	680,084	364,327
Transportation and Travel	356,920	580,045
Taxes and Licenses	685,424	1,511,374
Rentals	403,600	914,350
Utilities	350,751	193,188
Depreciation Expense	182,439	99,855
Insurance Expense	382,444	867,437
Office Supplies	129,918	173,430
Repairs & Maintenance	13,535	0
Miscellaneous	26,664	364,933
Total	9,935,539	14,393,550

The increase is due to payment of salaries of directors and officers (see Note 14).

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

NOTE 17 - COMMITMENT UNDER OPERATING LEASES

The Company entered into various lease agreements for the rental of the Company's office space and warehouse for a period of one year, renewable at terms and conditions that the parties may agree upon. Lease agreement includes payment of security deposit amounting to ₱225,000 and ₱15,000 as at December 31, 2019 and 2018, respectively, which shall be refunded without interest on the expiration of the lease period, less any corresponding obligations or damages. Total rental expense amounted to ₱403,600 and ₱914,350 at June 30, 2020 and 2019, respectively (Note 17).

NOTE 18 - INCOME TAX EXPENSE

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

I. Regular Corporate Income tax (RCIT)	June 2020	Dec 2019	Dec 2018
Net loss before income tax	(16,571,589)	(37,263,036)	(18,806,175)
Add: Non-deductible expenses			
Unrealized forex loss		179,510	-
Interest expense arbitrage		40,406	-
Less: Non-taxable income			
Interest income subjected to final tax	(61,862)	(97,953)	(115,966)
Unrealized forex gain	-	-	(22,009)
Net operating loss	(16,633,451)	(37,141,073)	(18,944,150)
Tax rate	30%	30%	30%
RCIT	NIL	NIL	NIL

II. Minimum Corporate Income Tax (MCIT)

No MCIT due to absence of taxable revenues in June 2020, and December 2019 and 2018. In 2017, as per National Internal Revenue Code (NIRC), the Company is not yet covered by the Minimum Corporate Income Tax (MCIT) since the Company has not yet started its commercial operations

III. Deferred Tax Asset - Net Operating Loss Carry-Over (NOLCO)

As at June 30, 2020, the Company's NOLCO that can be claimed as deduction from future taxable income are as follows:

Year Incurred	Expiration date	Beginning balance	Additions	Expired	Claimed	Ending Balance
2017	2020	3,313,382	8,607,537	(244,342)	-	11,676,577
2018	2021	11,676,577	18,944,150	(851,041)	-	29,769,686
2019	2022	29,769,686	37,141,073	(2,217,999)	-	64,692,760
June 2020	2023	64,692,760	16,633,451	(8,607,537)	-	72,718,674

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

	June 2020	Dec 2019	June 2019
NOLCO	72,718,674	64,692,760	47,013,979
Tax rate	30%	30%	30%
	21,815,602	19,407,828	14,104,194
Valuation allowance (Note 5)	(21,815,602)	(19,407,828)	(14,104,194)
	-	-	-

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

The Company provides full valuation allowance on its deferred tax assets from NOLCO since Management believes that the Company will not be able to generate future taxable income in which it can be applied.

NOTE 19 - BASIC LOSS PER SHARE

Basic loss per share is computed as follows:

	June 2020	Dec 2019	Dec 2018
Loss attributable to ordinary shares	(16,571,589)	(37,263,036)	(18,806,175)
Divide by: Weighted average number of ordinary shares outstanding	169,830	168,150	141,000
Basic loss per share	(97.58)	(221.61)	(133.38)

There are no potential dilutive ordinary shares outstanding as at December 31, 2019, 2018 and 2017.

NOTE 20 - FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

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

Market risk

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

Interest rate risk

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

The Company's financial instruments that are interest-bearing are its cash and cash equivalents, short-term investments and notes payable (Note 6, 7 and 13).

Cash and cash equivalents, and short-term investments are subject to prevailing interest rates (see Note 6 and 7). Considering that such financial assets have short-term maturity, management does not foresee any cash flow and fair value interest rate risk to have a significant impact on the Company's operations.

Loans receivable do not present significant interest rate risk as these are subject to fixed rates (see Note 14).

The Company's notes payable is exposed to prevailing interest rates subject to repricing based on the tenor of the benchmark rate used (see Note 13). However, upon management assessment, these do not present significant interest rate risk.

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

Credit risk

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

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

Cash and cash equivalents

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

Advances to related party and receivable - others

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

Management believes that there are no indicators of impairment on the Company's advances to related party and receivable - others.

Liquidity Risk

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

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

The Company manages liquidity risk by maintaining banking facilities and by continuously monitoring forecast and actual cash flows. The Company maintains sufficient levels of cash to meet building construction requirements. The Company avails of funds from related parties and shareholders and bank loans when needed. Excess cash are invested to short-term investments such as time deposits which can be used for emergency expenses.

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

June 2020	1 to 12 months	1 to 5 years	Total
Accounts payable and other liabilities*	77,131,096	-	77,131,096
Loans payable to individuals	75,250,000	-	75,250,000
Notes payable	14,019,591	781,788,889	795,808,480
Advances from shareholders	-	64,406,566	64,406,566
	166,400,687	846,195,455	1,012,596,142

June 2019	1 to 12 months	1 to 5 years	Total
Accounts payable and other liabilities*	37,905,906	-	37,905,906
Loans payable to individuals	75,250,000	-	75,250,000
Notes payable	27,073,081	706,527,400	733,600,481
Advances from shareholders	-	353,043,884	353,043,884
	140,228,987	1,059,571,284	1,199,800,271

**excluding government liabilities*

NOTE 21 - FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	June 2020		June 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Cash and cash equivalents*	13,618,937	13,618,937	25,739,343	25,739,343
Short-term investments	-	-	10,224,199	10,224,199
Advances to related party	163,423,514	163,423,514	142,329,643	142,329,643
Receivable - others	53,996,943	53,996,943	23,237,007	23,237,007
Loans receivable	-	-	2,787,439	2,787,439
	231,039,394	231,039,394	204,317,631	204,317,631

**excluding cash on hand*

Financial liabilities				
Accounts payable and other liabilities*	77,131,096	77,131,096	37,905,906	37,905,906
Loans payable to individuals	75,250,000	75,250,000	75,250,000	75,250,000
Notes payable	795,808,480	795,808,480	733,600,481	733,600,481
Advances from shareholders	64,406,566	64,406,566	353,043,884	353,043,884
	1,012,596,142	1,012,596,142	1,199,800,271	1,199,800,271

**excluding government liabilities*

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

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

The fair value of notes payable approximates its carrying value due to pre-determined contractual cash flow arrangements based on an applicable and regular re-priceable Philippine Dealing

System Treasury (PDST) floating rate covering the term of the loan, as provided by a financial lending institution.

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

NOTE 22 - CAPITAL RISK MANAGEMENT

The Company's capital management objectives are:

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

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

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

	June 2020	June 2019
Total liabilities	1,014,387,374	1,200,068,418
Total equity	592,490,456	126,801,499
	1.71 : 1	9.46 : 1

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

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

NOTE 23 - APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company as at June 30, 2020, including its comparative amounts of 2019 and 2018, were approved and authorized for issuance by the Board of Directors on August 13, 2020.

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

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

Supplementary information required by Revenue Regulations 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, 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 for the year is as follow:

	June 2020
Documentary stamp tax on Bank Loans charged to taxes and licenses	289,470
Documentary stamp tax on Sale of Securities charged to taxes and licenses	72,900
	362,370

Taxes and licenses

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

	June 2020
Documentary stamp tax	362,370
Local government taxes	3,805
Real Property Taxes	15,119
Others	215,297
	596,591

Withholding Taxes

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

	June 2020
Expanded withholding taxes	883,276
Compensation withholding tax	115,971

Deficiency Tax Assessment and Tax Cases

The Company has no deficiency tax assessments or any tax cases, litigation, and/or prosecution in court or bodies outside the Bureau of Internal Revenue as of December 31, 2019.

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