



## Asia Pacific Medical Center - Iloilo, Inc. (formerly: Allied Care Experts (ACE) Medical Center-Iloilo Inc).\_17-Q\_15 May 2023

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Thank you and keep safe.

**COVER SHEET**

SEC Number **CS201423954**  
File Number \_\_\_\_\_

**ASIA PACIFIC MEDICAL CENTER - ILOILO, INC.**  
**(Formerly: ALLIED CARE EXPERTS (ACE) MEDICAL CENTER-ILOILO, INC.)**  
(Company's Full Name)

**Brgy. Ungka, Jaro, Iloilo City 5000**  
(Company's Address)

**Tel # 321-57-48/0917-523-4802**  
(Company's Telephone Number)

**2023 December 31**  
(Fiscal Year Ending-Month and Day)

**17-Q (1<sup>st</sup> Qtr)**  
(FORM TYPE)

**March 31, 2023**  
(Period Ended Date)

\_\_\_\_\_  
(Amendment Designation, if Applicable)

**Issuer of Securities**  
(Secondary License Type, if any)

**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 **March 31, 2023**
2. Commission identification number **CS201423954** 3. BIR Tax Identification No: **008-922-703**.

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

4. Exact name of issuer as specified in its charter

**Iloilo City, Philippines**

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

6. Industry Classification Code:  (SEC Use Only)

**Brgy. Ungka , Jaro, Iloilo City**

**5000**

7. Address of issuer's principal office

Postal Code

8. Issuer's telephone number, including area code: **(033) 3215748/09175234802**

9. **N.A.**

Former name, former address and former fiscal year, if changed since last report

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

Title of each Class	Number of Shares Outstanding	Amount of Debt
Founder Shares	600	
Common Shares	239,030	
Debt Outstanding		P 1,319,823,518

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

Yes [ ] No []

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

12. Indicate by check mark whether the registrant:

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

Yes [] No [ ]

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

Yes [] No [ ]

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## PART I--FINANCIAL INFORMATION

### Item 1. Financial Statements.

The Financial Statements (FS) of the Company as of and for the 3 months ended March 31, 2023 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

#### I. RESULTS OF OPERATIONS (March 31, 2023 vs March 31, 2022)

	March 31, 2023	March 31, 2022	Horizontal Analysis		Vertical Analysis	
			Inc./ (Dec.)	%	3/31/2023	3/31/2022
Revenue	0	0	0	0.00%	NA	NA
Direct Cost	0	0	0	0.00%	NA	NA
Gross Profit	0	0	0	0.00%	NA	NA
Other Income	7,850	3,036	4,814	158.56%	NA	NA
Gross Income	7,850	3,036	4,814	158.56%	NA	NA
General and Admin Expenses	7,784,532	4,367,879	3,416,653	78.22%	NA	NA
Loss From Operations	-7,776,682	-4,364,843	-3,411,839	78.17%	NA	NA
Finance Cost	10,043,780	5,352,557	4,691,223	87.64%	NA	NA
Net Loss Before Income Tax	-17,820,462	-9,717,400	-8,103,062	83.39%	NA	NA
Income Tax Expense	0	0	0	0.00%	NA	NA
Net Loss for The Year	-17,820,462	-9,717,400	-8,103,062	83.39%	NA	NA
Other Comprehensive Income/(Loss) for the Year	0	0	0	0.00%	NA	NA
<b>Total Comprehensive Loss for the Year</b>	<b>-17,820,462</b>	<b>-9,717,400</b>	<b>-8,103,062</b>	<b>83.39%</b>	NA	NA

**Other Income** - The company recognized other income of P7,850. All these were earned from the bank as interest on deposits. The hospital is yet to recognize operational income. Hopefully this second half of 2023, in which the hospital is expected to commence its operations. To date, the hospital is 99.38% complete.

**Finance Costs** - These are the interest expenses on bank loans.

**Net Losses for the Period** – The expenses incurred by the company are mostly administrative costs. This is mainly due to supervision of the building construction as well as the general expenses on supplies, materials, etc.

**General and Administrative Expenses** - Over-all the 1st Quarter figures of the general and administrative expenses increased by 78%. As shown in the following comparative schedule, the material variances were noted on Salaries and Wages (+ 57% - 1.442M), Honorarium (+67% - P297.0K), and Taxes and Licenses (+1962% - 654.0K). There were also accounts whose balances dropped: Security Services (- 61% - P279.0K). Salary increased due primarily to the increase in the manpower now hired by the company. This is in preparation for the opening of the hospital. Increase in taxes is primarily due to the various licenses that the company is processing, which is also in relation to the hospital's opening. Honorarium were recognized and taken up for payment, along with it came the computation of taxes to be paid, thus, further increasing also the taxes. Security services expenses decreased due to proper take of applicable expenses.

	As of Quarter Ending		Horizontal Analysis	
	March 31, 2023	March 31, 2022	Inc./ (Dec.)	%
Salaries and Allowances	3,985,338	2,542,541	1,442,797	57%
Seminars and Trainings	26,103	62,389	-36,286	-58%
Board Meetings and Meals	742,380	444,444	297,936	67%
Professional Fees and Legal Fees	410,705	382,226	28,479	7%
Security Services	178,548	457,756	-279,208	-61%
Taxes and Licenses	687,907	33,369	654,538	1962%
Utilities	523,539	0	523,539	0%
SSS, PHIC, and HDMF Contributions	261,640	153,394	108,246	71%
Depreciation Expense	554,736	138,210	416,526	301%
Amortization of Intangible Asset	0	8,333	-8,333	-100%
Transportation and Travel	31,072	6,350	24,722	389%
Office Supplies	262,737	36,105	226,632	628%
Advertising and Marketing Expenses	26,867	50,000	-23,133	-46%
Bank Charges	3,400	200	3,200	1600%
Communication Expenses	29,068	28,965	103	0%
Repairs & Maintenance	11,743	7,486	4,257	57%
Postage	6,058	310	5,748	1854%
WEB Hosting	15,000	15,000	0	0%
Miscellaneous	27,691	800	26,891	3361%
<b>TOTALS</b>	<b>7,784,532</b>	<b>4,367,878</b>	<b>3,416,654</b>	<b>78%</b>

## II. STATEMENT OF FINANCIAL CONDITION (March 31, 2023 vs March 31, 2022)

ASSETS	31-Mar-23	31-Mar-22	Horizontal Analysis		Vertical Analysis	
			Inc./ (Dec.)	%	3/31/2023	3/31/2022
<b>CURRENT ASSETS</b>						
Cash	56,734,380	20,783,898	35,950,482	172.97%	2.51%	1.06%
Unused Office Supplies	1,218,028	49,629	1,168,399	2354.27%	0.05%	0.00%
Advances to Related Party	38,982,653	35,595,773	3,386,880	9.51%	1.72%	1.82%
Other Receivables	2,835,825	3,144,704	-308,879	-9.82%	0.13%	0.16%
Advances to Contractors	60,439,244	52,559,952	7,879,292	14.99%	2.67%	2.69%
Advances to Suppliers	5,500	1,546,154	-1,540,654	-99.64%	0.00%	0.08%
Prepayments	1,640,962	1,633,228	7,734	0.47%	0.07%	0.08%
	<b>161,856,592</b>	<b>115,313,338</b>	<b>46,543,254</b>	<b>40.36%</b>	<b>7.15%</b>	<b>5.89%</b>
<b>NON-CURRENT ASSETS</b>						
Property and Equipment (net)	473,007,663	431,177,070	41,830,593	9.70%	20.91%	22.04%
Construction-In-Progress	1,622,612,249	1,405,050,225	217,562,024	15.48%	71.72%	71.81%
Other Non-Current Assets	5,015,171	5,015,171	0	0.00%	0.22%	0.26%
	<b>2,100,635,083</b>	<b>1,841,242,466</b>	<b>259,392,617</b>	<b>14.09%</b>	<b>92.85%</b>	<b>94.11%</b>
<b>TOTAL ASSETS</b>	<b>2,262,491,675</b>	<b>1,956,555,804</b>	<b>305,935,871</b>	<b>15.64%</b>	<b>100.00%</b>	<b>100.00%</b>

LIABILITY AND EQUITY	31-Mar-23	31-Mar-22	Horizontal Analysis		Vertical Analysis	
			Inc./ (Dec.)	%	3/31/2023	3/31/2022
<b>CURRENT LIABILITIES</b>						
Accounts Payable and Other Liabilities	105,131,893	88,104,766	17,027,127	19.33%	4.65%	4.50%
Accounts Payable - PTP	4,705,000	4,485,000	220,000.00	0.25%	0.21%	0.23%
Loans Payable to Individuals	20,453,700	22,649,700	-2,196,000	-2.49%	0.90%	1.16%
Loans Payable to Related Party	246,434,969	153,834,969	92,600,000	105.10%	10.89%	7.86%
Notes Payable - Current Portion	19,372,947	26,291,702	-6,918,755	-7.85%	0.86%	1.34%
	396,098,509	295,366,137	100,732,372	34.10%	17.51%	15.10%
<b>NON-CURRENT LIABILITIES</b>						
Notes Payable - net of Current Portion	923,725,009	826,262,841	97,462,168	11.80%	40.83%	42.23%
	923,725,009	826,262,841	97,462,168	11.80%	40.83%	42.23%
<b>TOTAL LIABILITIES</b>	<b>1,319,823,518</b>	<b>1,121,628,978</b>	<b>77,010,406</b>	<b>6.87%</b>	<b>58.33%</b>	<b>57.33%</b>
<b>EQUITY</b>						
Share Capital (net)	239,630,000	235,080,000	4,550,000	1.94%	10.59%	12.01%
Share Premium	918,728,829	755,212,519	163,516,310	21.65%	40.61%	38.60%
Deficit	-215,690,672	-155,365,693	-60,324,979	38.83%	-9.53%	-7.94%
	942,668,157	834,926,826	51,518,012	6.17%	41.67%	42.67%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,262,491,675</b>	<b>1,956,555,804</b>	<b>305,935,871</b>	<b>15.64%</b>	<b>100.00%</b>	<b>100.00%</b>

## ASSETS

The total company's total assets now is P2.262B. P2.1B represent Non-Current Assets (CIP - P1.622B, Property and Equipment – P473M + Other Assets (MORE Deposits + Rental Deposits) – P5.0K). The non-current assets comprise 92.85% of the total assets while current assets' figure is at 7.15%.

**Cash and Cash Equivalents.** Cash is the most use resources of the company. At the end of the year, total balance of cash amount to P56.7M. This 35.9M higher than last year's balance amounting to P20.8M.

**Receivables and Advances.** Total receivables and advances amount to P102.2M. Of this amount, P60.4M (59.09%) is advances to Contractors. Advances to related party amounts to P38.98M (38.14%), the remaining receivables total P2.83M.

**Unused Office Supplies and Prepayments.** Office supplies purchased are taken up as unused supplies and gradually dispensed as used. The balance represents the remaining cost of supplies still outstanding and unused as of March 31, 2023, which is P1.22M

**Property and Equipment.** Comparing balances this year and the previous, there was an increase of P41.83M. These represent various equipment / machineries acquired.

**Construction-In-Progress.** The building is expected to be completed this second half of 2023. As at end of March 2023, completion rate stands 99.38%. Construction cost is now at P1.622B. A little more cost will eventually finish the transaction. The company is positive to start operations this June 2023.

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

## LIABILITIES

The company's liabilities account for 58.33% of its resources. As compared to the previous year's total, this year's balance was higher by 6.87% (P77.0M). Loans payable to related party increased to P246.4M. These loans were used to pay off interest and principal payables of the company.

**Accounts Payables and Other Liabilities.** The payables accounts of the company are composed of the following: Retention Payable (P43.43M); Accrued Interest Payables (P305.7K); Governmental Liabilities (P672.4K); Other payables (P66.03M).

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

**Loans Payable to Related Party.** These are loans extended by Phil Pharmawealth, Inc. (PPI) to the company. Account balance now stands P246.4M. Interest is paid every quarter. These loans were availed to help pay off company obligations.

**Loans from Individuals.** These are loans accorded to the company to help in the construction of the hospital building. This is gradually liquidated whenever funds are available. Ending balance as of March 31, 2023 is P20.4M.

**Notes Payable (LBP)** - As of March 31, 2023, total loans provided by LBP already amounted to P1.003B. Total payments made totaled P60.37M. Outstanding loan with LBP now stands at Pto P943.09M.

## EQUITY

The equity recorded increased from P834.9M (March 2022) to 942.6M (March 2023). The increase was mainly due to the recording of the share premiums on sold shares of stocks

**Share Capital.** These are the total paid up shares of the company. Of the 240,000 shares of the company 239,630 have been sold and paid up. This is 99.85% of the total shares.

**Share Premiums (net).** Shares are sold via IPO at a premium. 1 Block is equal to 10 shares. Prices are as follows: 2,600 Blocks - P250.0K/blk; 500 Blocks - P300.0K/blk; and 500 Blocks - P400.0K/blk. The balance reflected in this account is the total of sold shares at a premium net of total subscriptions receivable.

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



**FINANCIAL SOUNDNESS INDICATOR**  
**Key Performance Indicators**

	March 31, 2023	March 31, 2022
<b>LIQUIDITY</b>		
	<b>0.40 : 1</b>	<b>0.38 : 1</b>
<b>Quick Asset Ratio</b>	Most of the company's resources are now being utilized for the construction of the hospital. The reason for the low ending balances of quick assets, especially for cash. The construction now is at 99.38% complete, and it is expected to finish before the scheduled opening on the second half of the year 2023. Once the hospital opens, these figures are expected to improve instantaneously.	
	<b>0.41 : 1</b>	<b>0.39 : 1</b>
<b>Current Ratio</b>	As for now, cash and other current assets are being utilized for the construction of the hospital. That is the reason why the current ratio of the company does not project very positive numbers. But once the hospital starts its operations, expectation is that, funds will bloat into bigger balances.	
<b>SOLVENCY</b>		
	<b>0.98 : 1</b>	<b>0.99 : 1</b>
<b>Debt to Equity Ratio</b>	Slowly, the company's debt to equity ratio is getting better. With the enhanced selling of shares and eventually collection of payments, we are positive that in no time the financial data will be more attractive.	
<b>PROFITABILITY</b>		
<b>Net Profit Margin Return on Equity</b>	No data is available as of the moment because the hospital is still in the construction stage, thus, not yet operational.	
<b>LEVERAGE</b>		
	<b>0.58 : 1</b>	<b>0.57 : 1</b>
<b>Debt to Asset Ratio</b>	The building is almost complete (99.38%), so the construction in progress account is getting bigger. This is where most of the resources of the company go. The liquidity of the company may have been affected but the total assets, though not readily convertible to cash, are more than enough to cover its total obligations.	
	<b>2.40 : 1</b>	<b>2.34 : 1</b>
<b>Asset to Equity Ratio</b>	The hospital is opening very soon. By that time, the company may already be able to show a more stable financial statement. As at present company assets is 240% higher than its equity.	
<b>INTEREST RATE COVERAGE</b>		
<b>Interest Rate Coverage Ratio</b>	No data is available as of the moment because the hospital is still in the construction stage, thus, not yet operational.	

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

### **As at March 31, 2023:**

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

Early as now, however, the company has set up controls to mitigate the possible effect of COVID-19 pandemic. The hospital's physical set up was adjusted to be compliant to the requirements of governing bodies, such as the DOH, in relation to combating the pandemic. Trainings and seminars to key personnel were also hastened so as to make them ready for the tasks up ahead.

The company is doing its best to ensure that all its set goals, monetary or otherwise, are met and passed.

3. There are no seasonal aspects that had a material impact on the results of operations of the Company.
4. There are no events or any default or acceleration of an obligation that will trigger direct or contingent financial obligation that is material to the Company.
5. There are no off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities or other persons created during the period.
6. The Company is not a party to any lawsuit or claims arising from the ordinary course of business.
7. The company intends to commence its operations on the second half of 2023 when the hospital facility will be completed.
8. The company has no investments on foreign securities.

## **PART II--OTHER INFORMATION**

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

## PART II - OTHER INFORMATION

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

### SIGNATURES

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

AMADO M. CAVALLE JR.  
PRESIDENT  
May 15, 2023

ELMER Z. SAMORO  
CHIEF FINANCE OFFICER  
May 16, 2023

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

**STATEMENTS OF FINANCIAL POSITION**

(Amounts in Philippine Peso)

<u>ASSETS</u>	31-Mar-23	31-Mar-22
<b>CURRENT ASSETS</b>		
Cash	56,734,380	20,783,898
Unused Office Supplies	1,218,028	49,629
Advances to Related Party	38,982,653	35,595,773
Other Receivables	2,835,825	3,144,704
Advances to Contractors	60,439,244	52,559,952
Advances to Suppliers	5,500	1,546,154
Prepayments	1,640,962	1,633,228
	<b>161,856,592</b>	<b>115,313,338</b>
<b>NON-CURRENT ASSETS</b>		
Property and Equipment (net)	473,007,663	431,177,070
Construction-In-Progress	1,622,612,249	1,405,050,225
Other Non-Current Assets	5,015,171	5,015,171
	<b>2,100,635,083</b>	<b>1,841,242,466</b>
<b>TOTAL ASSETS</b>	<b>2,262,491,675</b>	<b>1,956,555,804</b>
<u>LIABILITY AND EQUITY</u>	31-Mar-23	31-Mar-22
<b>CURRENT LIABILITIES</b>		
Accounts Payable and Other Liabilities	105,131,893	88,104,766
Accounts Payable - PTP	4,705,000	4,485,000
Loans Payable to Individuals	20,453,700	22,649,700
Loans Payable to Related Party	246,434,969	153,834,969
Notes Payable - Current Portion	19,372,947	26,291,702
	<b>396,098,509</b>	<b>295,366,137</b>
<b>NON-CURRENT LIABILITIES</b>		
Notes Payable - net of Current Portion	923,725,009	826,262,841
	<b>923,725,009</b>	<b>826,262,841</b>
<b>TOTAL LIABILITIES</b>	<b>1,319,823,518</b>	<b>1,121,628,978</b>
<b>EQUITY</b>		
Share Capital (net)	239,630,000	235,080,000
Share Premium	918,728,829	755,212,519
Deficit	<b>-215,690,672</b>	<b>-155,365,693</b>
	<b>942,668,157</b>	<b>834,926,826</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,262,491,675</b>	<b>1,956,555,804</b>

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

**STATEMENTS OF COMPREHENSIVE LOSS**  
(Amounts in Philippine Peso)

	<b>March 31, 2023</b>	<b>March 31, 2022</b>
Revenue	0	0
Direct Cost	0	0
<hr/>		
Gross Profit	0	0
Other Income	7,850	3,036
<hr/>		
Gross Income	7,850	3,036
General and Admin Expenses	7,784,532	4,367,879
<hr/>		
Loss From Operations	-7,776,682	-4,364,843
Finance Cost	10,043,780	5,352,557
<hr/>		
Net Loss Before Income Tax	-17,820,462	-9,717,400
Income Tax Expense	0	0
<hr/>		
Net Loss for The Year	-17,820,462	-9,717,400
Other Comprehensive Income/(Loss) for the Year	0	0
<hr/>		
<b>Total Comprehensive Loss for the Year</b>	<b>-17,820,462</b>	<b>-9,717,400</b>
<hr/> <hr/>		

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

**STATEMENTS OF CHANGES IN EQUITY**  
(Amounts in Philippine Peso)

	Share Capital	Share Premium	Deficit	Total
<b>EQUITY</b>				
As at December 31, 2017	120,000,000		(11,203,245)	108,796,755
Additional Share Capital	21,000,000			21,000,000
Net Loss for the Year			(18,806,175)	(18,806,175)
As at December 31, 2018	141,000,000		(30,009,420)	110,990,580
Additional Share Capital	27,150,000			27,150,000
Share Premium		226,900,000		226,900,000
Net Loss for the Year			(37,263,036)	(37,263,036)
As at December 31, 2019	168,150,000	226,900,000	(67,272,456)	327,777,544
Additional Share Capital	53,084,000			53,084,000
Share Premium		426,567,980		426,567,980
Net Loss for the Year			(43,369,210)	(43,369,210)
As at December 31, 2020	221,234,000	653,467,980	(110,641,666)	764,060,314
Additional Share Capital	13,826,000			13,826,000
Share Premium		72,698,639		72,698,639
Net Loss for the Quarter			(35,006,627)	(35,006,627)
<b>As at December 31, 2021</b>	<b>235,060,000</b>	<b>726,166,619</b>	<b>(145,648,293)</b>	<b>815,578,326</b>
<b>Additional Share Capital</b>	<b>610,000</b>			<b>610,000</b>
<b>Share Premium</b>		<b>57,117,210</b>		<b>57,117,210</b>
<b>Net Loss for the Quarter</b>			<b>(52,221,917)</b>	<b>(52,221,917)</b>
<b>As at December 31, 2022</b>	<b>235,670,000</b>	<b>783,283,829</b>	<b>(197,870,210)</b>	<b>821,083,619</b>
<b>Additional Share Capital</b>	<b>3,960,000</b>			<b>3,960,000</b>
<b>Share Premium</b>		<b>135,445,000</b>		<b>135,445,000</b>
<b>Net Loss for the Quarter</b>			<b>(17,820,462)</b>	<b>(17,820,462)</b>
<b>As at March 31, 2023</b>	<b>239,630,000</b>	<b>918,728,829</b>	<b>(215,690,672)</b>	<b>942,668,157</b>

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

**STATEMENTS OF CASH FLOWS**  
(Amounts in Philippine Peso)

	<b>For the 3 Months ended March 31</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash Flows from Operating Activities</b>		
Net Loss before taxes	(17,820,490)	(9,717,400)
Adjustments to reconcile net loss before tax to net cash used in operating activities:		
Interest Income	(7,850)	(3,036)
Operating cash flows before changes in working capital	(17,828,340)	(9,720,436)
Changes in working capital components:		
Decrease (increase) in current assets:		
Advances to Contractors	(2,396,227)	2,526,885
Advances to Suppliers	1,546,154	5,125,591
Advances to related Party	(3,386,880)	0
Other Receivables	(397,768)	92,849
Unused Office Supplies	(1,162,780)	(49,629)
Prepayments	(1,081,052)	(1,307,215)
Other Assets		
Increase (decrease) in current liabilities:		
Accounts payable and other liabilities	22,962,611	851,907
Net cash provided by/(used in) operations	(1,744,282)	(2,480,048)
Deferred Tax	0	0
Interest received	7,850	3,036
Net cash provided by/(used in) operating activities	(1,736,432)	(2,477,012)
<b>Cash Flows from Investing Activities</b>		
Additions to construction in progress	(53,709,866)	(47,326,000)
Additions to property and equipment (net)	(25,562,744)	(13,372,453)
Intangible Asset	0	8,333
Increase in Non-Current Assets	0	0
Net cash used in investing activities	(79,272,610)	(60,690,120)
<b>Cash Flows from Financing Activities</b>		
Additional Loan release (Payment of Loan) - LBP	0	0
Principal Payments on Bank Loan	(9,374,920)	(8,763,901)
Accounts Payable - PTP	0	4,485,000
Proceeds from (Payment of) Income Taxes Payable	0	0
Proceeds from (Payment of) Loans to Individuals	(313,000)	(350,300)
Proceeds from Loans Payable from Related Party	8,600,000	45,000,000
Proceeds from Subscriptions receivable		
Interest Paid	0	0
Issuance of share capital	0	20,000
Additional paid-in Capital	107,265,000	29,045,900
Net cash provided by financing activities	106,177,080	69,436,699

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

Net increase (decrease) in Cash and Cash Equivalent	45,219,821	6,269,567
Cash and Cash Equivalents, Beg.	11,514,559	14,514,332
<b>Cash and Cash Equivalents, End</b>	<b>56,734,380</b>	<b>20,783,899</b>

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

**NOTES TO FINANCIAL STATEMENTS**

As at March 31, 2023 and 2021 (Amounts in Philippine Peso)

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**NOTE 1 - CORPORATE INFORMATION AND STATUS OF OPERATIONS**

*Corporate Information*

**ASIA PACIFIC MEDICAL CENTER – ILOILO, INC.** *(Formerly: Allied Care Experts (ACE) Medical Center - Iloilo Inc.)* (the “Company”) was incorporated as a domestic corporation under Philippine laws and was duly registered with the Securities and Exchange Commission (SEC) under registration no. CS201423954 on December 10, 2014.

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

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

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

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

*Status of Operations*

Currently, the Company is constructing a multidisciplinary medical facility (hospital) which was expected to be fully completed in December 2018. However, due to circumstances beyond the control of Management, this was moved to second half of 2023 in which the hospital is estimated to be fully completed and operational.



The Company has incurred an accumulated deficit of ₱215,690,672 and ₱155,365,693 as at March 31, 2023 and 2022, respectively, as a result of various general and administrative expenses incurred while the Company is still in its pre-commercial operation stage. It is expected to generate positive result upon commencement of its commercial operations.

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

**Statement of Compliance**

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

**Basis of Preparation and Presentation**

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

**Functional and Presentation Currency**

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

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

**Adoption of New and Revised Accounting Standards Effective in 2022**

The Company adopted all applicable accounting standards and interpretations as at December 31, 2022. The new and revised accounting standards and interpretations that have been published by the International Accounting Standards Board (IASB) and approved by the FRSC in the Philippines, were assessed by the Management to be applicable to the Company’s financial statements as follows:

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

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

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

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 2022. Early application

is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

The adoption of the amendments has no impact on the Company's financial statements as the Company does not plan to enter into business combination.

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

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

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

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

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

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

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

The Management has assessed that the adoption of the amendments has no impact on the Company's financial statements as the Company does not generate proceed when testing the equipment before its intended use.

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

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

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

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

The Management has assessed that the adoption of the amendments has no impact on the Company's financial statements as the Company has not yet started its commercial operations.

#### ***Annual Improvements to PFRS Standards 2018-2020 Cycle***

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

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

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

The Management has assessed that the adoption of the amendments has no impact on the Company's financial statements since the Company is not a subsidiary of any company.

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

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

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

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

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

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

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

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

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

The Management has assessed that the adoption of the amendments has no impact on the Company's financial statements since the Company has no biological assets.

#### **Standards Issued but not yet Effective:**

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

### **Effective Beginning on or after January 01, 2023**

#### **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.

PFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

An amendment issued on June 2020 and adopted by FSRSC on August 2020 addresses concerns and implementation challenges that were identified after PFRS 17 was published.

PFRS 17 must be applied retrospectively unless impracticable, in which case the modified

retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The standard (incorporating the amendments) is effective for periods beginning on or after January 1, 2025, as amended by the FSRSC from January 1, 2023. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB. Earlier application is permitted.

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

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

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

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

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

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

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

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

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

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

#### **Amendments to PAS 1 and PFRS Practice Statement 2, Disclosure Initiative – Accounting Policies**

The amendments are as follows:

- An entity is now required to disclose its material accounting policy information instead of

- its significant accounting policies;
- several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
  - the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;
  - the amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
  - the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

The amendments are applied prospectively. The amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

The management is still evaluating the impact of the new standard on the Company's financial statements.

#### **Amendments to PAS 8, Definition of Accounting Estimates**

With the amendment, accounting estimates are now defined as “monetary amounts in financial statements that are subject to measurement uncertainty.”

The amendment clarified that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future period.

The amendments are effective for annual periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

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

#### **Amendments to PAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to PAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in PAS 12.

The Board also adds an illustrative example to PAS 12 that explains how the amendments are

applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognizes:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with:
- Right-of-use assets and lease liabilities
- Decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.

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

#### **Amendments to PFRS 16, Lease Liability in a Sale and Leaseback**

The amendments to PFRS 16 that require a seller-lessee to subsequently measure lease liabilities arising from a sale and leaseback transaction in a way that does not result in recognition of a gain or loss that relates to the right of use it retain.

The amendments add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 Revenue from Contracts with Customers to be accounted for as a sale.

The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognize a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognized by the seller-lessee relating to the partial or full termination of a lease.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2024, with early application permitted. Still subject to approval of the Board of Accountancy and Financial and Sustainability Reporting Standard Council.

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

#### **Amendments to IAS 1, Non-current Liabilities with Covenants**

The amendments to PAS 1 to specify that only covenants an entity must comply with on or before the reporting period should affect classification of the corresponding liability as current or non-current.

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g., a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The amendments specify that the right to defer settlement is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement

of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2024, with early application permitted. Still subject to approval of the Board of Accountancy and Financial and Sustainability Reporting Standard Council.

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

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#### **NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES**

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

##### **Current versus Noncurrent Classification**

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

An asset is current when it is:

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

The Company classifies all other assets as noncurrent.

A liability is current when:

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

All other liabilities are classified as noncurrent.

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

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

##### **Fair Value Measurement**

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

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



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

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

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

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, as described further in Note 19.

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

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

## **Financial Instruments**

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

### **Financial Assets**

#### ***Date of Recognition***

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

#### ***"Day 1" Difference***

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

## **Financial assets**

### ***Initial Recognition and Measurement***

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

The classification of financial assets at initial recognition depends on the financial asset's

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

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

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

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

### ***Subsequent Measurement***

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

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

#### **Financial assets at amortized cost (debt instruments)**

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

The Company's financial assets at amortized cost includes cash (excluding petty cash fund), receivable – others and other non-current assets (excluding deferred tax assets) as at reporting dates.

#### **Financial assets fair value through OCI (debt instruments)**

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

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

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

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

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are

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

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

#### Financial assets at fair value through profit or loss

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

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

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

#### ***Derecognition***

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

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

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

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

#### ***Reclassification***

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

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

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

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

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

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

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

### ***Impairment***

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

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

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

### ***Write-off***

Financial assets are written-off when the Company has no reasonable expectations of recovering the financial asset either in its entirety or a portion of it. This is the case when the Company determines that the borrower does not have assets or sources of income that could generate

sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event.

## **Financial Liabilities**

### ***Initial Recognition and Measurement***

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

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

### ***Subsequent Measurement***

The measurement of financial liabilities are classified into two categories:

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

#### Financial liabilities at fair value through profit or loss

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

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

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

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Company has not designated any financial liability at fair value through profit or loss at the end of each reporting period.

#### Financial liabilities at amortized cost (loans and borrowings)

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

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

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

### ***Derecognition***

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

### ***Fair Value Option***

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

### ***Classification of Financial Instrument between Liability and Equity***

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

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

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

### ***Offsetting of financial instruments***

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

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

### **Cash**

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

### **Advances**

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

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

### **Prepayments and Other Current Assets**

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

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

### **Property and Equipment**

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

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

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

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

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

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

### **Intangible Assets**

Intangible assets are initially measured at cost and are subsequently measured at cost less accumulated amortization and any accumulated impairment loss. These are amortized using the straight-line method. If there is an indication that there has been a significant change in amortization

rate, useful life or residual value of an intangible asset, the amortization is revised prospectively to reflect the new expectations.

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

### **Construction-in-progress**

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

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

### **Impairment of Non-Financial Assets**

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

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

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

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

### **Equity**

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

#### *Share capital*

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



#### *Share premium*

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

#### *Deficit*

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

### **Revenue Recognition**

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

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

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

#### *Service income from hospital services*

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

#### *Sale of medical goods*

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

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

### **Other Revenues**

#### *Interest income*

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

#### *Other income*

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

### **Expense Recognition**

Expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss: (a) on the basis of a direct association between the costs incurred

and the earning of specific items of income; (b) on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or (c) immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

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

### **Related Party Relationships and Transactions**

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

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

### **Employee Benefits**

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

#### Short-term Benefits

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

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

#### Retirement or Post-employment Benefits

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

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

### **Borrowing costs**

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

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

### **Foreign Currency Translations**

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

### **Leases**

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

#### *The Company as lessee*

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

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

### **Income Tax**

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

#### Current tax

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

### *Deferred tax*

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

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

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

### **Earnings (Loss) per Share**

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

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

### **Provisions and Contingencies**

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

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

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

## **Events after the Reporting Period**

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

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## **NOTE 5 - CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

Judgments, estimates and assumptions are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

### **Judgments in Applying the Company's Accounting Policies**

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

#### *Business Model Assessment*

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

#### *Significant Increase of Credit Risk*

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

### *Functional currency*

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

### *Classification of Financial Instrument*

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

### *Determination of Whether a Lease is a Finance or Operating Lease*

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

### Operating Lease Commitments – Company as Lessee

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

### *Recognition of Deferred Income Taxes*

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

### *Impairment of Non-Financial Assets*

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

### *Provisions and Contingencies*

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

## Estimates and Assumptions

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

### *Assessment for ECL on Other Financial Assets at Amortized Cost*

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

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

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

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

The Company has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Company only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no provision for ECL on other financial assets at amortized cost was recognized as at December 31, 2022 and 2021.

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

	<b>March 2023</b>	<b>March 2022</b>
Cash in banks	<b>56,734,353</b>	20,783,899
Receivable - others	<b>2,835,825</b>	3,144,704
Other non-current assets*	<b>5,015,000</b>	5,015,000
	<b>64,585,349</b>	28,943,603

\*excluding deferred tax assets amounting to ₱171 as at December 31, 2022 and 2021.

### *Assessment for Impairment of Non-financial Assets*

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

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

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

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

No impairment loss on non-financial assets was recognized as at December 31, 2022 and 2021.

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

	<b>March 2023</b>	March 2022
Advances to related parties	<b>38,982,653</b>	35,595,774
Advances to contractors	<b>60,439,244</b>	52,559,952
Advances to suppliers	<b>5,500</b>	1,546,154
Property and equipment (net)	<b>473,007,663</b>	431,177,071
Construction-in-progress	<b>1,622,412,249</b>	1,405,050,225
	<b>2,194,847,309</b>	1,925,929,175

#### *Estimating useful lives of assets*

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

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

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

As at March 31 2023 and 2022, the Company's property and equipment had carrying amounts of ₱473,007,663 and ₱431,177,071, respectively, as disclosed in Note 8.

Amortization of intangible asset is calculated on a straight-line basis over 1 year. As at March 31, 2023, the Company's intangible assets has a carrying amount of ₱-0-.



### *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 March 31, 2023 and 2022, Management believes that the recoverable amounts of the Company's property and equipment approximate its carrying amounts. Accordingly, no impairment loss was recognized in both years.

### *Deferred tax assets*

The Company reviews the carrying amounts of deferred tax assets at each financial reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to be utilized. The Company has recognized net deferred tax assets amounting to ₱171 as at March 31, 2023 and 2022 (see Note 17).

Deferred tax assets with full valuation allowance as at March 31, 2023, and December 31, 2022 and 2021 amounted to **₱37,122,687** and ₱32,665,609 and ₱28,866,042 respectively (see Note 17).

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## **NOTE 6 - CASH**

This account consists of:

	<b>March 2023</b>	March 2022
Petty cash fund	<b>30,000</b>	30,000
Cash in banks	<b>56,704,353</b>	20,753,899
	<b>56,734,353</b>	20,783,899

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

Cash in banks generally earn interest at the prevailing bank's deposit rates. Interest earned from bank accounts amounted to ₱ 7,822, ₱10,028, and ₱22,133 in March 31, 2023, 2022 and 2021, respectively, and is presented as part of "other income (charges)" in the statements of comprehensive loss (see Note 15).

Unrealized foreign exchange gain resulting from translation of foreign currency-denominated cash in bank into Philippine peso amounted to ₱109,901 in 2022 and is presented as part of "other income" in the statements of comprehensive loss (see Note 15).

**NOTE 7 - ADVANCES TO CONTRACTORS AND SUPPLIERS**

This account consists of:

	March 2023	2022
Advances to contractors <sup>1)</sup>	60,439,244	52,559,952
Advances to suppliers <sup>2)</sup>	5,500	1,546,154
	<b>60,444,744</b>	<b>54,106,106</b>

<sup>1)</sup> 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.

<sup>2)</sup> Advances to supplier are down payments made to suppliers of medical equipment and/or construction materials ordered. The amounts represent 15% - 50% of the total contract price of the items purchased.

**NOTE 8 - PROPERTY AND EQUIPMENT (net)**

Reconciliation of property and equipment (net) as at March 31, 2023 is as follows:

	Land	Office Equipment	Medical Equipment	Hospital Equipment	Kitchen Tools	Books/ Periodicals	Linen & Curtains	Total
<b>Cost:</b>								
At beginning of year	28,291,630	9,049,589	297,878,140	113,541,569	1,072,375	11,545	0	449,844,848
Additions	0	4,220,619	15,022,180	5,202,172	0	0	1,672,509.00	26,117,480
<b>At end of year</b>	<b>28,291,630</b>	<b>13,270,208</b>	<b>312,900,320</b>	<b>118,743,741</b>	<b>1,072,375</b>	<b>11,545</b>	<b>1,672,509</b>	<b>475,962,328</b>
<b>Accumulated depreciation:</b>								
At beginning of year –		2,393,751	0	0	0	6,179	0	2,399,930
Depreciation –		554,307	0	0	0	429	0	554,736
<b>At end of year</b>		<b>2,948,058</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,608</b>		<b>2,954,666</b>
<b>Net carrying value, March 31, 2023</b>	<b>28,291,630</b>	<b>10,322,150</b>	<b>312,900,320</b>	<b>118,743,741</b>	<b>1,072,375</b>	<b>4,937</b>	<b>1,672,509</b>	<b>473,007,662</b>

Reconciliation of property and equipment (net) as at March 31, 2022 is as follows:

	Land	Office Equipment	Medical Equipment	Hospital Equipment	Kitchen Tools	Books/ Periodicals		Total
<b>Cost:</b>								
At beginning of year	28,291,630	2,842,952	292,224,738	94,913,982	1,039,762	11,545	0	419,324,609
Additions	0	677,559	5,573,104	7,260,000	0	0		13,510,663
<b>At end of year</b>	<b>28,291,630</b>	<b>3,520,511</b>	<b>297,797,842</b>	<b>102,173,982</b>	<b>1,039,762</b>	<b>11,545</b>	<b>0</b>	<b>432,835,272</b>
<b>Accumulated depreciation:</b>								
At beginning of year		1,515,529				4,462		1,519,991.00
Depreciation	0	137,781	0	0	0	429		138,210
<b>At end of year</b>	<b>0</b>	<b>1,653,310</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,891</b>	<b>0</b>	<b>1,658,201</b>
<b>Net carrying value March 31, 2022</b>	<b>28,291,630</b>	<b>1,867,201</b>	<b>297,797,842</b>	<b>102,173,982</b>	<b>1,039,762</b>	<b>6,654</b>	<b>0</b>	<b>431,177,071</b>

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

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

The Company has a total contract commitment to purchase medical equipment totaling ₱454,370,959 as of March 31, 2023. Advances to related parties amounting to ₱38,982,653 (Note 13) was recognized in the books as it represents advance payment for medical equipment.

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

Management has reviewed the carrying values of property and equipment as at March 31, 2023 and 2022, for any impairment. Based on the results of its evaluation, there are no indications that these assets are impaired.

#### **NOTE 9 - CONSTRUCTION-IN-PROGRESS**

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

	As at beginning of year	<b>Amount of Transactions</b>	<b>As at end of March</b>
	2023	<b>2023</b>	<b>2023</b>
Payment to contractors	1,156,744,337	<b>90,163,724</b>	<b>1,246,908,061</b>
Capitalized borrowing cost	128,930,107	<b>38,105,541</b>	<b>167,035,648</b>
Other related costs	72,049,780	<b>40,335,707</b>	<b>112,385,486</b>
	1,357,724,224	<b>168,604,972</b>	<b>1,526,329,195</b>

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

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

As certified by the Construction Manager of the Company, the percentage of completion as of report date is pegged at ninety-nine point thirty eight (99.38%)

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**NOTE 10 - ACCOUNTS PAYABLE AND OTHER LIABILITIES**

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This account consists of:

	<b>March 2023</b>	March 2022
Retention payable <sup>1)</sup>	<b>43,439,413</b>	45,093,927
Accounts payable – contractors and suppliers <sup>2)</sup>	<b>60,916,693</b>	36,465,869
Accrued interest payable <sup>3)</sup>	<b>0</b>	6,055,419
Government liabilities <sup>4)</sup>	<b>672,489</b>	233,835
Accounts Payable PTP	<b>4,705,000</b>	4,485,000
Accrued expenses <sup>5)</sup>	<b>103,296</b>	255,717
	<b>109,836,893</b>	92,589,767

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

<sup>2)</sup> Accounts payable – contractors and suppliers represent unpaid billings of the contractors and balances of equipment already installed in the construction building as of reporting date.

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

<sup>4)</sup> Government liabilities pertain to tax withheld from payment to suppliers, employees' compensation and statutory contributions to SSS, PHIC and HDMF.

<sup>5)</sup> Accrued expenses are normally settled within one year from financial reporting date.

**NOTE 11 - LOANS PAYABLE TO INDIVIDUALS**

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

**NOTE 12 - NOTES PAYABLE**

	March 2023	March 2022
<hr/> Current portion: <hr/>		
Notes payable – construction-in-progress	12,591,772	16,467,043
Notes payable – medical equipment	6,781,175	9,824,959
	19,372,947	26,292,002
<hr/> Non-current portion: <hr/>		
Notes payable – construction-in-progress	576,350,277	592,927,184
Notes payable – medical equipment	347,374,733	233,335,657
	923,725,010	826,262,841
	<b>943,097,957</b>	852,554,843

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

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

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

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

Total finance costs incurred on loans for financing the construction of hospital building amounted to **₱14,022,215** and **₱7,624,430** for the quarters ended March 31, 2023 and 2022, respectively, and was capitalized to construction-in-progress account in the statements of financial position (see Note 9).

The Company incurred finance cost on loans for acquisition of medical equipment and fixtures amounting to **6,083,195** and **₱5,352,557** for the quarters ended March 31, 2023 and 2022, 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 transactions were carried out with related parties as at December 31, 2022 and 2021:

Category	Outstanding	Amount of	Outstanding	Amount of	Outstanding	Terms	Conditions
	Balance	Transactions	Balance	Transactions	Balance		
	2021	2022	2022	2023	March 2023		
Receivable – others (various ACE hospitals)	47,472	–	47,472	–	<b>47,472</b>	Non-interest bearing, to be collected in cash	Unsecured, unguaranteed, not impaired

#### Advances to related parties:

Endure Medical, Inc.	32,079,869	–	32,079,869	–	<b>32,079,869</b>	Non-interest bearing, to be collected in cash (a)	Unsecured, unguaranteed, not impaired
TIPP Digital Solutions Inc.	–	–	–	–	3,515,904	Non-interest bearing, to be collected in cash (b)	Unsecured, unguaranteed, not impaired
	<u>35,595,773</u>	<u>–</u>	<u>35,595,773</u>	<u>–</u>	<u><b>35,595,773</b></u>		

						Non-interest bearing, to be paid in cash	Unsecured, unguaranteed, not impaired
Accounts Payable - Endure Medical, Inc.	2,169,957	31,419,910	33,589,867	<b>14,943,824</b>	<b>18,646,043</b>		
Loans payable to a related party	108,834,969	129,000,000	237,834,969	<b>8,600,000</b>	<b>246,434,969</b>	Interest bearing, to be paid in cash (c)	Unsecured, unguaranteed, not impaired

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

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

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

(b) Advances to a related party - TIPP Digital Solutions Inc.

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

(c) Loans payable to a related party

The account represents an unsecured interest-bearing loan from Phil Pharmawealth, Inc., which has relatively significant influence over a key management personnel of the Company. The loan was incurred to use for payment of the interest with Land Bank of the Philippines (LBP). The loan bears an interest ranging from 4.50%-6.50% per annum and is payable subject to the availability of funds. Interest incurred during the quarter amounted to 3,960,584. The Company, however, reserves the right to defer settlement in favor of prioritizing payments relative to hospital construction.

(d) Advances from shareholders

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

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

As of March 31, 2023, there were no more outstanding advances from shareholders.

#### Key Management Personnel Compensation

Key management compensation amounted to ₱1,185,000 and P1,260,000 for the quarters ended March 31, 2023 and 2022, respectively. These amounts are incorporated in the salaries and allowances account in the financial statements.

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**NOTE 14 - SHARE CAPITAL**

Details of the Company's share capital as at March 31, 2023:

	<b>No. of Shares</b>	<b>Amount</b>
Authorized share capital – ₱1,000 par value		
Founder's shares	600	600,000
Common shares	239,400	239,400,000
<b>Total authorized share capital</b>	<b>240,000</b>	<b>240,000,000</b>
Subscribed share capital:		
Founder's shares	600	600,000
Common shares	239,030	239,030,000
<b>Total subscribed share capital</b>	<b>239,630</b>	<b>239,630,000</b>
Paid-up share capital:		
Founder's shares	600	600,000
Common shares	239,030	239,030,000
<b>Total paid-up share capital</b>	<b>239,630</b>	<b>239,630,000</b>

Details of the Company's share capital as at March 31, 2022:

	<b>No. of Shares</b>	<b>Amount</b>
Authorized share capital – ₱1,000 par value		
Founder's shares	600	600,000
Common shares	239,400	239,400,000
<b>Total authorized share capital</b>	<b>240,000</b>	<b>240,000,000</b>
Subscribed share capital:		
Founder's shares	600	600,000
Common shares	234,480	234,480,000
<b>Total subscribed share capital</b>	<b>235,080</b>	<b>235,080,000</b>
Paid-up share capital:		
Founder's shares	600	600,000
Common shares	234,480	234,480,000
<b>Total paid-up share capital</b>	<b>235,080</b>	<b>235,080,000</b>

In 2018, the Company filed a Registration Statement covering its proposed Initial Public Offering (IPO) of its 36,000 common shares. Said registration statement was approved on December 27, 2019, in accordance with the provisions of the SEC's Securities Regulation Code (see Note 1).

As of date, pursuant to the SEC's approval, the Company issued a total of **THIRTY-FIVE THOUSAND SIX HUNDRED THIRTY (35,630)** common shares. The related share premium after deducting transaction costs associated with the issuance of shares amounted to ₱918,728,829. The common share offer price amounted to ₱250,000 up to ₱400,000 per block [one (1) block = ten (10) common shares].

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

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**NOTE 15 - OTHER INCOME**

Details of account consist of:

	<b>March 2023</b>	March 2022
Unrealized foreign exchange gain (Note 6)	–	109,901
Interest income (Note 6)	<b>7,850</b>	10,028
Gain on sale from scraps	–	0
	<b>7,850</b>	119,929

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**NOTE 16 - GENERAL AND ADMINISTRATIVE EXPENSES**

Details of account consist of:

	<b>March 31, 2023</b>	March 31, 2022
Salaries and Allowances <sup>1)</sup>	<b>3,985,338</b>	2,542,541
Seminars and Trainings	<b>26,103</b>	62,389
Board Meetings and Meals <sup>2)</sup>	<b>742,380</b>	444,444
Professional Fees and Legal Fees	<b>410,705</b>	382,226
Security Services	<b>178,548</b>	457,756
Taxes and Licenses <sup>3)</sup>	<b>687,907</b>	33,369
Utilities <sup>4)</sup>	<b>523,539</b>	0
SSS, PHIC, and HDMF Contributions	<b>261,640</b>	153,394
Depreciation Expense <sup>5)</sup>	<b>554,736</b>	138,210
Amortization of Intangible Asset	<b>0</b>	8,333
Transportation and Travel	<b>31,072</b>	6,350
Office Supplies <sup>6)</sup>	<b>262,737</b>	36,105
Advertising and Marketing Expenses	<b>26,867</b>	50,000
Bank Charges	<b>3,400</b>	200
Communication Expenses	<b>29,068</b>	28,965
Repairs & Maintenance	<b>11,743</b>	7,486
Postage	<b>6,058</b>	310
WEB Hosting	<b>15,000</b>	15,000
Miscellaneous	<b>27,691</b>	800
<b>TOTALS</b>	<b>7,784,532</b>	4,367,878

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<sup>1)</sup> Additional employees were hired in preparation for the opening of the hospital.

<sup>2)</sup> Improved attendance in board meetings other plus more meetings because of the intended opening of the hospital primarily caused the increase in the amount.

<sup>3)</sup> Payment of various licenses and taxes in relation to the completion and opening of the hospital increased the total amount paid.



~~4) Increase in utility expense is due to the reclassification of account.~~

5) Depreciation of the office equipment that is already used in the hospital.

6) Increased usage of office supplies given the need for documentation in relation to the opening of the hospital.

## NOTE 17 – INCOME TAX EXPENSE

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

<b>I. Regular Corporate Income tax (RCIT)</b>	<b>Mar 2023</b>	<b>Dec 2022</b>	<b>Dec 2021</b>
Net loss before income tax	<b>(17,820,462)</b>	(52,221,917)	(35,006,627)
Add (deduct) reconciling items:			
Interest expense arbitrage	-	2,507	5,533
Non-deductible penalties on taxes (Note 16)	-	-	133,499
Unrealized forex gain (Note 6)	-	(109,901)	-
Interest income subjected to final tax (Notes 6 and 15)	<b>(7,850)</b>	(10,028)	(22,133)
Net operating loss	<b>((17,828,312)</b>	(52,339,339)	(34,889,728)
Tax rate	<b>25%</b>	25%	30%
<b>RCIT</b>	<b>NIL</b>	NIL	NIL

## II. Minimum Corporate Income Tax (MCIT)

For the quarter ended March 31, 2023 and years ended December 31, 2022 and 2021, the Company did not generate any revenues subject to minimum corporate income tax.

<b>III. Tax Due (RCIT or MCIT whichever is higher)</b>	<b>Mar 2023</b>	<b>Dec 2022</b>
Tax due	-	-
Less: Tax credits or payments		
Quarterly income tax payments (1 <sup>st</sup> - 3 <sup>rd</sup> quarter)	-	-
Creditable withholding tax (1 <sup>st</sup> - 3 <sup>rd</sup> quarter)	-	-
Creditable withholding tax (4 <sup>th</sup> quarter)	-	-
<b>Income tax payable</b>	<b>-</b>	<b>-</b>

## CREATE ACT

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

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

### A. Corporate Income Tax (CIT)

- Starting July 1, 2020, CIT rate for corporations will be reduced as follows:
  - Reduced CIT rate of 20% shall be applicable to domestic corporations with net taxable income not exceeding ₱5,000,000 and with total assets not exceeding ₱100 Million (excluding land on which the business entity’s office, plant and equipment are situated).
  - Reduced CIT rate of 25% shall be applicable to all other domestic and resident foreign corporations.
- For the period beginning July 1, 2020 until June 30, 2023, minimum corporate income tax rate shall be 1%, instead of 2%.

3. Improperly accumulated earnings tax is repealed.
4. The option to be taxed at 15% of gross income if allowed by the President subject to certain conditions is repealed.
5. Enhanced deduction in claiming NOLCO for five (5) years.

#### B. Deductions from Gross Income

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

#### C. VAT Exempt Transactions

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

#### IV. Deferred Tax Asset

As at December 31, 2022, the Company's NOLCO and MCIT that can be claimed as deduction from future taxable income and income tax payable, respectively, are as follows:

Year Incurred	Expiration date	Beginning balance	Additions	Expired	Claimed	Ending Balance
<b>NOLCO</b>						
2019	2022	37,141,073		(37,141,073)	–	–
		<b>37,141,073</b>		<b>(37,141,073)</b>	–	–

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

Year Incurred	Expiration date	Beginning balance	Additions	Expired	Claimed	Ending Balance
<b>NOLCO</b>						
2020	2025	43,425,573	–	–	–	43,425,573
2021	2026	34,889,728	–	–	–	34,889,728
2022	2025	52,339,339	–	–	–	52,339,339
Mar 2023	2026		17,828,312			17,828,312
		<b>130,654,640</b>				<b>148,482,952</b>
		7,795	–	–	–	7,795
<b>Effect of CREATE Law</b>		<b>130,662,435</b>	<b>17,828,312</b>	–	–	<b>148,490,747</b>

Year Incurred	Expiration date	Beginning Balance	Additions	Expired	Claimed	Ending Balance
<b>MCIT</b>						

<b>2020</b>	<b>2023</b>	<b>228</b>	–	–	–	<b>228</b>
<b>Effect of CREATE Law</b>		<b>(57)</b>	–	–	–	<b>(57)</b>
		<b>171</b>	–	–	–	<b>171</b>

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

	<b>2022</b>	2021	2020
NOLCO	<b>148,490,747</b>	130,662,435	115,464,169
Tax rate	<b>25%</b>	25%	25%
	<b>37,122,687</b>	32,665,609	28,866,042
MCIT	<b>171</b>	171	171
	<b>37,122,858</b>	32,665,780	28,866,213
Valuation allowance (Note 5)	<b>(37,122,687)</b>	(32,665,609)	(28,866,042)
Deferred tax asset	<b>171</b>	171	171

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

The Company provides full valuation allowance on its deferred tax assets from NOLCO since management believes that the Company will not be able to generate future taxable income in which such can be applied. The deferred tax asset of the Company arising from net operating loss carry over (NOLCO) prior to 2020 can be charged against future taxable income of the next three (3) years. On the other hand, deferred tax assets arising from NOLCO for the years 2020 and 2021 can be charged against future taxable income of the next five (5) taxable years.

## **NOTE 18 - BASIC LOSS PER SHARE**

Basic loss per share is computed as follows:

	<b>Mar 2023</b>	Dec 2022	Dec 2021
Loss attributable to ordinary shares	<b>(17,820,462)</b>	(52,221,917)	(35,006,627)
Divide by: Weighted average number of ordinary shares outstanding	<b>239,630</b>	235,670	235,060
<b>Basic loss per share</b>	<b>(74.37)</b>	(221.59)	(148.93)

There are no potential dilutive ordinary shares outstanding as at December 31, 2022, 2021 and 2020.

## **NOTE 19 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

### **Financial Risk**

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

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

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

### **Credit risk**

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

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

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

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

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

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

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

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

	<b>As at March 31, 2023</b>			
	<b>Financial assets at amortized cost</b>			
	<b>12-month</b>	<b>Lifetime ECL</b>	<b>Lifetime ECL</b>	
	<b>ECL</b>	<b>– not credit</b>	<b>– credit</b>	<b>Total</b>
		<b>impaired</b>	<b>impaired</b>	
<b>Cash in banks</b>	<b>56,704,380</b>	–	–	<b>56,704,380</b>
<b>Receivable - others</b>	<b>2,835,825</b>	–	–	<b>2,835,825</b>
<b>Other non-current assets**</b>	–	<b>5,015,000</b>	–	<b>5,015,000</b>
	<b>59,540,205</b>	<b>5,015,000</b>	–	<b>64,555,205</b>

\*Excluding Petty Cash Fund amounting to P30,000 as at March 31, 2023.

\*\*Excluding deferred tax assets amounting to P171 as at March 31, 2023.

As at March 31, 2022

	Financial assets at amortized cost			Total
	12-month ECL	Lifetime ECL	Lifetime ECL	
		– not credit impaired	– credit impaired	
Cash in banks	20,753,898	–	–	20,753,898
Receivable - others	3,144,704	–	–	3,144,704
Other non-current assets*	–	5,015,000	–	5,015,000
	<u>23,898,602</u>	<u>5,015,000</u>	<u>–</u>	<u>28,913,602</u>

\*Excluding Petty Cash Fund amounting to ₱30,000 as at March 31, 2022.

\*\*Excluding deferred tax assets amounting to ₱171 as at March 31, 2022.

### **Interest Rate Risk**

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

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

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

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

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

### **Liquidity Risk**

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

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

As at March 31, 2023

	On Demand	Within 1 year	More than 1 year but less than 5 years	More than 5 years	Total
<b>Financial Assets:</b>					
Cash*	56,704,380	–	–	–	56,704,380
Receivable - others	2,835,825	–	–	–	2,835,825
Other non-current assets**	–	–	5,015,000	–	5,015,000
	<u>59,540,205</u>	<u>–</u>	<u>5,015,000</u>	<u>–</u>	<u>64,555,205</u>

\*Excluding petty cash fund amounting to ₱30,000 as at March 31, 2023.

\*\*Excluding deferred tax assets amounting to ₱171 as at March 31, 2023.

	On Demand	Within 1 year	More than 1 year but less than 5 years	More than 5 years	Total
<b>Financial Liabilities:</b>					
Accounts payable and other liabilities***	109,164,404	-	-	-	109,164,404
Loans payable to individuals	20,453,700	-	-	-	20,453,700
Loans payable to a related party	246,434,969	-	-	-	246,434,969
Notes payable	19,372,947	95,342,150	828,382,859	-	943,097,956
	<b>395,426,020</b>	<b>95,342,150</b>	<b>828,382,859</b>	-	<b>1,319,151,029</b>

\*\*\*Excluding government liabilities amounting to ₱672,489 as at March 31, 2023.

As at March 31, 2022

	On Demand	Within 1 year	More than 1 year but less than 5 years	More than 5 years	Total
<b>Financial Assets:</b>					
Cash*	20,753,898	-	-	-	20,753,898
Receivable - others	3,144,704	-	-	-	3,144,704
Other non-current assets**	-	-	5,015,000	-	5,015,000
	<b>23,898,602</b>	-	<b>5,015,000</b>	-	<b>28,913,602</b>

\*Excluding petty cash fund amounting to ₱30,000 as at March 31, 2022.

\*\*Excluding deferred tax assets amounting to ₱171 as at March 31, 2022.

<b>Financial Liabilities:</b>					
Accounts payable and other liabilities***	92,355,931	-	-	-	92,355,931
Loans payable to individuals	22,649,700	-	-	-	22,649,700
Loans payable to a related party	153,834,969	-	-	-	153,834,969
Notes payable	26,291,702	95,342,150	730,920,691	-	852,554,543
	<b>295,132,302</b>	<b>95,342,150</b>	<b>730,920,691</b>	-	<b>1,121,395,143</b>

\*\*\*Excluding government liabilities amounting to ₱233,835 as at March 31, 2022.

## FAIR VALUES OF FINANCIAL INSTRUMENTS

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

	As at March 31, 2023		As at March 31, 2022	
	Carrying Amounts	Carrying Amounts	Carrying Amounts	Fair Values
<b>Financial Assets:</b>				
Cash*	56,704,380	56,704,380	20,753,899	20,753,899
Receivable - others	2,835,825	2,835,825	3,144,704	3,144,704
Other non-current assets**	5,015,000	5,015,000	5,015,000	5,015,000
	<b>64,555,205</b>	<b>64,555,205</b>	<b>28,913,603</b>	<b>28,913,603</b>

\*Excluding petty cash fund amounting to ₱30,000 as at March 31, 2023 and 2022.

\*\*Excluding petty cash fund amounting to ₱171 as at March 31, 2023 and 2022, respectively.

**Financial Liabilities:**

Accounts payable and other liabilities***	<b>109,164,404</b>	<b>109,164,404</b>	92,355,931	92,355,931
Loans payable to individuals	<b>20,453,700</b>	<b>20,453,700</b>	22,649,700	22,649,700
Loans payable to a related party	<b>246,434,969</b>	<b>246,434,969</b>	153,834,969	153,834,969
Notes payable	<b>943,097,956</b>	<b>943,097,956</b>	852,554,543	852,554,543
	<b>1,319,151,029</b>	<b>1,319,151,029</b>	1,121,395,143	1,121,395,143

\*\*\*Excluding government liabilities amounting to P672,489 and P233,835 as at March 31, 2023 and 2022, respectively.

**Assumption Used to Estimate Fair Values**

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

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

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

**Fair Value Hierarchy**

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

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

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

	<b>As at March 31, 2023</b>		
	<b>Quoted Prices in Active Markets (Level 1)</b>	<b>Significant Observable Inputs (Level 2)</b>	<b>Significant Un- observable Inputs (Level 3)</b>
<b>Financial Assets:</b>			
Cash*	<b>56,704,380</b>	-	-
Receivable - others	-	<b>2,835,825</b>	-
Other non-current assets**	-	<b>5,015,000</b>	-
	<b>56,704,380</b>	<b>7,850,825</b>	-

\*Excluding petty cash fund amounting to P30,000 as at March 31, 2023.

\*\*Excluding deferred tax assets amounting to P171 as at March 31, 2023.

**Financial Liabilities:**

Accounts payable and other liabilities***	-	<b>109,164,404</b>	-
Loans payable to individuals	-	<b>20,453,700</b>	-
Loans payable to a related party	-	<b>246,434,969</b>	-
Notes payable	-	<b>943,097,956</b>	-
	-	<b>1,319,151,029</b>	-

\*\*\*Excluding government liabilities amounting to P672,489 as at March 31, 2023.

As at March 31, 2022			
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Un- observable Inputs (Level 3)
<b>Financial Assets:</b>			
Cash*	20,753,899	–	–
Receivable - others	–	3,144,704	–
Other non-current assets**	–	5,015,000	–
	<u>20,753,899</u>	<u>8,159,704</u>	<u>–</u>

\*Excluding petty cash fund amounting to ₱30,000 as at March 31, 2022.

\*\*Excluding deferred tax assets amounting to ₱171 as at March 31, 2022.

<b>Financial Liabilities:</b>			
Accounts payable and other liabilities***	–	92,355,931	–
Loans payable to individuals	–	22,649,700	–
Loans payable to a related party	–	153,834,969	–
Notes payable	–	852,554,543	–
	–	<u>1,121,395,143</u>	<u>–</u>

\*\*\*Excluding government liabilities amounting to ₱233,835 as at March 31, 2022.

There were no reclassifications made between the different fair value hierarchy level as at March 31, 2023 and 2022.

## CAPITAL MANAGEMENT

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

The Company manages capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust capital, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the quarters ended March 31, 2023 and 2022.

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

	<b>March 2023</b>	March 2022
Share capital	<b>239,630,000</b>	235,080,000
Share premium	<b>918,728,829</b>	755,212,519
Deficit	<b>(215,590,672)</b>	(155,365,693)
	<b>942,668,157</b>	834,926,826

The loan agreement with Landbank (Note 12) provides certain restrictions and requirements with respect to, among others, maintenance of financial ratios (debt-to-equity ratio of 80:20), percentage of ownership of specific shareholders, creation of property encumbrances and additional guarantees for the incurrence of additional long-term indebtedness.

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



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**NOTE 20 - APPROVAL OF FINANCIAL STATEMENTS**

The financial statements of the Company as at and for the quarter ended March 31, 2023 and March 31, 2022, were approved and authorized for issuance by the Board of Directors on May 15, 2023.

## **SUPPLEMENTARY INFORMATION REQUIRED BY REVENUE REGULATION (RR)**

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

### ***Revenue Regulations (RR) 15-2010***

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

### **Output and Input Value-Added Tax**

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

### **Documentary Stamp Tax**

Documentary stamp tax paid by the Company during the quarter amounted to ₱10,000 for the newly subscribed common shares.

### **Taxes and licenses**

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

	<b>March 2023</b>
Business permit	<b>167,460</b>
Documentary stamp tax	<b>504,827</b>
Real property tax	<b>15,119</b>
Community tax certificate	<b>0</b>
Annual BIR registration fee	<b>500</b>
Others	<b>0</b>
	<b>687,906</b>

### **Withholding Taxes**

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

	<b>March 2023</b>
Expanded withholding taxes	<b>386,329</b>
Compensation withholding tax	<b>155,698</b>
	<b>542,027</b>

### **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 March 31, 2023.

***RR 19-2020 and RR 34-2020***

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

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

\* \* \*



**ASIA PACIFIC  
MEDICAL CENTER  
ILOILO**

BRGY. UNGKA, JARO, ILOILO CITY,  
PHILIPPINES 5000

We hereby certify that the information set forth in this report for the quarter ended March 31, 2023 is complete and correct

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

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

**Dr. Amado W. Lavallo Jr.**  
President

**Dr. Agnes Jean M. Villaflor**  
Corporate Treasurer

**Elmer Z. Samoro**  
Chief Finance Officer