

# COVER SHEET

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A	L	L	I	E	D	C	A	R	E	E	X	P	E	R	T	S	(	A	C	E	)	D	U	M	A
G	U	E	T	E	D	O	C	T	O	R	S	I	N	C	.										

(Company's Full Name)

F	.	C	I	M	A	F	R	A	N	C	A	S	T	.	,	D	A	R	O	,	D	U	M	A	G
U	E	T	E	C	I	T	Y																		

(Business Address: No. Street City / Town / Province)

<b>Dr. Jonathan C. Amante</b>
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Contact Person

<b>(035) 421-2119</b>
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Company Telephone Number

1	2		3	1
Month			Day	
Fiscal Year				

1	7	-	Q
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Month		Day
Annual Meeting		

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Secondary License Type, if Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. Of Stockholders

Total Amount of Borrowings

Domestic		Foreign				

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To be accomplished by SEC Personnel concerned

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File Number

\_\_\_\_\_ LCU

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Document I.D.

\_\_\_\_\_ Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

- 1. For the quarterly period ended **June 30, 2020**
- 2. Commission identification number. **CS201506626** 3. BIR Tax Identification No. **008-997-532-000**

4. Exact name of issuer as specified in its charter

**ALLIED CARE EXPERTS (ACE) DUMAGUETE DOCTORS INC.**

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

6. Industry Classification Code:  (SEC Use Only)

7. Address of issuer's principal office Postal Code

**F. CIMA FRANCA ST., DARO, DUMAGUETE CITY, NEGROS ORIENTAL 6200**

8. Issuer's telephone number, including area code

**(035) 523 5957**

9. Former name, former address and former fiscal year, if changed since last report **NOT APPLICABLE**

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

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
Common	As of June 30, 2020 - 156,640,000.00
Outstanding Debt	As of June 30, 2020 - 463,666,666.33
.....	
.....	

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:

SEC Form 17-Q v1  
February 2001 (a)  has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26

and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes [ / ] No [ ]

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

Yes [ / ] No [ ]

## **PART I--FINANCIAL INFORMATION**

### **Item 1. Financial Statements.**

Financial Statements and, if applicable, Pro Forma Financial Statements meeting the requirements of SRC Rule 68, Form and Content of Financial Statements, shall be furnished as specified therein.

**PLEASE SEE ATTACHED**

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

**PLEASE SEE ATTACHED**

Furnish the information required by Part III, Paragraph (A)(2)(b) of "Annex C".

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

The issuer may, at its option, report under this item any information not previously reported in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

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

### Financial Position

#### Balance Sheet Items – June 30, 2020 compared to December 31, 2019

**Cash** decreased during the period. In the prior year, the Company availed of a short term loan from Landbank. Decrease was due to the net effect of the availment of loans, payment of outstanding loans, additional advances from shareholders, cash receipts from operations and disbursement for the construction of the hospital and medical supplies.

**Accounts and other receivables** increased due to the receivables from HMOs, PhilHealth, various LGUs and in-patients. Majority of the accounts and other receivables pertain to PhilHealth receivable.

**Inventories** increased during the period since during the first two quarters of 2020 sales of medical supplies decreased as a result of COVID-10 pandemic.

**Property and equipment** decreased during the period which was mainly due to the depreciation expense recorded.

**Accounts payable and other liabilities** increased during the period as a result of the purchases of medical supplies, medicines and other hospital supplies and accrued professional fees.

**Notes payable** increased as a result of the availment of a short term loan in the first two quarters of 2020.

**Advances from shareholders** increased due to the additional advances made by the Company from its shareholders.

**Deficit** increased due to the net loss in the first two quarters of 2020.

#### Income Statement - June 30, 2020 vs March 31, 2019

**Revenues** increased in the first 2 quarters of 2019 since the Company only started its Outpatient Department on March 2019. However, in comparison to the last 6 months of 2020, revenues decreased due to the current COVID 19 situation.

**Direct Costs** increased in the first 2 quarters of 2019 which is proportional to the increase in revenues. In the prior year, operations started only in March and operations from March to early July only pertain to outpatient operations. Inpatient operations started last July 2019.

**General and administrative expenses** grew in the first quarter of 2019 as a direct result of the operations of the Company. Majority of the increase is attributable to the salaries and allowances, utilities, depreciation and outsourced services.

		<b>Jun. 30, 2020</b>	<b>Dec. 31, 2019</b>
<b>a. CURRENT RATIO = Current assets / Current liabilities</b>		0.42	0.55
<p>Remarks: The current ratio measures a company's ability to pay short-term obligations or those due within one year. It tells investors and analysts how a company can maximize the current assets on its balance sheet to satisfy its current debt and other payables. Current ratio in 2020 decreased compared to prior years due to the increase in payables as a result of the purchases of medical equipment and supplies used in the hospital operations.</p>			
<b>b. DEBT TO EQUITY RATIO = Debt / Equity</b>		4.06	3
<p>Remarks: Debt to equity ratio shows the proportions of equity and debt a company is using to finance its assets and it signals the extent to which shareholder's equity can fulfill obligations to creditors. Debt to equity in 2020 increased as a result of additional loan availment and net loss for the first quarter of 2020.</p>			
<b>c. DEBT TO TOTAL ASSET RATIO = Debt / Asset</b>		0.80	0.75
<p>Remarks: Debt to total asset ratio is an indicator of a company's financial leverage. It is the percentage of a company's total assets that were financed by creditors. The debt to total asset ratio increased in 2020.</p>			
<b>d. ASSET TO EQUITY RATIO = Assets / Equity</b>		5.06	4.00
<p>Remarks: Asset to equity ratio shows the relationship of the total assets of the Company to the portion owned by shareholders. This ratio is an indicator of the company's leverage (debt) used to finance the firm. Asset to equity ratio increased in 2020 as result of the additional advances from shareholders.</p>			

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

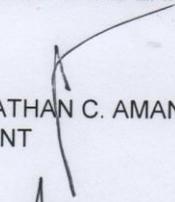
As at June 30, 2020:

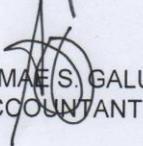
1. There are no known material commitments for capital expenditure
2. There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net revenues or income from continuing operations.
3. There are no seasonal aspects that had a material impact on the results of operations of the Company
4. There are no events no 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.

## 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.

Issuer ALLIED CARE EXPERTS (ACE) DUMAGUETE DOCTORS INC.

  
DR. JONATHAN C. AMANTE  
PRESIDENT

  
JOANNA MAE S. GALURA  
CHIEF ACCOUNTANT

Date: August 14, 2020

**ALLIED CARE EXPERTS (ACE) DUMAGUETE DOCTORS INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
(Amounts in Philippine Peso)

<b>ASSETS</b>	<i>Notes</i>	<b>June 30, 2020</b>	December 31, 2019
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		<b>7,576,938</b>	16,792,618
Accounts and other receivables		<b>17,532,983</b>	13,047,409
Inventory		<b>28,137,168</b>	23,763,500
Advances to suppliers		<b>13,475,205</b>	13,475,205
Advances to contractors		<b>12,271,917</b>	12,271,917
Prepayment and other current assets		<b>1,237,448</b>	1,237,448
		<b>80,231,660</b>	80,588,097
<b>NONCURRENT ASSETS</b>			
Property and equipment (net)		<b>795,826,329</b>	827,495,861
Other noncurrent assets		<b>211,501</b>	211,501
		<b>796,037,830</b>	827,707,362
<b>TOTAL ASSETS</b>		<b>876,269,490</b>	908,295,459
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and other liabilities		<b>102,105,511</b>	93,533,760
Income tax payable		<b>195,501</b>	195,501
Notes payable - current portion		<b>89,950,281</b>	54,611,116
		<b>192,251,293</b>	148,340,377
<b>NONCURRENT LIABILITIES</b>			
Notes payable - net of current portion		<b>373,716,385</b>	407,722,217
Advances from shareholders		<b>137,244,099</b>	125,153,099
		<b>510,960,484</b>	532,875,316
<b>TOTAL LIABILITIES</b>		<b>703,211,778</b>	681,215,693
<b>EQUITY</b>			
Share capital		<b>156,640,000</b>	156,640,000
Share premium		<b>126,160,000</b>	126,160,000
Deficit		<b>(109,742,288)</b>	(55,720,234)
		<b>173,057,712</b>	227,079,766
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>876,269,490</b>	908,295,459

*See accompanying Notes to Financial Statements*

**ALLIED CARE EXPERTS (ACE) DUMAGUETE DOCTORS INC.**  
**STATEMENTS OF CASH FLOWS**  
(Amounts in Philippine Peso)

<i>Notes</i>	<b>For the six-month period June 30</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss before tax	<b>(54,022,054)</b>	(31,920,785)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	<b>59,454,623</b>	30,962,107
Interest expense	<b>7,772,495</b>	6,468,209
Interest income		(12,722)
Operating cash flows before changes in working capital	<b>13,205,064</b>	5,496,809
Changes in working capital components:		
Decrease (increase) in current assets:		
Accounts and other receivables	<b>(4,485,574)</b>	(12,907,787)
Inventory	<b>(4,373,668)</b>	(21,744,951)
Advances to suppliers	-	19,339,233
Advances to contractors	-	40,291,983
Prepayment and other current assets	-	(1,087,448)
Increase (decrease) in current liabilities:		
Accounts payable and other liabilities	<b>8,571,751</b>	54,255,692
Net cash generated from (used in) operations	<b>12,917,573</b>	83,643,531
Interest received	-	12,722
<b>Net cash provided by (used) in operating activities</b>	<b>12,917,573</b>	83,656,253
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property and equipment	<b>(27,785,090)</b>	(90,568,791)
Additions to construction in progress	-	(111,045,653)
<b>Net cash used in investing activities</b>	<b>(27,785,090)</b>	(201,614,444)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds of bank loan	<b>10,000,000</b>	68,900,000
Payment of bank loan	<b>(8,666,668)</b>	(17,666,667)
Payment of interest expense	<b>(7,772,495)</b>	(6,468,209)
Proceeds from advances from shareholders	<b>12,091,000</b>	(95,061,731)
Increase in share capital	-	6,640,000
Additional paid in capital	-	126,160,000
<b>Net cash provided by financing activities</b>	<b>5,651,837</b>	82,503,393
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(9,215,680)</b>	(35,454,798)
<b>CASH AND CASH EQUIVALENTS, beginning of the year</b>	<b>16,792,618</b>	52,247,416
<b>CASH AND CASH EQUIVALENTS, end of the year</b>	<b>7,576,938</b>	16,792,618

*See accompanying Notes to Financial Statements.*

**ALLIED CARE EXPERTS (ACE) DUMAGUETE DOCTORS INC.**  
**STATEMENTS OF COMPREHENSIVE LOSS**  
(Amounts in Philippine Peso)

<i>Notes</i>	<b>For the six-month period June 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>REVENUE</b>	<b>128,599,045</b>	4,372,296
<b>DIRECT COST</b>	<b>90,583,072</b>	186,447
<b>GROSS PROFIT</b>	<b>38,015,973</b>	4,185,848
<b>OTHER INCOME</b>		
<b>GROSS INCOME</b>	<b>38,015,973</b>	4,185,848
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>84,265,532</b>	12,694,186
<b>LOSS FROM OPERATIONS</b>	<b>(46,249,559)</b>	(8,508,338)
<b>FINANCE COST</b>	<b>7,772,495</b>	7,031,648
<b>NET LOSS BEFORE INCOME TAX</b>	<b>(54,022,054)</b>	(15,539,986)
<b>INCOME TAX BENEFIT (EXPENSE)</b>	-	-
<b>NET LOSS FOR THE YEAR</b>	<b>(54,022,054)</b>	(15,539,986)
<b>ADD (DEDUCT) COMPREHENSIVE INCOME (LOSS) DURING THE YEAR</b>	-	-
<b>NET COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>(54,022,054)</b>	(15,539,986)

*See accompanying Notes to Financial Statements*

**ALLIED CARE EXPERTS (ACE) DUMAGUETE DOCTORS INC.**  
**STATEMENTS OF CHANGES IN EQUITY**  
(Amounts in Philippine Peso)

	Share capital	Share Premium	Deficit	Total
<b>As at December 31, 2018</b>	<b>150,000,000</b>		<b>(23,799,449)</b>	<b>126,200,551</b>
<b>Increase in share capital</b>	<b>6,640,000</b>		<b>-</b>	<b>6,640,000</b>
<b>Share premium</b>		<b>126,120,000</b>		<b>126,120,000</b>
<b>Net loss for the year</b>	<b>-</b>		<b>(31,920,785)</b>	<b>(31,920,785)</b>
<b>As at December 31, 2019</b>	<b>156,640,000</b>	<b>126,120,000</b>	<b>(55,720,234)</b>	<b>227,039,766</b>
<b>Net loss for the six month period</b>	<b>-</b>		<b>(54,022,054)</b>	<b>(54,022,054)</b>
<b>As at June 30, 2020</b>	<b>156,640,000</b>	<b>126,120,000</b>	<b>(109,742,288)</b>	<b>173,017,712</b>

*See accompanying Notes to Financial Statements*

**ALLIED CARE EXPERTS (ACE) DUMAGUETE DOCTORS INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
(Amounts in Philippine Peso)

<b>ASSETS</b>	<i>Notes</i>	<b>June 30, 2020</b>	December 31, 2019
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		7,576,938	16,792,618
Accounts and other receivables		17,532,983	13,047,409
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**STATEMENTS OF CASH FLOWS**  
(Amounts in Philippine Peso)

<i>Notes</i>	<b>For the six-month period June 30</b>	
	<b>2020</b>	<b>2019</b>
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<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(9,215,680)</b>	(35,454,798)
<b>CASH AND CASH EQUIVALENTS, beginning of the year</b>	<b>16,792,618</b>	52,247,416
<b>CASH AND CASH EQUIVALENTS, end of the year</b>	<b>7,576,938</b>	16,792,618

*See accompanying Notes to Financial Statements.*

**ALLIED CARE EXPERTS (ACE) DUMAGUETE DOCTORS INC.**  
**STATEMENTS OF COMPREHENSIVE LOSS**  
(Amounts in Philippine Peso)

<i>Notes</i>	<b>For the six-month period June 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>REVENUE</b>	<b>128,599,045</b>	4,372,296
<b>DIRECT COST</b>	<b>90,583,072</b>	186,447
<b>GROSS PROFIT</b>	<b>38,015,973</b>	4,185,848
<b>OTHER INCOME</b>		
<b>GROSS INCOME</b>	<b>38,015,973</b>	4,185,848
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>84,265,532</b>	12,694,186
<b>LOSS FROM OPERATIONS</b>	<b>(46,249,559)</b>	(8,508,338)
<b>FINANCE COST</b>	<b>7,772,495</b>	7,031,648
<b>NET LOSS BEFORE INCOME TAX</b>	<b>(54,022,054)</b>	(15,539,986)
<b>INCOME TAX BENEFIT (EXPENSE)</b>	-	-
<b>NET LOSS FOR THE YEAR</b>	<b>(54,022,054)</b>	(15,539,986)
<b>ADD (DEDUCT) COMPREHENSIVE INCOME (LOSS) DURING THE YEAR</b>	-	-
<b>NET COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>(54,022,054)</b>	(15,539,986)

*See accompanying Notes to Financial Statements*

**ALLIED CARE EXPERTS (ACE) DUMAGUETE DOCTORS INC.**  
**STATEMENTS OF CHANGES IN EQUITY**  
(Amounts in Philippine Peso)

	Share capital	Share Premium	Deficit	Total
<b>As at December 31, 2018</b>	<b>150,000,000</b>		<b>(23,799,449)</b>	<b>126,200,551</b>
<b>Increase in share capital</b>	<b>6,640,000</b>		<b>-</b>	<b>6,640,000</b>
<b>Share premium</b>		<b>126,120,000</b>		<b>126,120,000</b>
<b>Net loss for the year</b>	<b>-</b>		<b>(31,920,785)</b>	<b>(31,920,785)</b>
<b>As at December 31, 2019</b>	<b>156,640,000</b>	<b>126,120,000</b>	<b>(55,720,234)</b>	<b>227,039,766</b>
<b>Net loss for the six month period</b>	<b>-</b>		<b>(54,022,054)</b>	<b>(54,022,054)</b>
<b>As at June 30, 2020</b>	<b>156,640,000</b>	<b>126,120,000</b>	<b>(109,742,288)</b>	<b>173,017,712</b>

*See accompanying Notes to Financial Statements*

**ALLIED CARE EXPERTS (ACE) DUMAGUETE DOCTORS INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
(Amounts in Philippine Peso)

<b>ASSETS</b>	<i>Notes</i>	<b>June 30, 2020</b>	December 31, 2019
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		7,576,938	16,792,618
Accounts and other receivables		17,532,983	13,047,409
Inventory		28,137,168	23,763,500
Advances to suppliers		13,475,205	13,475,205
Advances to contractors		12,271,917	12,271,917
Prepayment and other current assets		1,237,448	1,237,448
		<b>80,231,660</b>	<b>80,588,097</b>
<b>NONCURRENT ASSETS</b>			
Property and equipment (net)		795,826,329	827,495,861
Other noncurrent assets		211,501	211,501
		<b>796,037,830</b>	<b>827,707,362</b>
<b>TOTAL ASSETS</b>		<b>876,269,490</b>	<b>908,295,459</b>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and other liabilities		102,105,511	93,533,760
Income tax payable		195,501	195,501
Notes payable - current portion		89,950,281	54,611,116
		<b>192,251,293</b>	<b>148,340,377</b>
<b>NONCURRENT LIABILITIES</b>			
Notes payable - net of current portion		373,716,385	407,722,217
Advances from shareholders		137,244,099	125,153,099
		<b>510,960,484</b>	<b>532,875,316</b>
<b>TOTAL LIABILITIES</b>		<b>703,211,778</b>	<b>681,215,693</b>
<b>EQUITY</b>			
Share capital		156,640,000	156,640,000
Share premium		126,160,000	126,160,000
Deficit		(109,742,288)	(55,720,234)
		<b>173,057,712</b>	<b>227,079,766</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>876,269,490</b>	<b>908,295,459</b>

*See accompanying Notes to Financial Statements*

**ALLIED CARE EXPERTS (ACE) DUMAGUETE DOCTORS INC.**  
**STATEMENTS OF CASH FLOWS**  
(Amounts in Philippine Peso)

<i>Notes</i>	<b>For the six-month period June 30</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss before tax	<b>(54,022,054)</b>	(31,920,785)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	<b>59,454,623</b>	30,962,107
Interest expense	<b>7,772,495</b>	6,468,209
Interest income		(12,722)
Operating cash flows before changes in working capital	<b>13,205,064</b>	5,496,809
Changes in working capital components:		
Decrease (increase) in current assets:		
Accounts and other receivables	<b>(4,485,574)</b>	(12,907,787)
Inventory	<b>(4,373,668)</b>	(21,744,951)
Advances to suppliers	-	19,339,233
Advances to contractors	-	40,291,983
Prepayment and other current assets	-	(1,087,448)
Increase (decrease) in current liabilities:		
Accounts payable and other liabilities	<b>8,571,751</b>	54,255,692
Net cash generated from (used in) operations	<b>12,917,573</b>	83,643,531
Interest received	-	12,722
<b>Net cash provided by (used) in operating activities</b>	<b>12,917,573</b>	83,656,253
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property and equipment	<b>(27,785,090)</b>	(90,568,791)
Additions to construction in progress	-	(111,045,653)
<b>Net cash used in investing activities</b>	<b>(27,785,090)</b>	(201,614,444)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds of bank loan	<b>10,000,000</b>	68,900,000
Payment of bank loan	<b>(8,666,668)</b>	(17,666,667)
Payment of interest expense	<b>(7,772,495)</b>	(6,468,209)
Proceeds from advances from shareholders	<b>12,091,000</b>	(95,061,731)
Increase in share capital	-	6,640,000
Additional paid in capital	-	126,160,000
<b>Net cash provided by financing activities</b>	<b>5,651,837</b>	82,503,393
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(9,215,680)</b>	(35,454,798)
<b>CASH AND CASH EQUIVALENTS, beginning of the year</b>	<b>16,792,618</b>	52,247,416
<b>CASH AND CASH EQUIVALENTS, end of the year</b>	<b>7,576,938</b>	16,792,618

*See accompanying Notes to Financial Statements.*

**ALLIED CARE EXPERTS (ACE) DUMAGUETE DOCTORS INC.**  
**STATEMENTS OF COMPREHENSIVE LOSS**  
(Amounts in Philippine Peso)

<i>Notes</i>	<b>For the six-month period June 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>REVENUE</b>	<b>128,599,045</b>	4,372,296
<b>DIRECT COST</b>	<b>90,583,072</b>	186,447
<b>GROSS PROFIT</b>	<b>38,015,973</b>	4,185,848
<b>OTHER INCOME</b>		
<b>GROSS INCOME</b>	<b>38,015,973</b>	4,185,848
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>84,265,532</b>	12,694,186
<b>LOSS FROM OPERATIONS</b>	<b>(46,249,559)</b>	(8,508,338)
<b>FINANCE COST</b>	<b>7,772,495</b>	7,031,648
<b>NET LOSS BEFORE INCOME TAX</b>	<b>(54,022,054)</b>	(15,539,986)
<b>INCOME TAX BENEFIT (EXPENSE)</b>	-	-
<b>NET LOSS FOR THE YEAR</b>	<b>(54,022,054)</b>	(15,539,986)
<b>ADD (DEDUCT) COMPREHENSIVE INCOME (LOSS) DURING THE YEAR</b>	-	-
<b>NET COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>(54,022,054)</b>	(15,539,986)

*See accompanying Notes to Financial Statements*

**ALLIED CARE EXPERTS (ACE) DUMAGUETE DOCTORS INC.**  
**STATEMENTS OF CHANGES IN EQUITY**  
(Amounts in Philippine Peso)

	Share capital	Share Premium	Deficit	Total
<b>As at December 31, 2018</b>	<b>150,000,000</b>		<b>(23,799,449)</b>	<b>126,200,551</b>
<b>Increase in share capital</b>	<b>6,640,000</b>		<b>-</b>	<b>6,640,000</b>
<b>Share premium</b>		<b>126,120,000</b>		<b>126,120,000</b>
<b>Net loss for the year</b>	<b>-</b>		<b>(31,920,785)</b>	<b>(31,920,785)</b>
<b>As at December 31, 2019</b>	<b>156,640,000</b>	<b>126,120,000</b>	<b>(55,720,234)</b>	<b>227,039,766</b>
<b>Net loss for the six month period</b>	<b>-</b>		<b>(54,022,054)</b>	<b>(54,022,054)</b>
<b>As at June 30, 2020</b>	<b>156,640,000</b>	<b>126,120,000</b>	<b>(109,742,288)</b>	<b>173,017,712</b>

*See accompanying Notes to Financial Statements*

**ALLIED CARE EXPERTS (ACE) DUMAGUETE DOCTORS INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
(Amounts in Philippine Peso)

<b>ASSETS</b>	<i>Notes</i>	<b>June 30, 2020</b>	December 31, 2019
<b>CURRENT ASSETS</b>			
Cash and cash equivalents		7,576,938	16,792,618
Accounts and other receivables		17,532,983	13,047,409
Inventory		28,137,168	23,763,500
Advances to suppliers		13,475,205	13,475,205
Advances to contractors		12,271,917	12,271,917
Prepayment and other current assets		1,237,448	1,237,448
		<b>80,231,660</b>	<b>80,588,097</b>
<b>NONCURRENT ASSETS</b>			
Property and equipment (net)		795,826,329	827,495,861
Other noncurrent assets		211,501	211,501
		<b>796,037,830</b>	<b>827,707,362</b>
<b>TOTAL ASSETS</b>		<b>876,269,490</b>	<b>908,295,459</b>
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable and other liabilities		102,105,511	93,533,760
Income tax payable		195,501	195,501
Notes payable - current portion		89,950,281	54,611,116
		<b>192,251,293</b>	<b>148,340,377</b>
<b>NONCURRENT LIABILITIES</b>			
Notes payable - net of current portion		373,716,385	407,722,217
Advances from shareholders		137,244,099	125,153,099
		<b>510,960,484</b>	<b>532,875,316</b>
<b>TOTAL LIABILITIES</b>		<b>703,211,778</b>	<b>681,215,693</b>
<b>EQUITY</b>			
Share capital		156,640,000	156,640,000
Share premium		126,160,000	126,160,000
Deficit		(109,742,288)	(55,720,234)
		<b>173,057,712</b>	<b>227,079,766</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>876,269,490</b>	<b>908,295,459</b>

*See accompanying Notes to Financial Statements*

**ALLIED CARE EXPERTS (ACE) DUMAGUETE DOCTORS INC.**  
**STATEMENTS OF CASH FLOWS**  
(Amounts in Philippine Peso)

<i>Notes</i>	<b>For the six-month period June 30</b>	
	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss before tax	<b>(54,022,054)</b>	(31,920,785)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	<b>59,454,623</b>	30,962,107
Interest expense	<b>7,772,495</b>	6,468,209
Interest income		(12,722)
Operating cash flows before changes in working capital	<b>13,205,064</b>	5,496,809
Changes in working capital components:		
Decrease (increase) in current assets:		
Accounts and other receivables	<b>(4,485,574)</b>	(12,907,787)
Inventory	<b>(4,373,668)</b>	(21,744,951)
Advances to suppliers	-	19,339,233
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Increase (decrease) in current liabilities:		
Accounts payable and other liabilities	<b>8,571,751</b>	54,255,692
Net cash generated from (used in) operations	<b>12,917,573</b>	83,643,531
Interest received	-	12,722
<b>Net cash provided by (used) in operating activities</b>	<b>12,917,573</b>	83,656,253
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to property and equipment	<b>(27,785,090)</b>	(90,568,791)
Additions to construction in progress	-	(111,045,653)
<b>Net cash used in investing activities</b>	<b>(27,785,090)</b>	(201,614,444)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds of bank loan	<b>10,000,000</b>	68,900,000
Payment of bank loan	<b>(8,666,668)</b>	(17,666,667)
Payment of interest expense	<b>(7,772,495)</b>	(6,468,209)
Proceeds from advances from shareholders	<b>12,091,000</b>	(95,061,731)
Increase in share capital	-	6,640,000
Additional paid in capital	-	126,160,000
<b>Net cash provided by financing activities</b>	<b>5,651,837</b>	82,503,393
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(9,215,680)</b>	(35,454,798)
<b>CASH AND CASH EQUIVALENTS, beginning of the year</b>	<b>16,792,618</b>	52,247,416
<b>CASH AND CASH EQUIVALENTS, end of the year</b>	<b>7,576,938</b>	16,792,618

*See accompanying Notes to Financial Statements.*

**ALLIED CARE EXPERTS (ACE) DUMAGUETE DOCTORS INC.**  
**STATEMENTS OF COMPREHENSIVE LOSS**  
(Amounts in Philippine Peso)

<i>Notes</i>	<b>For the six-month period June 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>REVENUE</b>	<b>128,599,045</b>	4,372,296
<b>DIRECT COST</b>	<b>90,583,072</b>	186,447
<b>GROSS PROFIT</b>	<b>38,015,973</b>	4,185,848
<b>OTHER INCOME</b>		
<b>GROSS INCOME</b>	<b>38,015,973</b>	4,185,848
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>84,265,532</b>	12,694,186
<b>LOSS FROM OPERATIONS</b>	<b>(46,249,559)</b>	(8,508,338)
<b>FINANCE COST</b>	<b>7,772,495</b>	7,031,648
<b>NET LOSS BEFORE INCOME TAX</b>	<b>(54,022,054)</b>	(15,539,986)
<b>INCOME TAX BENEFIT (EXPENSE)</b>	-	-
<b>NET LOSS FOR THE YEAR</b>	<b>(54,022,054)</b>	(15,539,986)
<b>ADD (DEDUCT) COMPREHENSIVE INCOME (LOSS) DURING THE YEAR</b>	-	-
<b>NET COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>(54,022,054)</b>	(15,539,986)

*See accompanying Notes to Financial Statements*

**ALLIED CARE EXPERTS (ACE) DUMAGUETE DOCTORS INC.**  
**STATEMENTS OF CHANGES IN EQUITY**  
(Amounts in Philippine Peso)

	Share capital	Share Premium	Deficit	Total
<b>As at December 31, 2018</b>	<b>150,000,000</b>		<b>(23,799,449)</b>	<b>126,200,551</b>
<b>Increase in share capital</b>	<b>6,640,000</b>		<b>-</b>	<b>6,640,000</b>
<b>Share premium</b>		<b>126,120,000</b>		<b>126,120,000</b>
<b>Net loss for the year</b>	<b>-</b>		<b>(31,920,785)</b>	<b>(31,920,785)</b>
<b>As at December 31, 2019</b>	<b>156,640,000</b>	<b>126,120,000</b>	<b>(55,720,234)</b>	<b>227,039,766</b>
<b>Net loss for the six month period</b>	<b>-</b>		<b>(54,022,054)</b>	<b>(54,022,054)</b>
<b>As at June 30, 2020</b>	<b>156,640,000</b>	<b>126,120,000</b>	<b>(109,742,288)</b>	<b>173,017,712</b>

*See accompanying Notes to Financial Statements*

**ALLIED CARE EXPERTS (ACE) DUMAGUETE DOCTORS INC.**

**NOTES TO FINANCIAL STATEMENTS**

As at and for the six months ended June 30, 2020 and December 31, 2019  
(Amounts in Philippine Peso)

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

*Corporate Information*

**ALLIED CARE EXPERTS (ACE) DUMAGUETE DOCTORS 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. CS201506626 on April 1, 2015.

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

The registered office of the Company is located at DML Building, North Road, Dumaguete City. The hospital construction site is located at Cimafranca St. Daro, Dumaguete City, Negros Oriental.

In 2018, the Company applied and in the process of becoming a BOI-Registered Non-Pioneer Status Hospital certified by the Board of Investments. Pursuant to the abeyance of the provisions of Executive Order No. 226 (otherwise known as the Omnibus Investments Code of 1987), the Company is eligible to enjoy certain grants, particularly, but not limited to – Income Tax Holiday – for a period of 4 years starting from November 2018 or actual start of commercial operations, whichever is earlier (the availment of which shall not be earlier than the date of registration).

Subsequently, the Company was approved and issued with its BOI Certificate of Registration No. 2019-034 on February 19, 2019.

*Status of Operations*

At the start of the year, the Company opened to the public its Out-Patient Department (OPD) particularly the imaging services, under a limited or “soft launch” operation. Accordingly, during the month of March, the Company launched the full opening and inauguration of its hospital building and facilities, thereby, effectively commencing its full commercial operations.

The foregoing commencement of operations, however, is without prejudice to the status of the 6th and 7th floors, which are still on the finishing stages of construction.

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

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

**Basis of Preparation and Presentation**

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

**Functional and Presentation Currency**

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

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**NOTE 3 - ADOPTION OF NEW AND REVISED ACCOUNTING STANDARD*****Adoption of New and Revised Accounting Standards Effective in 2019***

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

***PFRS 16 – Leases***

This standard specifies how a PFRS reporter will recognize, measure, present and disclose leases. It provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use. An asset is typically identified by being explicitly specified in a contract, but an asset can also be identified by being implicitly specified at the time it is made available for use by the customer.

Lessors continue to classify leases as operating or finance, with PFRS 16's approach to lessor accounting substantially unchanged from its predecessor, PAS 17.

The application of this standard has no significant impact in the Company's financial statements since the Company's lease contract is short-term and the asset being leased is of low value.

## Amendment to PFRS 9 – *Prepayment Features with Negative Compensation*

The amendments include:

### *Changes regarding symmetric prepayment options*

Under the current IFRS 9 requirements, the Solely Payments of Principal and Interest (SPPI) condition is not met if the lender has to make a settlement payment in the event of termination by the borrower (also referred to as early repayment gain).

Prepayment Features with Negative Compensation amends the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortized cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments.

Under the amendments, the sign of the prepayment amount is not relevant, i.e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favor of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain.

### *Clarification regarding the modification of financial liabilities*

The final amendments also contain a clarification regarding the accounting for a modification or exchange of a financial liability measured at amortized cost that does not result in the derecognition of the financial liability. The IASB clarifies that an entity recognizes any adjustment to the amortized cost of the financial liability arising from a modification or exchange in profit or loss at the date of the modification or exchange. A retrospective change of the accounting treatment may therefore become necessary if in the past the effective interest rate was adjusted and not the amortized cost amount.

The application of this standard has no significant impact in the Company's financial statements.

## PAS 28 – *Long-term Interests in Associates and Joint Ventures*

The amendments are:

Clarification that an entity applies PFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

The application of this standard has no significant impact in the Company's financial statements.

## Philippine Interpretation IFRIC 23 – *Uncertainty over Income Tax Treatments*

This interpretation applies in determining the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under PAS 12 – *Income Taxes*.

An entity has to consider whether it is probable that the relevant authority will accept each tax treatment, or group of tax treatments, that it used or plans to use in its income tax filing.

- If the entity concludes that it is probable that a particular tax treatment is accepted, the entity has to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment included in its income tax filings.
- If the entity concludes that it is not probable that a particular tax treatment is accepted, the entity has to use the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates. The decision should be based on which method provides better predictions of the resolution of the uncertainty.

An entity has to reassess its judgements and estimates if facts and circumstances change.

The application of this standard has no significant impact in the Company's financial statements.

#### *Amendments to PAS 19 – Plan Amendment, Curtailment or Settlement*

The amendments in Plan Amendment, Curtailment or Settlement are:

- If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement.
- In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

The application of this standard has no significant impact in the Company's financial statements.

#### *Annual Improvements to PFRSs 2015-2017 Cycle*

##### *Amendments to PFRS 3 and PFRS 11 – Previously held interest in a joint operation*

The amendments to PFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to PFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

The application of this standard has no significant impact in the Company's financial statements.

##### *Amendments to PAS 12 – Income tax consequences of payments on financial instruments classified as equity*

The amendments clarify that the requirements in the former paragraph 52B (to recognize the income tax consequences of dividends where the transactions or events that generated distributable profits are recognized) apply to all income tax consequences of dividends by moving the paragraph away from paragraph 52A that only deals with situations where there are different tax rates for distributed and undistributed profits.

The application of this standard has no significant impact in the Company's financial statements.

##### *Amendments to PAS 23 – Borrowing costs eligible for capitalization*

The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows *generally* when calculating the capitalization rate on general borrowings.

The application of this standard has no significant impact in the Company's financial statements since it is already practicing the standard.

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

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2020. Unless otherwise stated, the Company does not expect that the future adoption of the said pronouncements to have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when these become effective.

*Effective beginning on or after January 1, 2020*

#### ***PFRS 17, Insurance Contracts***

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

The key principles in PFRS 17 are that an entity:

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

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

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

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

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

The amendments relate to a revised definition of "material":

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

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

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

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

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

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

*Amendments to PFRS 3, Definition of Business*

The amendments are to:

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

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

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

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

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

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

Salient points of the interpretation are the following:

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

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

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

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

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

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

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

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

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

Cryptocurrencies held by an entity can be treated either as (i) Inventory under PAS 2, or (ii) Intangible asset under PAS 38.

Cryptographic assets other than Cryptocurrencies, the interpretation suggested the following relevant accounting frameworks for consideration:

- i. If the Token meets the definition of a financial liability, apply guidance in PFRS 9;
- ii. If the Toke meets the definition of an equity instrument, apply guidance in PAS 32;
- iii. If the Token is a prepayment for goods and services from a contract with a customer, apply guidance in PFRS 15; and
- iv. If the Token does not meet any of the aforementioned, consider other relevant guidance.

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

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

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

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

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

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

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

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

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#### **NOTE 4 - SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

An Asset is current when it is:

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

The Company classifies all other assets as noncurrent.

A liability is current when:

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

All other liabilities are classified as noncurrent.

### **Fair Value Measurement**

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

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

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

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

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

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

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

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

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

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

## **Financial Instruments**

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

### Financial Assets

#### *Initial Recognition and Measurement*

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, 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 FVTPL, irrespective of the business mode.

The Company's business model for managing financial assets refers 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 financial assets in order to collect contractual cash flows while financial assets classified and measured at FVOCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

#### *Subsequent Measurement*

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

- financial assets at amortized cost (debt instruments)
- financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

- financial assets at FVTPL.

#### *Financial Assets at Amortized Cost (Debt Instruments)*

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

The Company's financial assets at amortized cost includes cash (excluding cash on hand), advances to contractors, advances to suppliers, and accounts and other receivables as at December 31, 2019 (see Notes 6, 7 and 8).

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

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

The Company does not have debt instruments at FVOCI (debt instruments) as of December 31, 2019.

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

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

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

The Company does not have debt instruments at FVOCI (equity instruments) as of December 31, 2019.

#### *Derecognition*

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

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

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

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

### *Impairment*

The Company recognizes an allowance or ECLs for all debt instruments not held at FVPL. 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 EIR. 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 a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

The Company, in general, considers a financial asset in default when contractual payments are 360 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 before taking into account any credit enhancements held by the Company. A financial asset is written off, in whole or in part, when the asset is considered uncollectible, the Company has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

## **Financial Liabilities**

### *Initial Recognition and Measurement*

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

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

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

#### *Subsequent Measurement*

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

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

#### *Financial Liabilities at FVTPL*

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

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

Gains or losses on liabilities held for trading are recognized in the statement of income.

Financial liabilities designated upon initial recognition at FVTPL 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 FVTPL as at September 30, 2019.

The Company does not have financial liabilities at fair value through profit or loss as of December 31, 2019.

#### *Financial liabilities at amortized cost (Loans and Borrowings)*

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

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

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

#### *Derecognition*

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

### *Offsetting of financial Instruments*

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

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

### **Cash**

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

### **Advances**

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

Advances has many forms such as advances to contractors and advances to suppliers.

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

### **Inventories**

Inventories are initially measured at cost. Cost includes all costs of purchases, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Inventories are subsequently measured at the lower of cost and estimated selling price less costs to sell (net realizable value). Cost is determined using the first-in, first-out (FIFO) method. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognized immediately in the statement of comprehensive loss.

All inventories are valued at cost which is lower than their net realizable value.

### **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 Parent Company which are expected to be realized or consumed within one year or within the Parent Company's normal operating cycle whichever is longer. Other current assets are 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;

The Company adds to the carrying amount of an item of property and equipment the cost of replacing parts of such item when the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the period in which they 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.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives. Depreciation is calculated on a straight-line basis over the following estimated useful lives of the assets:

<u>Categories</u>	<u>Estimated Useful Life</u>
Land Improvement	5 years
Office Equipment and Furniture	3 - 7 years
Medical Equipment	5 years
Transportation Equipment	5 years

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.

Freehold land is initially and subsequently carried at cost. Freehold land is not depreciated.

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

Fully depreciated and fully amortized assets are retained by the Company as part of property and equipment until their disposal.

## **Construction-in-progress**

Property development and construction costs are recognized at cost and accumulated in this account. Construction in progress is not depreciated until transferred into appropriate accounts,

when construction of asset is completed and put into operational use. Borrowings and any additional costs incurred in relation to the project are recognized in this account.

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

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

At each reporting date, the Company assesses whether there is any indication that any of its tangible assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units (CGUs), or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

### **Equity Instruments**

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.

#### *Ordinary shares*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds, net of tax.

#### *Share premium*

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

#### *Deficit*

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

#### *Other comprehensive income/ (loss)*

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

## **Revenue Recognition**

### Revenue from Contracts with Customers

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

Revenue is recognized when the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good

or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation.

#### *Service income from hospital services*

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

#### *Sale of medical goods*

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

The Company does not have revenues from service income from hospital services nor medical goods since the hospital is still in its construction in progress stage, thus the Company is said to be not in commercial operations as of December 31, 2019.

### Revenue Recognition Outside the Scope of PFRS 15

#### *Interest income*

Interest income from a financial asset is recognized when it is probable that the economic benefit will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

## **Cost and Expense Recognition**

Cost and expenses are recognized in the profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in liability has arisen that can be measured reliably. Expenses are recognized on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure

produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Cost and expenses in the statements of comprehensive loss are presented using the function of expense method. Direct costs are expenses incurred that are associated with services rendered. General and administrative expenses are costs attributable to general administrative, and other business activities of the Company.

## **Employee Benefits**

### Short-term benefits

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

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

### Post-employment benefits

#### *Defined benefit plan*

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

However as at December 31, 2019 and 2018, the Company has not yet established a fund retirement benefits plan for its employees since no employee has reached the age of 60 years old and has not been employed for 5 years.

## **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### *The Company as lessee*

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental

expense on a straight-line basis, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### **Borrowing costs**

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

costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

### **Related Party Transactions**

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

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

### **Taxation**

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

#### Current tax

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

#### Deferred tax

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

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

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

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

#### Current and deferred tax for the year

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

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

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

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

#### **Provisions and Contingencies**

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

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

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

#### **Events After the Reporting Period**

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

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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.

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

**Critical Judgments in Applying Accounting Policies**

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

*Functional currency*

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

*Classification of Financial Instrument*

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

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

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

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

### Operating Lease Commitments – Company as Lessee

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

### **Key Sources of Estimation Uncertainty**

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

#### *Estimating useful lives of assets*

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

As at June 30, 2020 and December 31, 2019, the Company's property and equipment had carrying amounts of ₱ and ₱803,109,449, respectively, as disclosed in Note 10. Total accumulated depreciation as at June 30, 2020 and December 31, 2019 amounted to ₱ and ₱23,634,320, respectively, as disclosed in Note 10.

#### *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 June 30, 2020 and December 31, 2019, Management believes that the recoverable amounts of the Company's property and equipment approximate its carrying amounts. Accordingly, no impairment loss was recognized in both years.

### *Deferred tax assets*

The Company reviews its deferred tax assets at each reporting date and reduces its carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The Company's assessment on the recognition of deferred tax assets on deductible temporary difference is based on the Company's forecasted taxable income of the following reporting period. This forecast is based on the Company's past results and future expectations on revenues and expenses. As at June 30, 2020 and December 31, 2019, the Company had assessed that they will not generate sufficient taxable income for the utilization of deferred tax assets in the succeeding years.

Deferred tax assets with full valuation allowance as at June 30, 2020 and December 31, 2019 amounted to ₱ and ₱13,086,602, respectively (see Note 19).

### *Estimating allowances for doubtful accounts*

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

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

### *Estimating loss allowance for expected credit losses*

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

As at June 30, 2020 and December 31, 2019, Management believes that there are no expected credit losses in relation to their advances to contractors and advances to suppliers, accordingly, no loss allowance was recognized for the year. Total advances to contractors and advances to suppliers as at June 30, 2020 and December 31, 2019 amounted to ₱ and ₱58,201,475, respectively. (see Note 7).

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**NOTE 6 - CASH**

The account consists of:

	<b>June 30, 2020</b>	December 31, 2019
Cash on hand	<b>810,201</b>	3,109,779
Cash in banks	<b>6,766,737</b>	13,164,089
	<b>7,576,938</b>	16,273,868

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

Cash on hand pertains to undeposited receipts and petty cash funds that are maintained to cover expenditure on small items such as transportation, supplies and other payments at the discretion of management.

Cash in banks generally earn interest at rates based on daily bank deposit rates. Interest earned from bank deposits amounted to ₱ and ₱12,722 for the six months ending June 30, 2020 and 2019, respectively and is presented as part of “other income” in the statement of comprehensive loss.

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

This account consists of:

	<b>June 30, 2020</b>	December 31, 2019
Advances to suppliers <sup>1)</sup>	<b>12,271,917</b>	12,271,917
Advances to contractors <sup>2)</sup>	<b>13,475,205</b>	13,475,205
	<b>25,747,122</b>	25,747,122

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<sup>1)</sup>Advances to suppliers are downpayments made to suppliers of medical equipment and/or construction materials ordered. The amounts represent 20% - 50% of the total contract price of the items purchased. While the construction materials are to be delivered during construction, the medical equipment are to be delivered depending on the agreement of the Company with the supplier.

<sup>2)</sup>Advances to contractors represents advances for each awarded project activity and is liquidated via deduction, on a pro-rata basis from the contractor’s periodic progress billings.

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**NOTE 8 - ACCOUNTS AND OTHER RECEIVABLES**

This account consists of:

	<b>June 30, 2020</b>	December 31, 2019
Due from PhilHealth <sup>1)</sup>	<b>12,005,121</b>	10,165,499
Accounts receivables <sup>2)</sup>	<b>1,986,857</b>	2,076,737
Due from HMOs <sup>1)</sup>	<b>3,069,263</b>	558,387
Advances to officers and employees	<b>256,839</b>	139,623
Other receivables	<b>214,903</b>	87,163
	<b>17,532,983</b>	13,047,409

<sup>1)</sup>This account pertains to reimbursements for hospital expenses and doctors' fees availed by patients who are members of the Philippine Health Insurance Corporation and Health Maintenance Organization.

<sup>2)</sup>Accounts receivables pertain to receivables from patients and reimbursements from DSWD availed by the patients.

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**NOTE 9 - INVENTORIES**

Inventories as at June 30, 2020 and December 31, 2019 amounted to ₱28,137,168 and ₱23,763,500, respectively.

Medical and laboratory supplies refer to drugs and medication supplies which are consumed when a patient is admitted. General hospital maintenance supplies pertain to purchases of cleaning and sanitation supplies for the hospital upkeep and general housekeeping.

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**NOTE 10 - PROPERTY AND EQUIPMENT (net)**

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

	Land and Land Improvements	Building	Medical Machineries and Transportation Equipment	Equipment	Office Equipment, Furnitures and Fixtures	Total
<b>Cost:</b>						
At beginning of year	52,993,860	586,692,249	192,570,072	1,775,000	24,857,542	859,678,818
Additions	-	-	24,754,130	120,000	1,887,613	27,785,091
	<b>52,993,860</b>	<b>586,692,249</b>	<b>217,324,202</b>	<b>1,895,000</b>	<b>26,745,155</b>	<b>887,463,909</b>
<b>Accumulated depreciation:</b>						
At beginning of year	360,750	8,623,637	18,388,778	322,278	4,487,514	32,182,957
Depreciation (Notes 17 and 18)	138,750	18,443,508	35,708,711	401,528	4,762,127	59,454,623
	<b>499,500</b>	<b>27,067,145</b>	<b>54,097,489</b>	<b>723,806</b>	<b>9,249,641</b>	<b>91,637,580</b>
<b>Net carrying value as at June 30, 2020</b>	<b>52,494,360</b>	<b>55,625,104</b>	<b>163,226,714</b>	<b>1,171,194</b>	<b>17,495,515</b>	<b>795,826,329</b>

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

	Land and Land Improvements	Building	Medical Machineries and Equipment	Transportation Equipment	Office Equipment, Furnitures and Fixtures	Total
Cost:						
At beginning of year	52,993,860	-	111,882,154	1,585,000	16,456,764	182,917,778
Reclassifications	-	586,192,249	-	-	-	586,192,249
Additions	-	500,000	80,687,918	190,000	9,190,873	90,568,791
At end of year	52,993,860	586,692,249	192,570,072	1,775,000	25,647,637	859,678,818
Accumulated depreciation:						
At beginning of year	249,750	-	-	-	971,100	1,220,850
Depreciation (Notes 17 and 18)	111,000	8,623,637	18,388,778	322,278	3,516,414	30,962,107
At end of year	360,750	8,623,637	18,388,778	322,278	4,487,514	32,182,957
Net carrying value as at December 31, 2019	52,633,110	578,068,612	174,181,294	1,452,722	21,160,123	827,495,861

On March 28, 2019, the Company commenced the start-up launch (soft opening) of the hospital operations and available facilities; hence the Construction-in-progress was recognized or reclassified to Building account. While the sixth and seventh floors of the building is still under finishing stage, the corresponding costs attributed thereto are charged to this account (albeit not yet depreciable). As of December 31, 2019, the total aggregate costs incurred for these 2 floors amounted to ₱23,909,649.

The land covered by TCT # 109-2015000619 and 109-2015000621 amounting to ₱52,438,860 with total area of 7,833 sqm located at F. Cimafranca St., Daro, Dumaguete City where the Company is currently constructing a multidisciplinary specialty medical facility (hospital) (see Note 11) and is the subject of the real estate mortgage as disclosed in Note 13. The fair market value of the land as at June 30, 2020 and December 31, 2019 approximates its cost.

Management has reviewed the carrying values of property and equipment as at June 30, 2020 and December 31, 2020 for any impairment. Based on the results of its evaluation, there are no indications that these assets are impaired.

#### **NOTE 11 - CONSTRUCTION-IN-PROGRESS**

In the prior year, the Company started to commence its start-up operations thru soft opening of the hospital services and amenities to the public. Accordingly, the Management decided to reclassify this account under Property and equipment (Building) considering that the sixth and seventh floors are already in the finishing stage. Any additional costs for the said floors shall be charged directly to the Building account, although not yet depreciable until such time that it is subsequently put into operational use (see Note 10).

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**NOTE 12 - ACCOUNTS PAYABLE AND OTHER LIABILITIES**

Accounts payable and other liabilities consist of:

	<b>June 30, 2020</b>	December 31, 2019
Accrued expenses <sup>1)</sup>	<b>33,046,911</b>	24,741,715
Accounts payable – suppliers <sup>2)</sup>	<b>45,232,718</b>	45,936,444
Retention payable <sup>3)</sup>	<b>19,702,799</b>	19,702,799
Accrued interest payable <sup>4)</sup>	<b>3,575,670</b>	2,606,627
Government liabilities <sup>5)</sup>	<b>547,413</b>	546,175
	<b>102,105,511</b>	93,533,760

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<sup>1)</sup>Accrued expenses pertain to unpaid expenses incurred during the year.

<sup>2)</sup>Accounts payable – suppliers represent balances of medical and building equipment purchased and delivered as of reporting date.

<sup>3)</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 of the project and final acceptance by the Company.

<sup>4)</sup>Accrued interest payable refer to accrual of interest expense on loans from a development bank (see Note 13).

<sup>5)</sup> Government liabilities represents payable to government agencies (e.g. BIR, SSS, PHIC, HDMF) for other taxes due other than income tax not yet settled as of reporting date but which are normally settled within the next financial year.

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**NOTE 13 - NOTES PAYABLE**

The Landbank of the Philippines – Negros Lending Center extended several term loan availments equivalent to a credit line facility totaling **₱500,000,000** to finance the construction of the hospital structure and the acquisition of various medical equipments, hospital furniture and fixtures.

The foregoing credit line facility consists of a term loan 1 the availment which was granted in 2015 amounting to **₱400,000,000** for financing the hospital building. The term loan 2 availment amounting to **₱100,000,000** was for the acquisition of medical equipments and hospital furniture.

The loan can be availed in several drawdowns, payable ranging from 7 to 10 years in ladderized quarterly amortizations, including a grace periods ranging from 1 to 3 years for principal amortization. Interest rate is at floating rate of 5% per annum with a fixed rate of 6% per annum.

In December 18, 2019, the Company obtained a short-term loan amounting to **₱50,000,000** to augment working capital requirement of the hospital operations payable in lumpsum upon maturity. Interest on loan is at Landbank's prevailing interest at the time of availment and subject to quarterly repricing.

The loan is secured by a real estate mortgage on the Company's land including all other existing and future improvements thereon (Note 10) as well as a chattel mortgage on various medical

Notes payable is classified as follows:

	<b>June 30, 2020</b>	December 31, 2019
Notes payable - current portion	<b>89,950,281</b>	54,611,116
Notes payable - noncurrent portion	<b>373,716,385</b>	407,722,217
At end of year	<b>463,666,666</b>	462,333,333

Finance costs pertaining to the construction of the hospital building were capitalized to construction-in-progress account in the statements of financial position (see Note 10). On the other hand, finance costs relating to medical equipment and hospital furniture, and working capital requirement were charged to profit and loss statement.

#### **NOTE 14 - RELATED PARTY TRANSACTIONS**

In the normal course of business, the Company transacts with companies/individuals which are considered related parties. The following were carried out with related parties as at June 30, 2020 and December 31, 2019:

Category	Advances from shareholders December 31, 2019	Amount of Advances from Transactions shareholders		Terms	Conditions
		June 30, 2020	June 30, 2020		
<b>Advances from shareholders</b>					
Non-interest-bearing	107,360,954	7,391,000	114,751,954	Non-interest-bearing, to be paid in cash (a)	Unsecured, unguaranteed, not impaired
Interest bearing	17,792,145	4,700,000	22,492,145	Non-interest-bearing, to be paid in cash (b)	Unsecured, unguaranteed, not impaired
	<b>125,153,099</b>	<b>12,091,000</b>	<b>137,244,099</b>		

Category	Advances from shareholders 2018	Amount of Transactions		Terms	Conditions
		2019	2019		
<b>Advances from shareholders</b>					
Non-interest-bearing	220,214,830	(112,853,876)	107,360,954	Non-interest-bearing, to be paid in cash (a)	Unsecured, unguaranteed, not impaired
Interest bearing	-	17,792,145	17,792,145	Non-interest-bearing, to be paid in cash (b)	Unsecured, unguaranteed, not impaired
	<b>220,214,830</b>	<b>(82,261,731)</b>	<b>125,153,099</b>		

*a.) Non-interest-bearing Advances from shareholders*

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

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

*b.) Interest-bearing Advances from shareholders*

During the year, the Company acquired an unsecured interest-bearing advance from the shareholders. The loan bears an interest of twelve percent (12%) per annum and is payable subject to the availability of funds. The Company, however, reserves the right to defer settlement in favor of prioritizing payments relative to hospital construction.

*c.) Key Management Personnel Compensation*

Since the Company is in its pre-operating stage, the Board of Directors (BOD) has not yet declared key management personnel compensation for the six months ending June 30, 2020 and 2019, respectively. Instead, only per diem and plane fare allowance per meetings were given as per Board Resolutions dated September 6, 2015 (see Note 17).

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

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**NOTE 15 - SHARE CAPITAL**

Details of share capital as at June 30, 2020 and December 31 2019, is as follows:

	<b>No. of Shares</b>	<b>Amount</b>
Authorized share capital – ₱1,000 par value		
Founder's shares	<b>600</b>	<b>600,000</b>
Common shares	<b>239,400</b>	<b>239,400,000</b>
Total authorized share capital	<b>240,000</b>	<b>240,000,000</b>
	<b>No. of Shares</b>	<b>Amount</b>
Subscribed share capital:		
Founder's shares	<b>600</b>	<b>600,000</b>
Common shares	<b>156,040</b>	<b>156,040,000</b>
Total subscribed share capital	<b>156,640</b>	<b>156,640,000</b>
Paid-up share capital:		
Founder's shares	<b>600</b>	<b>600,000</b>
Common shares	<b>156,040</b>	<b>156,040,000</b>
Total paid-up share capital	<b>156,640</b>	<b>156,640,000</b>

During the year, pursuant to the SEC's approval of the Company's registration statement of its public offering of its shares of stock (see Note 1), the Company issued an additional **SIX THOUSAND (6,000)** common shares. The related share premium arising thereof, after deducting transaction costs associated with the issuance of shares amounted to ₱114,000,000. The common share offer price amounted to ₱250,000 up to ₱400,000 per block [one (1) block = ten (10) common shares].

In 2018, the SEC approved the increase in authorized share capital from **ONE HUNDRED TWENTY MILLION (₱120,000,000) PESOS to TWO HUNDRED FORTY MILLION (₱240,000,000) PESOS** divided into **TWO HUNDRED FORTY THOUSAND (240,000) SHARES** at **ONE THOUSAND (₱1,000) PESOS PER SHARE**.

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**NOTE 16 - REVENUES FROM CONTRACTS WITH CUSTOMERS**

On March 28, 2019, the Company opened its Out-Patient Department (OPD) to the public. In July 2019, with the exception of the sixth and seventh floor, the Company inaugurated the Hospital.

Revenues earned for the six months ended June 30, 2020 and 2019 amounted to ₱128,599,045 and ₱ 4,372,296.

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**NOTE 17 - DIRECT COSTS**

As at June 30, 2020 and 2019, direct costs amounted to ₱90,583,072 and ₱186,447, respectively.

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**NOTE 18 - GENERAL AND ADMINISTRATIVE EXPENSES**

This account consists of the following:

	<b>June 30,2020</b>	June 30, 2019
Salaries and allowances	<b>33,071,492</b>	3,458,798
Professional fees	<b>21,512,447</b>	311,120
Depreciation	<b>12,011,304</b>	-
Communication, light and water	<b>5,873,583</b>	2,483,625
Janitorial and housekeeping services	<b>3,068,974</b>	552,728
SSS, phic and hdmf contributions	<b>2,273,237</b>	347,292
Supplies/consumables	<b>2,143,130</b>	740,248
Taxes & licenses	<b>1,642,555</b>	769,417
Security services	<b>1,234,786</b>	337,038
Clothing and sewing expense	<b>362,060</b>	60,860
Miscellaneous expenses	<b>357,375</b>	296,065
Laundry services	<b>157,988</b>	8,024
Board meetings and meals	<b>153,360</b>	549,200
Fuel and oil	<b>107,707</b>	-
Transportation and travel	<b>76,989</b>	743,015
Repairs and maintenance expense	<b>75,987</b>	169,155
Employee training expense	<b>60,117</b>	352,990
Uniform expense	<b>59,778</b>	88,290
Rental	<b>14,800</b>	60,250
Freight & handling expense	<b>4,365</b>	558,070

Advertising and promotion	3,500	–
Fines and penalties	–	808,000
	<b>84,265,532</b>	<b>12,694,186</b>

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**NOTE 19 - FINANCIAL RISK MANAGEMENT**

*Financial risk management objectives and policies*

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

***Market risk***

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

*Interest rate risk*

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

The primary source of the Company's interest rate risk relates to cash in bank is subject to prevailing 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.

The Company's statement of comprehensive loss is not affected by the changes in interest rates as the interest-bearing liability instrument (notes payable) carry fixed interest rate and are measured at amortized cost and is capitalized to the qualifying assets during its construction period.

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

***Credit risk***

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

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

*Cash*

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

*Advances to suppliers, advances to contractors, and accounts and other receivables*

The Company has no significant concentrations of credit risk on advances to suppliers and advances to contractors, and accounts and other receivables. The Company's advances to suppliers and advances to contractors, and accounts and other receivables are actively monitored to avoid significant concentrations of credit risk. The Company evaluates balances of debtors lacking an appropriate credit history where credit records are available.

Management believes that there are no indicators of impairment on the Company's advances to suppliers and advances to contractors, and accounts and other receivables.

***Liquidity Risk***

Liquidity risk arises when the Company may encounter difficulty in meeting the obligation associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's objective of managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

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

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**NOTE 20 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

The carrying amounts equal the fair values of the categories of assets and liabilities presented in the statements of financial position.

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

Due to short-term maturities, cash, advances to suppliers, advances to contractors, accounts and other receivables, accounts payable and other liabilities and deposit for future subscription, their carrying amounts approximate their fair values.

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

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

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**NOTE 21 - CAPITAL RISK MANAGEMENT**

The Company's capital management objectives are:

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

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

The loan agreement provides certain restrictions and requirements with respect to, among others, maintenance of financial ratios (current ratio of 1:1 and debt-to-equity ratio of 75:25), percentage of ownership of specific shareholders, creation of property encumbrances and additional guarantees for the incurrence of additional long-term indebtedness.

As of reporting date, all covenants and requirements are complied with except for the required financial ratios wherein the financial institution was made aware of since the Company has just yet started commercial operations.