

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

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

1. For the fiscal year ended ... December 31, 2019
2. SEC Identification Number ... CS2014234513. BIR Tax Identification No. _008-917-666-000
4. Exact name of issuer as specified in its charter...Allied Care Experts (ACE) Medical Center-Tacloban Inc.
5. Philippines
Province, Country or other jurisdiction of incorporation or organization
6. (SEC Use Only)
Industry Classification Code:
7. Address of principal office: Brgy 78, Marasbaras Tacloban City
Postal Code: 6500
8. .. 053- 884322 / 09564614352
Issuer's telephone number, including area code
9. N/A
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	196,130,000.00
Total Debt Outstanding	819,581,273

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

Yes No

If yes, state the name of such stock exchange and the classes of securities listed therein:

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation

Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [x] No []

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

Yes [x] No []

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

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

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

Yes [] No []

PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

ACE Medical Center – Tacloban, Inc. is a stock corporation duly organized under the laws of the Republic of the Philippines on December 2, 2014. ACEMC-Tacloban originally had an authorized capital stock of One Hundred Twenty Million Pesos (120,000,000.00) divided into Six Hundred (600) Founders' shares and One Hundred Nineteen Thousand Four Hundred (119,400) Common shares both with a par value of One Thousand Pesos (P1,000.00) per share.

On May 10, 2018, the Securities and Exchange Commission approved the Company's increase in its authorized capital stock from One Hundred Twenty Million Pesos (120,000,000.00) divided into Six Hundred (600) Founders' shares and One Hundred Nineteen Thousand Four Hundred (119,400) Common shares both with a par value of One Thousand Pesos (P1,000.00) per share to Two Hundred Forty Million Pesos (240,000,000.00) divided into Six Hundred (600) Founders' shares and Two Hundred Thirty Nine Thousand Four Hundred (239,400) Common shares both with a par value of One Thousand Pesos (P1,000.00) per share.

On September 27, 2019, the Company was issued its Permit to Sell securities consisting of Two Hundred Twenty-Eight Thousand (228,000) common shares covered under SEC MSRD No.37, series of 2019.

ACE Medical Center-Tacloban, Inc. was established to maintain, operate, own, and manage hospitals, medical and related healthcare facilities and businesses such as, but without restriction to clinical laboratories, diagnostic centers, ambulatory clinics, condo hospitals, scientific research and other allied undertakings and services which shall provide medical, surgical, nursing, therapeutic, paramedic, or similar care, provided that purely professional, medical or surgical services shall be performed by duly qualified physicians or surgeons who may or may not be connected with the hospitals and whose services shall be freely and individually contracted by the patients.

ACE Medical Center - Tacloban is a a Level 2 health care facility with an organized, systematic, and with a cost-effective ,sympathetic and holistic approach to its goal in providing the best quality and justifiable medical services to its clients and stakeholders. It is a 10-storey, 152-bed capacity hospital with total floor area of 14,026sq.m. constructed in a 2,153sq.m. property located along National Road, Barangay 78, Marasbaras, Tacloban City. Another property located adjacent and behind the hospital, with a total lot area of 5,643 sq. m., will serve as the parking lot that can accommodate up to 150 cars. It will also serve as the site for Laundry Room, Generator Set Room, Fire Pump Room, Waste Segregation and ECODAS for treatment of medical waste,

The hospital serves the medical needs of the residents of Tacloban City, especially in Barangay Marasbaras, nearby Barangays and Municipalities, and the whole of Leyte, Samar and Biliran Provinces. It consists of medical specialists who are competent and fully qualified in their line of work and equally efficient and well-motivated employees and management staff, some of which are subscribers to the capital stock of the Corporation.

The Company is not expected to be dependent upon one or a limited number of suppliers for its hospital equipment and essential raw materials. ACE Medical Center – Tacloban, Inc. has entered into several contracts for the construction of the hospital building. On February 1, 2017, ACE Tacloban executed a contract with **DAKAY Construction and Development Corporation**, whereby the latter shall provide the services of the Contractor for the construction of the Hospital in accordance with the plans and specifications of the Hospital. It shall complete all the civil and structural works required for the

completion of the hospital and furnish the necessary labor, supervision, tools, supplies, equipment and materials for the Project.

One of the major supply contracts is with **Shimadzu Philippines Corporation** for the supply of X-ray equipment package. This covers several equipment such as: X-ray High Voltage Generator, X-ray Table, X-ray Tube support assembly, Bucky unit, Canon Digital Radiography and other accessories.

A contract has been executed with **Siemens Healthcare Inc.** for the supply of CT Scan and MRI equipment – Magnetom Sempra with Syngo, Plaza, SomatomGo and Mammomat Fusion.

A contract with **Biosolutions Inc.** has been executed for the sublease of Multi-Specialty Ultrasound Machine and Cardiovascular dedicated Ultrasound Machine. The Package shall be under a financial lease agreement with Biosolutions (leasing company). The leasing company shall be the legal owner of the unit until all payment has been cleared, after which a formal turnover of ownership will be made to ACE Tacloban.

The contract with **Medparc Pharmacy** is for the supply of Manual 3 Cranks Push Button Bed (set).

In the normal course of business, the Company transacts with companies/individuals which are considered related parties. A summary of the transactions and account balances with related parties are as follows:

Category	Outstanding Balance		Amount of Outstanding Balance Transactions	Balance 2019	Terms	Conditions
	2018	2019				
Loans receivable						
ACE MC – Pateros	40,000,000 (32,000,000)	8,000,000	Interest-bearing, Insecured, unguaranteed, to be collected in cash (a)			Not impaired
ACE MC – Quezon	20,000,000 (13,000,000)	7,000,000	Interest-bearing, Insecured, unguaranteed, to be collected in cash(a)			Not impaired
	600,000	(45,000,000)		15,000,000		

Advances from shareholders	105,516,259	(22,280,480)	83,235,779	Non-interest bearing, to be paid in cash (b)	Unsecured Unguaranteed
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Category	Outstanding Balance		Amount of Outstanding Balance Transactions	2018	Terms	Conditions
	2017	2018				
Loans Receivable						
ACEMC-Pateros	40,000,000			40,000,000	Interest Bearing, to be collected in cash (a)	Unsecured not impaired
ACEMC –QUEZON	20,000,000			20,000,000	Interest Bearing, to be Collected in cash (a)	Unsecured Not impaired
	60,000,000			60,000,000		

				Non-interest Bearing,to be Paid in cash	Unsecured Unguaranteed (b) Not impaired
Advances from Shareholders	66,550,481	38,965,778	105,516,259		

(a) Loans receivable

The Company granted to its affiliates, Allied Care Experts (ACE) Medical Center – Pateros, Inc. and Allied Care Experts (ACE) Medical Center – Quezon, Inc. loans amounting to P40,00,000 and P20,00,000, respectively with interest rate of 5.25% per annum with principal repayments until 2021.

Interest earned from these loans receivable for the years ended December 31, 2019 and December 31, 2018 amounted P1,179,326 and P3,150,000, respectively, and were offset against the borrowing costs capitalized to construction-in-progress (see Note 11).

(b) Advances from shareholders

In the special meeting of the Board held last January 11, 2015, the directors and shareholders were mandated and empowered to contribute resources and make cash advances to the Company for the construction of its medical structures and appurtenances.

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

The Board of Directors ratified the conversion of advances from shareholders amounting to P49,400,000 in 2017 to settle in full the outstanding unpaid subscription of certain shareholders within the base ceiling of the original authorized share capital.

ACE Medical Center - Tacloban, Inc. has secured the necessary permits needed by the Hospital. This includes Building Permit, Mechanical, Electrical, Plumbing, Fire and Electronics permit, as well as Business permit and BIR registration. The Occupancy Permit was issued by the Office of the Building Official last March 20, 2019. The Fire Permit and the Sanitary Permit were granted last January 4, 2019 and July 16, 2019, respectively.

In the course of its operation, ACE Medical Center – Tacloban, Inc. secured permits and licenses from national and local government entities such as Environmental Compliance Certificate and Hazardous Waste Permit from DENR and Business Permit from BPLO of Tacloban City.

The DOH conducted ocular inspection of the facilities of the Hospital, as well as the pre-operation procedures of ACE Medical Center – Tacloban last June 13, 2019. This is to ensure that the hospital is compliant with the standards of the Department prior to issuance of the LTO. The License to Operate (LTO) was received last July 23, 2019 with License Number 08-0018-19-H2-2.

Total Number of Full Time-Employees (As of December 31, 2019):

	CBA	Non-CBA	Total
Rank and File		231	231
Supervisors		22	22
Managers and Top Management		18	18
Total		271	271

The major risks involved in the Company's business as well as the measures being undertaken by the Company to manage such risks are as follows:

Major Risks	Measures Undertaken
Difficulty to collect from patients	The Issuer mitigates such risk through effective monitoring of the Hospital's finances and receivables to ensure that its exposure to unpaid promissory notes is maintained at manageable levels.
Scarcity of Hospital Staff especially Nurses	The Human Resources Department maintains a program that will enhance and develop the career path of hospital employees to ensure continued stay and loyalty to the Company.

Item 2. Properties –

ACE Medical Center – Tacloban is a 10-storey, 152-bed capacity hospital. The total floor area is around 14,026sq.m. constructed in a 2,154sq.m. property located along National Road, Barangay 78, Marasbaras, Tacloban City. The property is covered by Transfer Certificate of Title No. 122-2015000303 and Tax Declaration No. 2012-01-0009-09713 registered in the name of Allied Care Experts (ACE) Medical Center .

The land where the Company built a multidisciplinary special medical facility is the subject of a real estate mortgage covered by TCT No. 122-2015000303 amounting to ₱25,964,426 .

In 2016, the Company purchased on installment additional lot adjacent to the Company's hospital building. This serve as the parking lot and site for other hospital facilities like the Laundry Room, Generator Set Room, Fire Pump Room, Waste Segregation and ECODAS for treatment of medical waste, Cistern Tank and LPG Room. It has a total lot area of 5,643 sq.m. and is covered by Transfer Certificate of Title No. 122-2018-000738 and Tax Declaration No. 2012-01-0009-10796 registered in the name of Allied Care Experts (ACE) Medical Center Tacloban, Inc. This was fully paid in June 2018 and is likewise the subject of a real estate mortgage.

Management has reviewed the carrying values of property and equipment as at December 31, 2019, 2018 and 2017 for any impairment. Based on the results of its evaluation, there are no indications that these assets are impaired.

Item 3. Legal Proceedings

The Company is not involved in any legal proceeding.

PART II – SECURITIES OF THE REGISTRANT

A. Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matters

(1) Market Information

The Company's common equity are sold through its organic employees who act as salesmen. The shares are sold in tranches for easier administration and on a first-come, first-served basis, subject to

pre-qualification procedures. The high and low sales prices by quarter for the last two (2) years are as follows:

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		1st Quarter
Market Price	2018	2019	2018	2019	2018	2019	2018	2018	2019
High	-	-	-	-	-	-	-	-	-
Low	-	-	-	-	-	-	-	-	-

The price as of December 27,2029 per latest practicable trading date is P 225,000.00

(2) Holders

There are approximately 413 holders of common shares of the Company as of December 31,2019.

Top 20 Stockholders (As of December 31, 2019)

STOCKHOLDER	NATIONALITY	NUMBER OF SHARES	PERCENT OF OWNERSHIP
1. AMADO MANUEL C. ENRIQUEZ, JR	FILIPINO	27930 C 70 F	11.66%
2. FERNANDO P. CARLOS	FILIPINO	15960 C 40 F	6.66%
3. MARIETTA T. SAMOY	FILIPINO	7980 C 20 F	3.33%
4. GEANIE A. LOPEZ-CERNA	FILIPINO	3990 C 10 F	1.67%
5. FRANCISCO P. CABOBOY	FILIPINO	13990 C 10 F	1.67%
6. MA. LOURDES L. CAMENFORTE	FILIPINO	3990 C 10 F	1.67%
7. CARLOS DE LA ROSA	FILIPINO	3990 C 10 F	1.67%
8. ROBERTO M. DE LEON	FILIPINO	3990 C 10 F	1.67%
9. MARIA PILIPINAS D. JAYA	FILIPINO	3990 C 10 F	1.67%
10. FELIX P. NOLASCO	FILIPINO	3990 C 10 F	1.67%
11. NIMFA L. NUEVAS	FILIPINO	3990 C 10 F	1.67%
12. GENEROSO M. ORILLAZA	FILIPINO	3990 C 10 F	1.67%
13. EULOGIO T. PENALOSA	FILIPINO	3990 C 10 F	1.67%

14. RONALD L. RAMIRO	FILIPINO	3990 C 10 F	1.67%
15. LA RHAINE G. VIERNES	FILIPINO	3990 C 10 F	1.67%
16. EARL COURTNEY A. VIERNES	FILIPINO	3990 C 10 F	1.67%
17. MA. ROSARIO ABRIOL SANTOS	FILIPINO	3990 C 10 F	1.67%
18. MA. ROSITA O. ADOLFO	FILIPINO	3990 C 10 F	1.67%
19. ROSARIO E. LATORRE	FILIPINO	3990 C 10 F	1.67%
20. FE G. MERIN	FILIPINO	3990 C 10 F	1.67%
Total		120,000	50.04%

(3) Dividends

Dividend Information on the Two Most Recent Fiscal Years

No dividends were declared by the Company since its incorporation in 2014 considering that the company has started its commercial operations only last July 2019.

Under Section 12.2 of the Company's Loan Agreement with the Land Bank of the Philippines dated October 15, 2018, the Company shall not, without the prior consent of Land Bank of the Philippines, declare any cash dividends and/or make, allow advances, or return any capital, or authorize or make any other distribution, payments of cash or property to its officers/stockholders/affiliate company/subsidiary(ies).

PART III. FINANCIAL INFORMATION

A. Management's Discussion and Analysis or Plan of

Operation Management's Discussion and Analysis

The following table shows the consolidated financial highlights of the Company for the years then ended December 31, 2019, 2018 and 2017:

	As of December 31 (In Thousands)		
	2019	2018	2017
Income Statement Data			
Revenue	P 62,440	P -	P -
Other Income	1,841	16	33
Cost of Sales and Services	(39,713)	-	-
General and Administrative Expenses	(48,397)	(11,006)	(3,744)
Operating Loss	(23,829)	(10,990)	(3,711)

Finance Cost	(15,317)	(698)	(71)
Net Loss	(P39,146)	(P11,688)	(P3,782)

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. Thereafter on July, 2019, the Company launched the full opening and full commercial operations of its hospital building and facilities.

Though the Company already commenced commercial operation, the loss during December 31, 2019 is still higher than December 31, 2018. The income derived from hospital fees and sales of drugs and medicine and income from cafeteria and other miscellaneous are not enough to cover the cost and operating expenses for the year 2019 resulting to a loss of P39M.

Financial Condition

Total assets increased from ₱700M to ₱997M. The increase was primarily due to the increase in accounts receivable, inventories, and property and equipment.

Cash decreased by ₱524K. Though they are cash from issuance of shares, loans and collections from revenue, these are negated by the increase in expenditures as the company commenced its commercial operations.

Advances to suppliers decreased by ₱57.8M. The decrease was due to the medical and hospital equipment are already delivered and reclassified to property and equipment.

Accounts and other receivables increased by ₱19M primarily related to the commencement of commercial operations of the Company which resulted to recognition of receivables from reimbursements for hospital fees and services availed by patients who are member of PhilHealth and receivables from patients and reimbursements from DSWD availed by patients.

The Company collected ₱45M of its loans receivable from its affiliates in 2019

Inventories increased by ₱17.6M primarily related to the commencement of commercial operations of the Company in 2019. Inventories consists of hospital and laboratory supplies, housekeeping supplies, office supplies, dietary supplies, and drugs and medicines inventory for sale.

Prepayments and other current assets increased by ₱7.7M primarily due to recognition of input VAT on purchases of goods and services pursuant to the change in the tax type registration of the Company from Percentage Tax to Value Added Tax.

Property and equipment increased by ₱762M primarily due to the reclassification of building from Construction-in-Progress, additional medical equipment, laboratory equipment, office equipment and other hospital equipment negated by significant increase in depreciation.

Construction in progress decreased by ₱406.7M. This was because the construction of the hospital building was completed and the amount was reclassified to building account in 2019.

Total liabilities increased by ₱237.5M. The increase was primarily due to the additional loan availed by the company during the year 2019 and increase in accounts payable and other liabilities in relation to the commencement of commercial operations in 2019.

Accounts payable and other liabilities increased by ₦70.6M. This increase was mainly due to the increase in the unpaid purchases of goods and services as of December 31, 2019 in connection with the Company's commencement of commercial operations.

Notes payable represents interest-bearing loan from Banks in support of the construction of the Company's hospital building, acquisition of hospital and medical equipment and transportation equipment and permanent working capital requirement of the hospital operation. This increased by ₦198M in 2019.

The decrease in advances from shareholders amounting to ₦22M was due to reclassification to advances from investors and equity account.

The ₦59M increase in the total equity is primarily due to the issuance of shares and the revaluation increment in Land. This was partly negated by the negative result of operation for the year.

Key Performance Indicators

	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
1. Liquidity a. Quick ratio - capacity to cover its short-term obligations using only its most liquid assets. [(cash + accounts and other receivables) / current liabilities]	0.743:1	0.971:1	0.753:1
b. Current ratio - capacity to meet current obligations out of its liquid assets. (current assets / current liabilities)	1.167:1	2.26:1	1.502:1
2. Solvency a. Debt to equity ratio - indicator of which group has the greater representation in the assets of the Company. (total liabilities / equity)	4.614:1	1.815:1	1.918:1
3. Profitability a. Net profit margin - ability to generate surplus for stockholder (net income / sales) - Remarks: The ratio is not applicable in 2018 and 2017 since the Company is still at pre-operating stage.	(0.627): 1	N/A	N/A
b. Return on equity - ability to generate returns on investment of stockholders. (net income / stockholders equity)	(0.264): 1	(0.101):1	(0.042):1
4. Leverage b. Debt to total asset ratio - the proportion of total assets financed by creditors. (total debt / total assets)	0.822:1	0.307:1	0.517:1

c. Asset to equity ratio - indicator of the overall financial stability of the Company. (total assets / equity)	5.614:1	5.916:1	3.71:1
2. Interest Rate Coverage Ratio a. Interest rate coverage ratio - measure of the company's ability to meet its interest payments (earnings before interest and taxes / interest expense) - Remarks: The Company was able to meet its interest payments. The negative result was due to operating loss in 2019 and pre-operating loss in 2018.	(1.556): 1	(15.749): 1	(52.083): 1

DECEMBER 31, 2019 COMPARED TO DECEMBER 31, 2018

Changes in Operating Results

There was a 394578% increase in income which was because the Company started its operations in 2019 and started earning revenues from hospital fees and sales of drugs and medicines and income from cafeteria and other miscellaneous income.

There was a 100% increase in the cost of sales and services because the Company is on its first year of operations in 2019.

Expenses during December 31, 2019 are higher compared to December 31, 2018 by 340%. This was primarily due to significant increase in all expenses in 2019 in relation to the commencement of operation.

Finance cost is higher in December 31, 2019 by 2095% primarily because of the additional loans availed in 2019 for the purchase of equipment and working capital requirement. Interest on these loans are not capitalized and were charge to expense.

Loss for the year ended December 31, 2019 is higher than December 31, 2018 by 235%. This was due to more operating expenses incurred in 2019 even though the Company is fully operational, the income derived from the operations is pretty much lower than the increase in total expenses.

Financial Condition

Total assets increased from ₦700M to ₦997M. The increase was primarily due to the increase in accounts receivable, inventories, and property and equipment.

Cash decreased by ₦524K. Though they are cash from issuance of shares, loans and collections from revenue, these are negated by the increase in expenditures as the company commenced its commercial operations.

Advances to suppliers decreased by ₦57.8M. The decrease was due to the medical and hospital equipment are already delivered and reclassified to property and equipment.

Accounts and other receivables increased by ₱19M primarily related to the commencement of commercial operations of the Company which resulted to recognition of receivables from reimbursements for hospital fees and services availed by patients who are member of PhilHealth and receivables from patients and reimbursements from DSWD availed by patients.

Loans receivable decreased by ₱45M due to the collection from affiliates in 2019.

Inventories increased by ₱17.6M primarily related to the commencement of commercial operations of the Company in 2019. Inventories consists of hospital and laboratory supplies, housekeeping supplies, office supplies, dietary supplies, and drugs and medicines inventory for sale.

Prepayments increased by ₱7.7M primarily due to recognition of input VAT on purchases of goods and services pursuant to the change in the tax type registration of the Company from Percentage Tax to Value Added Tax.

Property and equipment increased by ₱762M primarily due to the reclassification of building from Construction-in-Progress, additional medical equipment, laboratory equipment, office equipment and other hospital equipment negated by significant increase in depreciation.

Construction in progress decreased by ₱406.7M. This was because the construction of the hospital building was completed and the amount was reclassified to building account in 2019.

Decrease in intangible asset was due to amortization in 2019.

There was no movement in other non-current assets from 2018 to 2019.

Total liabilities increased by ₱237.5M. The increase was primarily due to the additional loan availed by the company during the year 2019 and increase in accounts payable and other liabilities in relation to the commencement of commercial operations in 2019.

Accounts payable and other liabilities increased by ₱70.6M. This increase was mainly due to the increase in the unpaid purchases of goods and services as of December 31, 2019 in connection with the Company's commencement of commercial operations.

Notes payable represents interest-bearing loan from Banks in support of the construction of the Company's hospital building, acquisition of hospital and medical equipment and transportation equipment and permanent working capital requirement of the hospital operation. This increased by ₱198M in 2019.

The decrease in advances from shareholders amounting to ₱22M was due to payment of advances from shareholders.

The ₱59M increase in the total equity is primarily due to the issuance of shares and the revaluation increment in Land. This was partly negated by the negative result of operation for the year.

DECEMBER 31, 2018 COMPARED TO DECEMBER 31, 2017

Changes in Operating Results

Interest Income during December 31, 2018 is lower than December 31, 2017 by 51%. This was due to the decrease in average daily balance in cash in banks brought by the additional cost incurred for the construction of the hospital building.

Expenses during December 31, 2018 are higher compared to December 31, 2017 expenses by 194%. This was due to increase in pre-operating activities in relation to the on-going construction of the hospital building and expenses incurred in the preparation for the commencement of its commercial operation in 2019.

Finance cost increased by 879% primarily because of the additional loans availed in 2018 for the purchase of medical equipment and transportation equipment. Interest on these loans are not capitalized and were charged to expense.

Loss for the year ended December 31, 2018 is higher than December 31, 2017 by 196%. This was due to more pre-operating activities in 2018 as compared to 2017, which are mostly related to the on-going construction of the hospital building.

Financial Condition

Total assets increased from ₦416M to ₦700M. The increase was primarily due to the increase in cash, accounts receivable, advances to suppliers and construction in progress.

Cash increased by ₦8.7M due to increase in loans and advances from shareholders and issuance of shares negated by increase in capital expenditure and operating expenses during 2018.

Advances to suppliers increased by ₦48M. The increase was due to the accumulated payment for construction materials and medical and hospital equipment which are to be delivered depending on the agreement of the Company and the supplier. Construction materials are to be delivered during construction while medical and hospital equipment are to be delivered upon full payment.

Other receivables increased by ₦16.6M primarily due to the advances to contractors related to project activity and is liquidated via deductions on a pro-rata basis from progress billings.

There was no movement in loans receivable from 2017 to 2018.

Other current assets decreased by ₦60K due to reclassification of prepayments to construction in progress.

Property and equipment increased by ₦5.6M primarily due to additions to land and transportation equipment.

Construction in progress increased by ₦205M. This was due to the additional cost incurred on the on-going construction of the hospital building.

The intangible asset account increased by 100% due to purchased Hospital Information System software.

There was no movement in other non-current assets from 2017 to 2018.

Total liabilities increased by ₦278M. The increase was primarily due to the additional loans availed by the company during the 2018, additional advances from shareholders and increase in retention and other payables related in the on-going construction of the hospital building.

Accounts payable and other liabilities increased by ₦16.7M. This increase was primarily due to unpaid balances to suppliers and the retention payable as of December 31, 2018 in connection with the Company's on-going construction of hospital building.

Notes payable represents interest-bearing loan from Banks and financial institution in support of the construction of the Company's hospital building and purchase of medical equipment and transportation equipment. This increased by ₦240.5M in 2018.

Deposit for future stock subscription decreased by 100% due to reclassification to equity account upon the approval of the commission of the increase in authorized capital stock of the Company.

The increase in advances from shareholders amounting to ₦38.9M was due to the additional cash advances from shareholders.

The ₦6.3M increase in the total equity is primarily due to the additional issuance of shares negated by the negative result of pre-operation for the year.

DECEMBER 31, 2017 COMPARED TO DECEMBER 31, 2016

Changes in Operating Results

Interest Income during December 31, 2017 is higher than December 31, 2016 by 33%. This was due to the increase in average daily balance in cash in banks brought by the additional loans during the year.

Expenses during December 31, 2017 are higher compared to December 31, 2016 expenses by 111%. This was primarily due to the increase in expenses related to board meetings, salaried and allowances, miscellaneous expenses, professional fees, bank charges, depreciation, and rental.

Loss for the year ended December 31, 2017 is higher than December 31, 2016 by 112%. This was due to higher expenses incurred in 2017.

Financial Condition

Total assets increased from ₦243M to ₦416M. The increase was primarily due to the increase in receivables, advances to suppliers and construction in progress.

Cash decreased by ₦10.9M due to higher disbursements for the construction of the hospital building.

Advances to suppliers increased by ₦42M. This was due to the advance payment for medial and office equipment and construction materials which are to be delivered depending on the agreement of the Company and the supplier. Construction materials are to be delivered during construction while medical and hospital equipment are to be delivered upon full payment.

Other receivables increased by ₦12.3M. The increase was primarily due to additional advances to contractors.

There is no movement in loans receivable from 2016 to 2017.

There is no movement in prepayments from 2016 to 2017.

There is no significant movement in the amount of property and equipment from 2016 to 2017 except for the acquisition of transportation equipment.

Construction in progress increased by ₦127.8M. This was due to the additional cost incurred on the on-going construction of the hospital building.

Total liabilities increased by ₦127.5M. The increase was due to additional loans availed during 2017, deposit for future stock subscription and reservation deposit. This was negated by the decrease in advances from shareholders.

There is no significant movement in the amount of accounts payable and other liabilities from 2016 to 2017.

Notes payable represents interest-bearing loan from Bank in support of the construction of the Company's hospital building and purchase of transportation equipment. This increased by ₦121M in 2017.

The decrease in advances from shareholders amounting to ₦22M was due to conversion to equity.

The ₦45.6M increase in the total equity is primarily due to the additional issuance of shares. This was partly negated by the negative result of operation for the year.

Material Changes in Financial Condition

<i>From January 1, 2019 to December 31, 2019</i>	<i>From January 1, 2018 to December 31, 2018</i>	<i>From January 1, 2017 to December 31, 2017</i>
	a. Cash increased by ₦8.7M primarily due to increase in loans, advances from shareholders and issuance of shares during 2018.	a. Cash decreased by ₦10.9M due to higher disbursements for the construction of the hospital building
a. Advances to suppliers decreased by ₦57.8M due to the construction materials and medical equipment are already delivered and reclassified to proper account.	b. Advances to suppliers increased by ₦48M due to the accumulated payment for construction materials and medical equipment which are to be delivered depending on the agreement of the Company and the supplier	b. Advances to suppliers increased by ₦42M due to the increase in advance payment for medical equipment and construction materials which are to be delivered depending on the agreement of the Company and the supplier.
b. Loans receivable decreased by ₦45M due to the collection from		

affiliates in 2019.		
c. Accounts and other receivables increased by ₱19M due to the commencement of commercial operations of the Company which resulted to recognition of receivables from reimbursements for hospital fees and services availed by patients who are member of PhilHealth and receivables from patients and reimbursements from DSWD availed by patients.	c. Other receivables increased by ₱16.6M due to the increase in advances to contractors related to project activity and is liquidated via deductions on a pro-rata basis from progress billings.	c. Other receivables decreased by ₱12.3M due to additional advances to contractors.
d. Inventories increased by ₱17.6M due to the commencement of commercial operations of the Company in 2019. Inventories consists of hospital and laboratory supplies, housekeeping supplies, office supplies, dietary supplies, and drugs and medicines inventory for sale.		
e. Prepayments and other current assets increased by ₱7.7M due to recognition of input VAT on purchases of goods and services pursuant to the change in the tax type registration of the Company from Percentage Tax to Value Added Tax.	d. Other current assets decreased by ₱60K due to reclassification of prepayments to construction in progress.	
f. Property and equipment increased by ₱762M due to the reclassification of building from CIP, additional equipment and recognition of land appraisal	e. Property and equipment increased by ₱5.6M due to additions to land and transportation equipment	
g. Intangible asset decreased by ₱25k due to amortization	f. Intangible asset increased by ₱250k the Company purchased software in preparation for the commencement of commercial operation in 2019	
h. Construction in progress decreased by ₱406.7M	g. Construction in progress increased by ₱205M	d. Construction in progress increased by ₱127.8M

because the construction of the hospital building was completed and the amount was reclassified to building account in 2019	due to the additional cost incurred on the on-going construction of the hospital building	due to the additional cost incurred on the on-going construction of the hospital building
i. Accounts payable and other liabilities increased by ₦70.6M due to the increase in the unpaid purchases of goods and services as of December 31, 2019 in connection with the Company's commencement of operation.	h. Accounts payable and other liabilities increased by ₦16.7M due to unpaid balances to suppliers and the retention payable as of December 31, 2018 in connection with the Company's on-going construction of hospital building	
j. Notes payable increased by ₦198M represents interest-bearing loan from Banks in support of the construction of the Company's hospital building, purchase of medical and transportation equipment and for working capital requirement	i. Notes payable increased by ₦240.5M represents interest-bearing loan from Banks and financial institution in support of the construction of the Company's hospital building and purchase of medical equipment and transportation equipment	e. Notes payable increased by ₦121M represents interest-bearing loan from Bank in support of the construction of the Company's hospital building and purchase of transportation equipment
k. Reservation deposit decreased by ₦10.4M due to reclassification to equity account upon approval of the commission of the permit to sell securities of the Company		f. Reservation deposit increased by ₦10.4M Deposits from third parties were recorded as reservation deposit prior to formal issuance of permit to sell securities from SEC.
	j. Deposit for future stock subscription decreased by ₦18M Deposit for future stock subscription were reclassified to equity account upon the approval of the commission of the increase in authorized capital stock of the Company.	g. Deposit for future stock subscription (DFFS) increased by ₦18M DFFS pertains to funds from shareholders for the subscription on the increase in capital pending approval from SEC.
l. Advances from shareholders decreased by ₦22M	k. Advances from shareholders increased by ₦38.9M	h. Advances from shareholders decreased by ₦22M
due to payment of advances from shareholders.	due to the additional cash advances from shareholders.	due to conversion to equity.
m. Equity increased by ₦59M due to issuance of shares and the revaluation increment in Land. This was partly negated by the negative result of operation for	l. Equity increased by ₦6.3M due to the additional issuance of shares. This was partly negated by the negative result of pre-operation for the year.	i. Equity decreased by ₦45.6M due to the additional issuance of shares. This was partly negated by the negative result of operation

the year

for the year. .

Material Changes in Operating Results

2019 vs. 2018	2018 vs. 2017	2017 vs. 2016
a. Income increased by 394578% The Company started its operations in 2019 and started earning revenues from hospital fees and sales of drugs and medicines and income from cafeteria and other miscellaneous income.	a. Interest income decreased by 51% due to the decrease in average daily balance in cash in banks brought by the additional cost incurred for the construction of the hospital building.	a. Interest income increased by 33% due to the increase in average daily balance in cash in banks brought by the additional loans during the year..
b. Cost of sales and services increased by 100% because the Company is on its first year of commercial operations		
c. Expenses increased by 340% primarily due to significant increase in all expenses in 2019 in relation to the commencement of operation..	b. Expenses increased by 194% due to increase in pre-operating activities in relation to the on-going construction of the hospital building and expenses incurred in the preparation for the commencement of its commercial operation in 2019.	b. Expenses increased by 111% primarily due to the increase in expenses related to board meetings paid in 2017.
d. Finance cost increased by 2095% Primarily because of the additional loans availed in 2019 for the purchase of equipment and working capital requirement. Interest on these loans are not capitalized and were charge to expense	c. Finance cost increased by 879% Primarily because of the additional loans availed in 2019 for the purchase of equipment and transportation equipment. Interest on these loans are not capitalized and were charge to expense	b. Expenses increased by 111% primarily due to the increase in expenses related to board meetings, salaried and allowances, miscellaneous expenses, professional fees, bank charges, depreciation, and rental
e. Loss for the year increased by 235%	d. Loss for the year increased by 196%	c. Loss for the year decreased by 112%
due to more operating expenses incurred in 2019 even though the Company is fully operational, the income derived from the operations is pretty much lower than the increase in total expenses.	was due to more pre-operating activities in 2018 as compared to 2017, which are mostly related to the on-going construction of the hospital building.	due to higher expenses incurred and lower interest income in 2017 as compared to 2016.

There are no known trends, events or uncertainties that have material impact on liquidity except for COVID-19. While Management is cognizant of the impact of the disruption caused by COVID-19 to be temporary, the adverse effects on the operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on customers, employees and vendors all of which are uncertain and cannot be predicted. Management is optimistic that notwithstanding the adverse effects of the temporary closure brought about by the ECQ, the Company may still recover its shortfalls from the time ECQ will have been lifted till the end of 2020.

There are no events that will trigger direct or contingent financial obligation that is material to the Company.

There are no material off-balance sheet transactions, arrangements, obligations and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.

The Company continues to spend for capital expenditures in relation to the construction of the hospital building.

The financial condition or results of operations of the Company are not affected by any seasonal change.

Financial Risks

- a. Interest Rate Risk – The Company’s interest rate risk is limited to its cash in bank and notes payable. The Company has no established policy in managing interest rate risk. Management believes that the fluctuations on the interest rates will not have significant effect on the Company’s financial performance.
- b. Credit Risk – Credit risk refers to the possibility that counterparty will default on its contractual obligations resulting to 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.
- c. Liquidity Risk – The Company’s objective in maintaining 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 has no investments in foreign securities.

Material changes on line items in the financial statements are included in “Management’s Discussion and Analysis” above (refer to pages 14 - 17).

B. Information on Independent Accountant and Other Related Matters

The Company’s external auditor is the auditing firm of DIMACULANGAN, DIMACULANGAN AND CO. CPA’S. For the year 2020, the auditing firm of PEREZ, SESE, VILLA AND CO. is being recommended by the Board, based on the recommendation of the Audit Committee composed of Dr. Everly Joy Tobio(Chairman), Dr. Joyce Matoza and Dr. Jonally Redona for a fee of P 120,000.00 (exclusive of VAT and out-of-pocket expenses).

- a. The Audit committee evaluates proposals based on the quality of service, commitment for deadline and fees. The committee may require a presentation from each proponent to clarify some issues.
- b. DIMACULANGAN, DIMACULANGAN AND CO. CPA'S, represented by its engagement partner, Ms. Maria Teresita Zuniga-Dimaculangan, , is the external auditor of the Company for the most recently completed year 2019. Pursuant to SRC Rule 68 (3) (b) (iv) of the Amended Implementing Rules and Regulations of the Securities Regulation Code (SRC) (re: rotation of external auditors), the Company has not engaged Ms. Dimaculangan for more than five years.
- c. Representatives of DIMACULANGAN, DIMACULANGAN AND CO. CPA'S . are expected to be present during the stockholders' meeting. The representatives will have the opportunity to make statements if they desire to do so and will be available to respond to appropriate questions from the security holders.
- d. During the two (2) most recent fiscal years or any subsequent interim period, the independent auditor has not resigned nor was dismissed or has declined to stand for reappointment after the completion of the current audit.
- e. The aggregate annual external audit fees billed for each of the last two (2) fiscal years for the audit of the registrant's annual financial statements or services that are normally provided by the external auditor are as follows:

For the year 2019	- P332,248.00 (accrued and paid as of 2019 and 2020)
For the year 2018	- P 358,064.00 (billed and paid in 2019)
- f. The above audit fees are inclusive of the following: (a) audit, other assurance and related services by the External Auditor that are reasonably related to the performance of the audit or review of the Company's financial statements (P323,448,000); and (b) All Other Fees, including estimated out of pocket expenses accrued by the Company as of 2020 (P 8,800.00).

The Audit Committee has the function of assessing the independence and professional qualifications of the external auditor, in compliance with the requirements under applicable law, rules and regulations; reviewing the performance of the external auditors; and recommending to the Board of Directors the appointment or discharge of external auditors as well as reviewing and approving audit related and non-audit services to be rendered by external auditors. Prior to the commencement of the audit, the Audit Committee shall discuss, review and recommend with the external auditors the nature, scope and fees of the audit, and ensure proper coordination, if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts.

PART IV – MANAGEMENT AND CERTAIN SECURITY HOLDERS

(A) Directors, Executive Officers

(1) Directors

There are fifteen (15) members of the Board, three (3) of whom are independent directors. The term of office of each member is one (1) year; they are elected at the annual stockholders' meeting to hold office until the next succeeding annual stockholders' meeting and until his/her successor is elected and qualified. A director who is elected to fill any vacancy holds office only for the unexpired term of his predecessor. The following are the current members of the Board of Directors:

1. Enriquez, Amado Manuel Jr. C.

2. Carlos, Fernando P.
3. Caboboy, Francis P.
4. Camenforte, Ma. Lourdes L.
5. Cerna- Lopez, Geanie C.
6. Enriquez, Miguel Antonio R.
7. Jadloc, Jonathan Moses C.
8. Merin, Fe G.
9. Nuevas, Nimfa L.
10. Orillaza, Generoso M.
11. Samoy, Marietta T.
12. Tagra, Mina Sirikit C. – Independent Director
13. Ty, Florentina U. – Independent Director
14. Viernes, La Rhaine G.
15. Zozobrado, Evangeline Y. –Independent Director

1. AMADO MANUEL C. ENRIQUEZ, JR. - 68 years old, Filipino

Graduated from University of the Philippines, College of Medicine, 1978; Doctor of Medicine

POSITIONS HELD:

Chairman of the Board –
Manila East Medical Center (2007-2008, 2017); Paranaque Doctors Hospital (2012-2017);
ACE Medical Center Baypointe, Subic (2007-2011); Unihealth Paranaque Hospital (2014-2017); Active consultant in Cardiovascular-Thoracic Surgery – St. Lukes Medical Center, Manila East Medical Center, ACE Medical Center Hospitals. Unihealth- Paranaque Hospital and Medical Centre, Sucat- Founding President/CEO (2010 – 2012), Chairman of the Board (2014 – 2017); Alaminos Medical Centre Foundation, Inc. - Founding President/CEO/Chairman of the Board (2001 – present);

Founding Chairman –
ACE Medical Center Valenzuela,
ACE Medical Center Baliwag,
ACE Medical Center Pateros,
ACE Malolos Doctors,
ACE Medical Center Mandaluyong,
ACE Medical Center Palawan,
ACE Medical Center Iloilo,
ACE Medical Center Tacloban,
ACE Medical Center Bohol,
ACE Medical Center Dumaguete,
ACE Medical Center Bacolod,
ACE Medical Center General Santos,
ACE Medical Center CDO,
ACE Medical Center Dipolog,
ACE Medical Center Zamboanga,
ACE Medical Center Butuan

Hospital Affiliations:

St.Luke's Medical Centre (Dept. Cardiovasular – Thoracic Surgery); Manila East Medical Centre, Taytay, Rizal; ACE Medical Centre Baypointe, Subic Bay Freeport Zone; ACE Medical Centre Valenzuela, Valenzuela City; ACE Medical Centre Baliwag; ACE Medical Centre Pateros; ACE Medical Centre Quezon City.

2. CARLOS, FERNANDO P. – 59 YEARS OLD, FILIPINO

Graduated from Remedios Trinidad Romualdez Medical Foundation, 1986

POSITIONS HELD:

ACE Medical Center – Pateros, President (2011 – present); ACE Medical Center –QC, President (2012 – present); ACE Medical Center – Tacloban, President (2014 – present); ACE Medical Center – Dipolog, President (2017 – present); Founder and Board of Directors of other ACE Hospitals.

Hospital Affiliations:

ACE Hospitals

3. CABOBOY, FRANCIS 50 YEARS OLD, FILIPINO

Graduated from Remedios Trinidad Romualdez Medical Foundation

POSITIONS HELD:

Chairman, Dept. of Surgery – Mother of Mercy Hospital (September 2010 – present)
Consultant, Eastern Visayas Regional Medical Center (July 2015 – present), Romualdez Hospital

4. CAMENFORTE, MA. LOURDES L. 59, FILIPINO

Graduated from Remedios Trinidad Romualdez Medical Foundation, 1986

POSITIONS HELD:

Resident Physician – Samar Provincial Hospital; Divine Word University Hospital; St. Paul's Hospital; Mother of Mercy Hospital; Remedios Trinidad Foundation Hospital; Tacloban Doctors Hospital; Leyte Provincial Hospital

5. CERNA- LOPEZ, GEANIE C 67 YEARS OLD, FILIPINO

Graduated from Cebu Institute of Medicine

POSITIONS HELD:

ACE Medical Centre Cebu – President; Medical Centre Muntinlupa - President (2017 – present); Unihealth Paranaque Hospital and Medical Centre, Hospital Administrator (2017 – present); Las Pinas City Medical Centre, Hospital Administrator (2017 – present)

Hospital Affiliations:

ACE Hospitals
Paranaque Doctors Hospital

Unihealth Paranaque Hospital and Medical Centre
Las Pinas City Medical Centre
Medical Centre Muntinlupa
Asian Hospital and Medical Centre

6. ENRIQUEZ, MIGUEL ANTONIO R. 32 YEARS OLD, FILIPINO
Graduated from Centro Escolar University, Manila

POSITIONS HELD:

ACE Medical Centre Valenzuela - Hospital Administrator; ACE Medical Centre Quezon City - Vice President; ACE Medical Centre Pateros - Vice President

Hospital Affiliations:

ACE Hospitals

7. JADLOC, JONATHAN MOSES C. 47 YEARS OLD, FILIPINO
Graduated from Remedios Trinidad Romualdez Medical Foundation

POSITIONS HELD:

Medical Director – Corrompido Specialty Hospital (2009-2017)
Director – Souley MD Services, Inc. President/CEO Havilah
Polymedic Consultant – Consuelo K. Tan Medical Center
Medical Director ACEMC-Tacloban 2019 -2020

8. MERIN FE G. 65 YEARS OLD FILIPINO
Graduated from Cebu Institute of Medicine

POSITIONS HELD:

Faculty Member- Divine Word University College of Medicine (1982-1986, 1990-1995);
Faculty Member- RTRMF College of Medicine (1995-199); Chairman, Dept. of Obstetrics-Gynecology-Divine Word Hospital (1995- 1998);
Consultant – Divine Word Hospital (1991-present);
President, POGS Region 8 (2003 & 2004)
Regional Director, POGS Region 8 (2010-2012);
Board of Director, POGS Region 8 (2013-2016)
Vice Chairman & Hospital Administrator, ACEMC Tacloban (2014 – present)
Administrator – ACEMC-Tacloban 2019 up to present

HOSPITAL AFFILIATIONS:

ACEMC- TACLOBAN –Active Consultant
Divine Word Hospital- Visiting Consultant

9. NUEVAS, NIMFA L. 53 YEARS OLD, FILIPINO

Graduated from Remedios Trinidad Romualdez Medical Foundation

POSITIONS HELD:

Chairman Dept of Ob-Gyn MMH 2000-2018; President POGS Reg 8 Chapter; Corp Treasurer POGS Reg 8 Chapter 2018; Asst Treasurer POGS Reg 8 Chapter March 2019-present; Corp Treasurer ACEMC-Tacloban 2015-present;
Assistant Treasurer- Tagum Global Medical Center Inc. 2018 up to present; Member Phil Society of Climacteric Medicine

HOSPITAL AFFILIATIONS:

ACEMC- TACLOBAN –Active Consultant
Mother of Mercy Hospital –Visiting consultant
RTR Hospital –Visiting Consultant
Divine Word Hospital- Visiting Consultant

10. ORILLAZA, GENEROSO M. 64 YEARS OLD, FILIPINO

Graduated from Far Eastern University Institute of Technology

POSITIONS HELD:

Director – Paranaque Doctors Hospital (2007 – present); ACE Baypointe Hospital & Medical Center (2010- present); ACE Baliwag (2012-2014)
Head, Engineering and Maintenance Service- ACE Valenzuela (2011-2014); ACE Baypointe Hospital & Medical Center (2010- present); ACE Baliwag (2012-2014); Unihealth Paranaque Hospital and Medical Center 2014-2014); ACE Pateros (2013-2015); ACE QC (2013-present); Chairman of Construction Committee (2008 – present) – ACE Bohol; ACE Iloilo; ACE Dumaguete; ACE Tacloban; ACE Tacloban; ACE Butuan

11. SAMOY, MARIETTA T. 63 YEARS OLD ,FILIPINO

Graduated from University of Perpetual Help

POSITIONS HELD:

Chairman – Unihealth-Baypointe Hospital & Medical Center, Inc. (Subic Bay Freeport Zone) 2017
President – Unihealth-Valenzuela Hospital & Medical Center (2017)
Medical Director – YGEIA Medical Center
Chairman, Dept. of Surgery – ACE Medical Center Valenzuela; Uni-Health Paranaque Hospital and Medical Center (2017)

12. TAGRA, MINA SIRIKIT 60 YEARS OLD, FILIPINO

Graduated from South Western University

POSITIONS HELD:

Consultant – Divine Word Hospital (1998 – present); Training Officer – Divine Word Hospital (2012-2015); Visiting consultant – RTR Hospital (1998 – present); Mother of Mercy Hospital (2014 – present); Medical Director, Pharmacist, OB Gyne Sonologist, OB Gyne – Claridad Pharmacy OB Gyne and Ultrasound Services (2000-present); President, Region 8 Pharmacist Association (2000-2014); Chief of Clinic, Founders Head – Pharmacy dept. ACEMC Tacloban; Regional Director, POGR Region 8 Chapter (2015 – present)

HOSPITAL AFFILIATIONS:

Hospital Affiliations:

ACEMC- TACLOBAN –Active Consultant
Mother of Mercy Hospital –Visiting consultant
RTR Hospital –Visiting Consultant
Divine Word Hospital- Visiting Consultant

13. TY, FLORENTINA U. 67 YEARS OLD, FILIPINO

Graduated from Cebu Institute of Medicine

POSITIONS HELD:

Florentina U. Ty	<p>President – Society of Pediatric Critical Care Medicine Philippines (2002-2004); National Coordinator – Pediatric Advanced Life Support, PPS (1995-2005); Over-all Chair, 5th Asia-Pacific Association for Respiratory Care Convention (1985); Over-all Chair- 1st Postgraduate Course Mary Johnston Hospital, Dept of Pediatrics; Over-all Chair- 1st Subspecialty Postgraduate Course, MCU Hospital, Dept of Pediatrics (1983); Over-all Chair- 7th Joint Convention Critical Care Management, Philippine Heart Center (2005); Over-all Chair- 1st Postgraduate Course Las Pinas Medical Center, Dept of Pediatrics (2006); Chairman- Committee on Critical Care, PPS (2002); Chairman – Ways & Means, 44th PPS Annual Convention (2007); Chairman-Finance Committee, 45th PPS Annual Convention (2008); Over-all Chair- 51st PPS Annual Convention (2015); Board Examiner- Subspecialty Board, Society of Pediatric Critical Care Medicine, Phil (2005-2010); Chairman- Las Pinas City Med Center (2004-2012); Board Member- PPS, Inc. (2006-2016); Council Director for Research & Publication- PPS (2012-2016); National Treasurer- PPS (2016-2018); National Secretary, PPS (2018-2020); National Treasurer, PPS (2016-2018); Associate Professor, MCU-FDTMF College of Medicine (1991 to present); Regional Trainor/ Hospital Based Trainor, National Resuscitation Program, AAP, AHA (1990- present); Instructor American Heart Association-BLS, Pediatric Advanced Life Support (2008-present); AHA International Training Center Faculty Coordinator- PCMC for BLS, PALS, ACLS (2001-present); Unit</p>
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	Head, Pediatric ICU- The Medical City (2005-present); Chairman- Diliman Doctors Hospital, Dept of Pediatrics (2018)
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14. VIERNES, LA RHAINE G. 52 YEARS OLD, FILIPINO
Graduated from Remedios Trinidad Romualdez Medical Foundation, 1993

POSITIONS HELD:

ACE Medical Centre Tacloban, Board Secretary (2015 – present); ACE Medical Centre Palawan, Board Assistant Secretary (2017); Council Secretary (2017 – present); Council Vice President 2018 – present) MMH Hospital Tacloban City - Active Consultant (2014 – present); RTR Hospital Tacloban City - Training Officer (2014-2015); Department of Pediatrics, Bethany Hospital Training Officer (2003 – 2013); Department of Pediatrics, RTR Hospital Tacloban City - Pediatrics Consultant (2001 – present); Bethany Hospital Therapeutics and Pharmacy Committee Member (2005 – 2013); Credentials and Ethics Committee (2005 – 2013); Department of Pediatrics, Divine Word Hospital, Consultant Staff (2001 – present); Department of Pediatrics, Philippine Children's Medical Centre - Resident Physician (January 1995 – January 1998); Leyte Medical Society –Treasurer; Philippine Pediatric Society- Eastern Visayas- Secretary (2011-2013); Philippine Pediatric Society-Eastern Visayas-Vice President (2014-2016); Philippine Pediatric Society- Eastern Visayas-Chapter President (2016-2018), Philippine Pediatric Society- Eastern Visayas- ADVISORY BOARD (2020)

Hospital Affiliations:

ACEMC- TACLOBAN –Active Consultant
Mother of Mercy Hospital –Active consultant
RTR Hospital –Active Consultant
Divine Word Hospital- Visiting Consultant

15. ZOZOBRADO, EVANGELINE Y. 67 YEARS OLD, FILIPINO
Graduated from Cebu Institute of Medicine

POSITIONS HELD:

Las Pinas City Medical Centre -Hospital Administrator, Treasurer, Corporate Secretary, Medical Director, Personnel Director, Board of Director, Nursing Director (1999 – present); University of Perpetual Help Medical Centre -Visiting Medical Staff (1986 – present); Medical Centre Muntinlupa - Hospital Administrator , Corporate Treasurer, Business Office Head, Purchasing Head
Board of Director (1990 – present); Asian Hospital and Medical Centre - Active Medical Staff (2002 – present); Paranaque Doctors Hospital - Personnel Director, Board of Director, Treasurer, Corporate Secretary, Nursing Director (2002 – present); Unihealth Paranaque Hospital and Medical Centre -
Personnel Director, Active Medical Staff (2011 – present); Diliman Doctors Hospital - Hospital Administrator (April 2017 – present); ACE Hospital & Medical Centre Cebu - Assistant Treasurer (2014 – present); ACE Hospital & Medical Centre Tacloban - Board of Director (2017 – present)

Hospital Affiliations
Asian Hospital and Medical Centre
Medical Centre Muntinlupa
Las Pinas City Medical Centre
Paranaque Doctors Hospital
University of Perpetual Help System Dalta Hospital and Medical Centre
Las Pinas Doctors Hospital
Unihealth Paranaque Hospital and Medical Centre

(2) Executive Officers

The Company's key executive officers as of 31 December 2019, are as follows:

Fernando P. Carlos	- President
Jonathan Moses Jadloc	- Vice President
La Rhaine G. Viernes	- Corporate Secretary
Nimfa L. Nuevas	- Corporate Treasurer
Geanie Cerna Lopez	- Assistant Corporate Secretary
Marietta Samoy	- Assistant Treasurer

The Officers (per the Company's By-Laws) are elected/appointed annually by the Board of Directors during its organizational meeting, each to hold office for one (1) year until the next organizational meeting of the Board in the following year or until a successor shall have been elected/appointed and shall have qualified.

INCUMBENT OFFICERS

1. **AMADO MANUEL C. ENRIQUEZ, JR.** – Chairman, see foregoing Director's Profile
2. **FERNANDO P. CARLOS** - President, see foregoing Director's Profile
3. **JONATHAN MOSES JADLOC** - Vice President , see foregoing Director's Profile
4. **NIMFA L. NUEVAS** - Corporate Treasurer, see foregoing Director's Profile
5. **LA RHAINE G. VIERNES** - Corporate Secretary, see foregoing Director's Profile
6. **MARIETTA T. SAMOY** - Assistant Corp Treasurer, see foregoing Director's Profile
7. **GEANIE CERNA LOPEZ** - Assistant Corp Secretary, see foregoing Director's Profile

(3) Significant Employees

The Company relies significantly on the continued collective efforts of its senior executive officers and expects each employee to do his share in achieving the Company's goals.

(4) Family Relationships

Except for Drs. Amado Manuel Enriquez, Jr., Marilyn Enriquez, Michael Edward Enriquez and Miguel Antonio R. Enriquez, who are father, wife and sons, respectively, Dr. Fernando P. Carlos, first cousin of Dr. Amado Manuel Enriquez and the uncle of Dr. Miguel Enriquez and Dr. Michael Edward Enriquez; Drs. Earl Courtney Viernes and La Rhaine Viernes, who are husband

and wife, Eng. Generoso Orillaza and Dr. Marissa Orillaza who are husband and wife, Dr. Geanie Cerna-Lopez and Mark Joseph Lopez who are mother and son, and Dr. Evangeline Zozobrado and Augustin Zozobrado who are husband and wife and Dr. Florentina Ty and Virginia Ty who are mother and daughter, there are no other family relationships up to the fourth civil degree either by consanguinity or affinity among directors, executive officers, persons nominated or chosen by the Company to become directors, or executive officers, any security holder of certain record, beneficial owner or management.

(5) Certain Relationships and Related Transactions

During the last two (2) years, no director of the Company has received or become entitled to receive any benefit by reason of any contract with the Company, a related corporation, a firm of which the director is a member or a company of which a director has a substantial financial interest.

In the normal course of business, the Company transacts with companies/individuals which are considered related parties. A summary of the transactions and account balances with related parties follows:

Category	Outstanding Balance		Outstanding Balance Transactions	2019	Terms	Conditions
	2018	2019				
Loans receivable						
ACE MC – Pateros	40,000,000	(32,000,000)	8,000,000	Interest-bearing, Insecured, unguaranteed, to be collected in cash (a)		Not impaired
ACE MC – Quezon	20,000,000	(13,000,000)	7,000,000	Interest-bearing, to be collected in cash(a)	Insecured, ungauranteed Not impaired	
	600,000	(45,000,000)	15,000,000			
Unguaranteed Advances from shareholders	105,516,259	(22,280,480)	83,235,779	Non-interest bearing, to be paid in cash (b)	Unsecured	Not impaired
Category	Outstanding Balance		Amount of Outstanding Balance		Terms Conditions	
Loans Receivable	2017	2018	2018	Interest Bearing,	Unsecured	
ACEMC-Pateros unguaranteed	40,000,000		40,000,000	to be collected in		
ACEMC -QUEZON	20,000,000		20,000,000	Cash (a) not impaired		
impaired				Interest Bearing, Unsecured to be Collected in Not cash (a)		
	60,000,000		60,000,000		Non-interest	Unsecured

Advances from Shareholders	66,550,481 38,965,778	105,516,259	Bearing to be Paid in cash (b)	Unguaranteed Not impaired
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(a) Loans receivable

The Company granted to its affiliates, Allied Care Experts (ACE) Medical Center – Pateros, Inc. and Allied Care Experts (ACE) Medical Center – Quezon, Inc. loans amounting to P40,000,000 and P20,000,000, respectively with interest rate of 5.25% per annum with principal repayments until 2021.

Interest earned from these loans receivable for the years ended December 31, 2019 and December 31, 2018 amounted P1,179,326 and P3,150,000, respectively, and were offset against the borrowing costs capitalized to construction-in-progress (see Note 11).

(b) Advances from shareholders

In the special meeting of the Board held last January 11, 2015, the directors and shareholders were mandated and empowered to contribute resources and make cash advances to the Company for the construction of its medical structures and appurtenances.

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

The Board of Directors ratified the conversion of advances from shareholders amounting to P49,400,000 in 2017 to settle in full the outstanding unpaid subscription of certain shareholders within the base ceiling of the original authorized share capital.

(6) Involvement in Certain Legal Proceedings

The following Directors or Executive Officers have been involved in the following legal proceedings in their capacity as directors/officers of Allied Care Experts (ACE) Medical Center-Cebu Inc., during the last five (5) years that are material to an evaluation of their ability or integrity to act as such:

1. Amado Manuel C. Enriquez
2. Geanie Cerna-Lopez
3. Marietta T Samoy
4. Generoso M. Orillaza
5. Evangeline Zozobrado

Civil Case No. R-CEB-18-00601-CV, Branch XI, Cebu City (Complaint for Issuance of Certificate of Stock, Declaration of Sale in Installment as Subscription Contract, Declaration of Rights or Pre-Emption, and for Attorney's Fees) - Dax Matthew M. Quijano, Rosemarie P. Quijano, Eric Y. Cheung, Girlie Cheung, Candice Joy A. Sia vs. ACE Medical Center-Cebu, Inc., GeanieCerna-Lopez, Velma T. Chan, Luisito R. Co, Maita Cruz, Roberto M. De Leon, Amado Manuel C. Enriquez Jr., Floram C. Limotlimot, Roland Mark M. Gigataras, Joy C. Luna, Nicolas S. Molon, Felix P. Nolasco, Generoso M. Orillaza, Ronald L. Ramiro, Marietta T. Samoy and Evangeline Y. Zozobrado

On February 5, 2018, complainant Ferdinand P. Kionisala filed a civil complaint against the Hospital and its Directors (as stated above) praying the Court to direct the defendants ACE Medical Center Cebu and its President and Corporate Secretary to issue the plaintiff's Certificate of Stock and declare the sale in installment as subscription contract, to allow him to

exercise pre-emptive rights to the increase in capital approved by the Board on November 12, 2016.

Defendants filed their Answer. Dr. Kionisala filed a Motion for Partial Summary Judgment, but the same was opposed by the defendants. The Motion is still pending resolution.

Civil Case No. R-CEB-18-01248-CV, Branch XI, Cebu City (Complaint for Issuance of Certificate of Stock, Declaration of Sale in Installment as Subscription Contract, Declaration of Rights or Pre-Emption, and for Attorney's Fees) - Dax Matthew M. Quijano, Rose Marie P. Quijano, Eric Y.. Cheung, Girlie Cheung and Candice Joy A. Sia vs. ACE Medcial Center- Cebu, Geanie Cerna-Lopez, Velma T. Chan, Luisito R. Co, Maita Cruz, Roberto M. de Leon, Amado Manuel C. Enriquez, Jr., Floram C. Limotlimot, Nicolas S. Molon, Felix P. Nolasco, Generoso M. Ori llaza, Ronald L. Ramiro, Marietta T. Samoy and Evangeline Y. Zozobrado.

On March 7, 2018, complainants Dax Matthew M. Quijano, Rosemarie P. Quijano, Eric Y. Cheung, Girlie Cheung, Candice Joy A. Sia, through counsel filed a civil complaint against the Hospital and its Directors (as stated above) praying the Court to direct the defendants ACE Medical Center Cebu and its President and Corporate Secretary to issue the plaintiff's Certificate of Stock and declare the sale in installment as subscription contract, to allow him to exercise pre-emptive rights to the increase in capital approved by the Board on November 12, 2016.

The Defendants have already filed their Answer. However, the complaint for Manila based Doctors are yet to be served. Awaiting Notice of Pre-Trial from the Court.

Special Civil Action Case No. R-CEB-18-08795-SC, Branch XI, Cebu City (For Mandamus to Issue 100% Pre-Emptive Rights, Damages and for Attorney's Fees) - Leo T. Sumatra, Sps. Stephen Paul M. Bergado and Conhita B. Bergado, Marie Davilene Beatriz Ong-Dy and Leonard Matthew Dy, et. Al vs. Allied Care Experts (ACE) Medical Center-Cebu, Inc., Geanie Cerna-Lopez and Velma T. Chan

The Petitioners have filed a Special Civil Action case for Mandamus, to compel the Respondents to immediately issue their 100% pre-emptive rights. The Petitioners claim they are entitled to 10 shares based on their computation of 0.000083333 ownership multiplied by 120,000 (increase in Capital).

On July 15, 2019, mediation proceedings were conducted, however, there was no settlement reached by the parties. Judicial dispute resolution proceedings were scheduled on February 12, 2020 but was cancelled due to the pandemic. Awaiting for the next hearing schedule.

No director has resigned or declined to stand for re-election to the board of directors since the date of the last annual meeting of security holders due to disagreement with the registrant on any matter relating to the registrant's operations, policies and practices.

(B). Compensation of Directors and Executive Officers

Except for per diem (P10,000.00 /board meeting) during board meetings for each director, there are no bonus, profit sharing or other compensation plan, contract or arrangement in which any director, nominee for election as director, or executive officers of the registrant will participate.

The Company has no existing options, warrants or rights to purchase any securities.

(C) Security Ownership of Certain Record and Beneficial Owners

(1) The persons known to the registrant to be directly or indirectly the record or beneficial owner of more than 5% of the registrant's voting securities as of December 31, 2019 are as follows:

Title of Class	<i>Name, Address of record owner and Relationship with Issuer</i>	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	Miguel Antonio Enriquez -son Michael Edward -son Marilyn Enriquez - wife Fernando P. Carlos – first cousin	Amado Manuel Enriquez, Jr. /Father	Filipino	27,930 -C 70-F (Direct) 28,000 (Indirect)	23.33%
Common	Amado Manuel Enriquez,Jr. -1 st cousin Miguel Antonio - nephew Enriquez Michael Edward-nephew Marilyn Enriquez- wife in-law	Fernando P. Carlos -first degree cousin	Filipino	15,960-C 40-F (Direct) 40,000 (Indirect)	23.33%
Common	Amado Manuel C. Enriquez,Jr.-Father Fernando P. Carlos-Uncle Marilyn Enriquez- Mother Michael Edward Enriquez- Brother	Miguel Antonio Enriquez-son	Filipino	3,990-C 10-F [Direct] 52,000 (Indirect)	23.3%

(2) Ownership of Directors and Management as of 31 December 2019:

(1) Title of Class	(2) Name of Beneficial Owner	Position	(3) Amount and Nature of Beneficial Ownership	(4) Citizenship	(5) Percentage (%) of Class
	Board of Directors:				
Common	Enriquez, Amado Manuel Jr. .	Director	27,930,000 -C 70,000 - F (Direct) 28,000,000 (Indirect)	Filipino	23.33%
Common	Carlos, Fernando P.	Director	15,960,000-C 40,000-F (Direct)	Filipino	23.33%

			40,000,000 (Indirect)		
Common	Caboboy, Francis	Director	3,990,000-C 10,000-F [Direct]	Filipino	1.67%
Common	Camenforte., Ma. Lourdes L.	Director	3,990,000-C 10,000-F [Direct]	Filipino	1.67%
Common	Cerna- Lopez, Geanie C.	Director	3,990,000-C 10,000-F [Direct] [4,000,000] (Indirect)	Filipino	3.33%
Common	Enriquez, Miguel Antonio R.	Director	3,990,000-C 10,000-F [Direct]) 52,000,000 (Indirect)	Filipino	23.33%
Common	Jadloc, Jonathan Moses C.	Director	3,990,000-C 10,000-F [Direct]	Filipino	1.67 %
Common	Merin, Fe G.	Director	3,990,000-C 10,000-F [Direct])	Filipino	1.67%
Common	Nuevas, Nimfa L.	Director	3,990,000-C 10,000-F [Direct])	Filipino	1.67%
Common	Orillaza, Generoso	Director	3,990,000-C 10,000-F [Direct] 4,000,000 (Indirect)	Filipino	3.33%
Common	Samoy, Marietta T.	Director	7,980,000-C 20,000-F [Direct])	Filipino	3.33%
Common	Tagra, Mina Sirikit C.	Director	3,990,000-C 10,000-F [Direct])	Filipino	1.67%
Common	Ty, Florentina U.	Director	3,990,000-C 10,000-F [Direct] 4,000,000 (Indirect)	Filipino	3.33%
Common	Viernes, La Rhaine G.	Director	3,990,000-C 10,000-F	Filipino	3.33%

			[Direct] 4,000,000 (Indirect)		
Common	Zozobrado, Evangeline Y.	Director	3,990,000-C 10,000-F [Direct] 4,000,000 (Indirect)	Filipino	3.33%
Total for Directors			240,000,000		99.99%

Executive Officers:

Common Shares	Fernando P. Carlos	President	15,960,000-C 40,000-F (Direct) 40,000,000 (Indirect)	Filipino	23.33%
Common Shares	Jonathan Moses Jadloc	Vice-President	3,990,000-C 10,000-F [Direct]	Filipino	1.67 %
Common Shares	La Rhaine G. Viernes	Corporate Seccretary	3,990,000-C 10,000-F [Direct] 4,000,000 (Indirect)	Filipino	3.33%
Common Shares	Nimfa L. Nuevas	Corporate Treasurer	3,990,000-C 10,000-F [Direct]	Filipino	1.67 %
Common Shares	Geanie Cerna-Lopez	Assistant Corp Secretary	3,990,000-C 10,000-F [Direct] [4,000,000] (Indirect)	Filipino	3.33%
Common Shares	Marietta T. Samoy	Assistant Corp Treasurer	7,980,000-C 20,000-F	Filipino	3.33%
Total for Officers			-	-	-
Common Shares	Directors and Exec. Officers as a Group		88,000,000.00		36.66%

(3) Except for Dr. Amado Manuel Enriquez Jr., who owns 23.33% Dr. Fernando P. Carlos who owns 23.33%, and Dr. Miguel Antonio Enriquez who owns 23.33%, Dr. Geanie Cerna Lopez

who owns 3.33%, Eng. Generoso Orillaza who own 3.33%, Dr. Marietta Samoy who owns 3.33%, Dr. Florentina Ty who owns 3.33% and Dr. La Rhaine G. Viernes who owns 3.33% (through direct and indirect ownership], none of the other Company's directors and management owns directly or indirectly 2.0% or more of the outstanding capital stock of the Company.

- (4) The Company is not aware of any voting trust agreement/s or similar agreement/s which may result in a change in control of the Company.
- (5) No change in control of the registrant has occurred since the beginning of its last fiscal year.

(D) Certain Relationships and Related Transactions

The Company's related parties include its affiliates and shareholders, the Company's key management personnel and others as described below.

A summary of the transactions and account balances with related parties are as follows:

Category	Outstanding Balance		Outstanding Balance Transactions	2019	Terms	Conditions
	2018	2019				
Loans receivable						
ACE MC – Pateros	40,000,000	(32,000,000)	8,000,000	Interest-bearing, Insecured, unguaranteed, to be collected in cash (a)		Not impaired
ACE MC – Quezon	20,000,000	(13,000,000)	7,000,000	Interest-bearing, to be collected in cash(a)	Insecured, ungauranteed Not impaired	
	600,000	(45,000,000)	15,000,000			
Advances from shareholders	105,516,259	(22,280,480)	83,235,779	Non-interest bearing, to be paid in cash (b)	Unsecured Unguaranteed Not impaired	
Outstanding Balance	Amount of Outstanding					
Category	2017	2018	Balance Transaction	2018	Terms	Conditions
Loans Receivable					Interest Bearing,	Unsecured
ACEMC-Pateros	40,000,000			40,000,000	to be collected in unguaranteed Cash (a)	not impaired
ACEMC –QUEZON	20,000,000			20,000,000	Interest Bearing, to be Collected in cash (a)	Unsecured Not impaired
	60,000,000		60,000,000			
Advances from Shareholders	66,550,481	38,965,778		105,516,259	Non-interest Bearing,to be Paid in cash (b)	Unsecured Unguaranteed Not impaired

(a) Loans receivable

The Company granted to its affiliates, Allied Care Experts (ACE) Medical Center – Pateros, Inc. and Allied Care Experts (ACE) Medical Center – Quezon, Inc. loans amounting to P40,00,000 and P20,00,000, respectively with interest rate of 5.25% per annum with principal repayments until 2021.

Interest earned from these loans receivable for the years ended December 31, 2019 and December 31, 2018 amounted P1,179,326 and P3,150,000, respectively, and were offset against the borrowing costs capitalized to construction-in-progress (see Note 11).

(b) Advances from shareholders

In the special meeting of the Board held last January 11, 2015, the directors and shareholders were mandated and empowered to contribute resources and make cash advances to the Company for the construction of its medical structures and appurtenances.

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

The Board of Directors ratified the conversion of advances from shareholders amounting to P49,400,000 in 2017 to settle in full the outstanding unpaid subscription of certain shareholders within the base ceiling of the original authorized share capital.

PART V – CORPORATE GOVERNANCE

The Company adheres to the principles of good governance as provided in its Manual on Corporate Governance (MCG). The directors, officers and employees perform their duties and responsibilities in accordance with the mission and vision of the Company and the corporate practices pursuant to its Manual on Corporate Governance. The Board committees, including the Nominations and Audit committees, have complied with their duties and responsibilities under the MCG. There were no major deviations from the adopted Manual on Corporate Governance.

The Independent directors have submitted their Certificates of Qualification as required by the SEC vis-à-vis Section 38 of the Securities Regulation Code.

PART VI - EXHIBITS AND SCHEDULES

(a) Exhibit

* 2019 Audited Financial Statements

(b) Reports on SEC Form 17-C

[Include disclosures from September 2019 to December 2019]

NONE

SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporate Code of the Philippines, this amended annual report has been signed on behalf of the issuer, by the following persons in the capacities and on the dates indicated.



FERNANDO P. CARLOS
President



LA RHAINA G. VIERNES
Corporate Secretary



NIMFA L. NUEVAS
Corporate Treasurer

NOTE: There is no "Comptroller" position in the existing organizational structure of the Company.

NOV 20 2020

SUBSCRIBED AND SWORN to before me this th day of 2020, affiants exhibiting to me their Tax Identification Number (TIN)/Social Security System (SSS) ID Nos., as follows:

AFFIANTS	TIN/SSS/PRC Nos.
La Rhaine G. Viernes	0083295
Nimfa L. Nuevas	79145

Doc. No.

425
88
IX

Page No.

Book No.

Series of 2020.


PATRICK VISANTO
NOTARY PUBLIC

Notarial Commission No. NC-2020-01-19;

Issued on 1-22-20; until 12-31-21

Roll of Attorneys No. 39008

IBP LIFETIME NO. 09999; 07-14-95; Leyte Chapter

MCLE Compliance No. VII-0001157; until 4-14-25

PTR NO. 3866386; 01-02-2020; Tanauan, Leyte

2nd Floor Prima Ascension Bldg.

1st wing Bldg. Tacloban City

DEC 03 2020

SUBSCRIBED AND SWORN to before me this day of 2020, affiants exhibiting to me their Tax Identification Number (TIN)/Social Security System (SSS) ID Nos., as follows:

AFFIANTS	TIN/SSS/PRC Nos.
Fernando P. Carlos	63367


NOTARY PUBLIC

ATTY. LIFRENDO M. GONZALES

NOTARY PUBLIC

PASIG, PATEROS

ROLL NO. 56526

IBP NO. 113799/14 JANUARY 2020

PTR NO. 6532526/PASIG CITY/16 JANUARY 2020

MCLE NO. VI-0026750, 05/24/2019 UNTIL 04/14/2022

COMMISSION VALID UNTIL DECEMBER 2021

Upon the written request of the stockholder, the Company undertakes to furnish said stockholder a copy of SEC Form 17-A free of charge, except for exhibits attached thereto which shall be charged at cost. Any written request for a copy of SEC Form 17-A shall be addressed as follows:

Allied Care Experts (ACE) Medical Center-Tacloban Inc.

Attention: The Corporate Secretary



Allied Care Experts (ACE) Medical Center – Tacloban

“A Member of **ACE** Group of Hospitals”

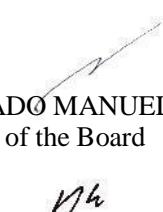
Brgy. 78 Marasbaras, Tacloban City

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

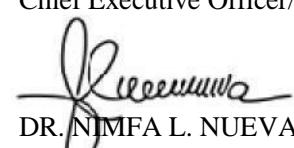
The management of **ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - TACLOBAN INC.** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2019. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, management affirms that the attached audited financial statements for the year ended December 31, 2019 and the accompanying Annual Income Tax Return are in accordance with the books and records of **ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - TACLOBAN INC.** complete and correct in all material respects. Management likewise affirms that:

3. The Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
4. Any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulation No. 8-2007 and other relevant issuances;
5. **ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - TACLOBAN INC.** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.


DR. AMADO MANUEL ENRIQUEZ, JR.
Chairman of the Board


DR. FERNANDO P. CARLOS
Chief Executive Officer/ President


DR. NIMFA L. NUEVAS
Corporate Treasurer

Signed this 19th day of September



**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
TO ACCOMPANY INCOME TAX RETURN**

The Board of Directors and Stockholders

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - TACLOBAN INC.

Brgy. 78, Marasbaras,
Tacloban City, Leyte

We have audited the financial statements of **ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - TACLOBAN INC.** as at and for the year ended December 31, 2019, on which we have rendered the attached report, dated September 19, 2020.

In compliance with Revenue Regulations V-20, we are stating the following:

- a.) No Partner of our Firm is related by consanguinity or affinity to the President, Manager or Stockholders of the Company.
- b.) The disclosure on taxes and licenses paid or accrued during the year is shown in the supplementary report attached to the Company's financial statements.


MARIA TERESITA ZUNIGA-DIMACULANGAN

Partner

CPA Certificate No. 0036077

BOA Registration No. 0416 (October 19, 2018 to May 25, 2021)

SEC Accreditation No. 1777-A (Group B) (September 10, 2019 to September 09, 2022)

BIR Accreditation No. 08-002906-001-2020 (April 14, 2020 to April 13, 2023)

Tax Identification No. 133-451-815

PTR No. MKT 8156051

January 22, 2020

September 19, 2020

Makati City

Philippines

***ALLIED CARE EXPERTS (ACE)
MEDICAL CENTER –
TACLOBAN INC.***

Financial Statements
December 31, 2019, 2018 and 2017

and

Independent Auditors' Report



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - TACLOBAN INC.

Brgy. 78, Marasbaras,
Tacloban City, Leyte

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - TACLOBAN INC.** ("the Company"), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of comprehensive loss, statements of changes in equity and statements of cash flows for the years ended December 31, 2019, 2018 and 2017, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years ended December 31, 2019, 2018 and 2017, in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period.

As of December 31, 2019, we have determined that there are no key audit matters to communicate in our report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**dimaculangan,
dimaculangan and co. cpa's**

BOA License No. 0416 (Up to May 25, 2021)
SEC Accreditation No. 0383 - F (Group B) (Up to September 9, 2022)
BIR Accreditation No. 08-002906-000-2020 (Up to April 13, 2023)

Report on the Supplementary Information Required Under Revenue Regulation 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulation 15-2010 is presented for purposes of filing with the Bureau of Internal Revenue and the tabular schedule of standards and interpretation of the Securities and Exchange Commissionnaire not a required part of the basic financial statements. Such information is the responsibility of the management of **ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – TACLOBAN INC.** The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Maria Teresita Zuñiga-Dimaculangan.

For the firm: **DIMACULANGAN, DIMACULANGAN AND COMPANY, CPAS**


MARIA TERESITA ZUNIGA-DIMACULANGAN

Partner

CPA Certificate No. 0036077

BOA Registration No. 0416 (October 19, 2018 to May 25, 2021)

SEC Accreditation No. 1777-A (Group B) (September 10, 2019 to September 09, 2022)

BIR Accreditation No. 08-002906-001-2020 (April 14, 2020 to April 13, 2023)

Tax Identification No. 133-451-815

PTR No. MKT 8156051

January 22, 2020

September 19, 2020

Makati City

Philippines

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

ASSETS	Notes	December 31,	
		2019	2018
CURRENT ASSETS			
Cash	6	21,862,144	22,386,668
Accounts and other receivables	7	64,812,769	45,647,665
Loans receivable	17	15,000,000	-
Advances to suppliers	8	32,525,921	90,359,063
Inventories	9	17,696,214	-
Prepayments and other current assets		7,716,548	-
		159,613,596	158,393,396
NONCURRENT ASSETS			
Loans receivable	17	-	60,000,000
Property and equipment (net)	10	837,375,610	75,127,796
Construction-in-progress	11	-	406,705,842
Intangible asset	12	225,000	250,000
Other noncurrent assets		7,000	7,000
		837,607,610	542,090,638
TOTAL ASSETS		997,221,206	700,484,034
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Accounts payable and other liabilities	13	56,388,218	44,549,647
Deferred revenue		1,153,412	-
Reservation deposit	14	-	10,400,000
Notes payable	16	79,250,118	15,133,934
		136,791,748	70,083,581
NONCURRENT LIABILITIES			
Accounts payable - noncurrent	15	58,773,286	-
Notes payable (net of current portion)	16	540,780,464	406,473,464
Advances from shareholders	17	83,235,779	105,516,259
		682,789,529	511,989,723
TOTAL LIABILITIES		819,581,277	582,073,304
<i>Balance forwarded</i>			

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

		December 31,	
	<i>Notes</i>	2019	2018
<i>Forwarded balance</i>			
EQUITY			
Share capital, net	18	142,130,000	138,000,000
Share premium	18	71,495,642	-
Revaluation increment in land	10	23,062,924	-
Deficit		(59,048,637)	(19,589,270)
		177,639,929	118,410,730
TOTAL LIABILITIES AND EQUITY		997,221,206	700,484,034

See accompanying Notes to Financial Statements

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

	<i>Notes</i>	Years Ended December 31,		
		2019	2018	2017
REVENUES - net	19	62,440,395	-	-
COST OF SALES AND SERVICES	20	39,712,796	-	-
GROSS PROFIT		22,727,599	-	-
OTHER INCOME	21	1,840,737	16,287	32,999
GROSS INCOME		24,568,336	16,287	32,999
OPERATING EXPENSES	22	48,397,103	11,006,781	3,743,742
NET LOSS FROM OPERATIONS		(23,828,767)	(10,990,494)	(3,710,743)
FINANCE COSTS	16	15,317,348	697,858	71,427
NET LOSS BEFORE INCOME TAX		(39,146,115)	(11,688,352)	(3,782,170)
INCOME TAX EXPENSE/(BENEFIT)		-	-	-
NET LOSS FOR THE YEAR		(39,146,115)	(11,688,352)	(3,782,170)
OTHER COMPREHENSIVE INCOME/(LOSS)		-	-	-
NET COMPREHENSIVE LOSS FOR THE YEAR		(39,146,115)	(11,688,352)	(3,782,170)
BASIC LOSS PER SHARE	24	(199.59)	(60.88)	(31.52)

See accompanying Notes to Financial Statements

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

	Share capital (Note 18)	Premium (Note 18)	Revaluation increment in Land (Note 10)	Deficit	Total
EQUITY					
As at January 1, 2017	70,600,000	-	-	(4,118,747)	66,481,253
Additional share capital (Note 17)	49,400,000	-	-	-	49,400,000
Net loss for the year	-	-	-	(3,782,170)	(3,782,170)
As at December 31, 2017	120,000,000	-	-	(7,900,918)	112,099,082
Additional share capital	18,000,000	-	-	-	18,000,000
Net loss for the year	-	-	-	(11,688,352)	(11,688,352)
As at December 31, 2018	138,000,000	-	-	(19,589,270)	118,410,730
Appraisal increase in Land	-	-	23,062,924	-	23,062,924
Additional share capital	4,130,000	-	-	-	4,130,000
Additional paid-in capital	-	71,495,642	-	-	71,495,642
Prior period error	-	-	-	(313,251)	(313,251)
Net loss for the year	-	-	-	(39,146,115)	(39,146,115)
As at December 31, 2019	142,130,000	71,495,642	23,062,924	(59,048,637)	177,639,929

See accompanying Notes to Financial Statements.

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

<i>Notes</i>	Years Ended December 31,		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss before income tax	(39,146,115)	(11,688,352)	(3,782,170)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Prior period error	(313,251)	-	-
Depreciation	10	16,507,580	244,199
Amortization	12	25,000	-
Interest income	6,21	(16,985)	(16,287)
Finance costs	16	15,317,348	697,858
Operating cash flows before changes in working capital	(7,626,423)	(10,762,582)	(3,606,622)
Changes in working capital components:			
Decrease (increase) in current assets:			
Accounts and other receivables	7	(19,165,104)	(48,042,741)
Advances to suppliers	8	57,833,142	(16,675,744)
Inventories	9	(17,696,214)	(12,353,499)
Prepayments and other current assets		(7,716,548)	60,000
Increase (decrease) in current liabilities:			
Accounts payable and other liabilities	13	11,838,571	16,797,736
Deferred revenue		1,153,412	-
Net cash generated from (used in) operations	18,620,835	(58,623,331)	(58,212,799)
Interest received	6,21	16,985	16,287
Net cash provided by/(used in) operating activities	18,637,820	(58,607,004)	(58,179,800)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property and equipment	10	(755,692,470)	(5,927,995)
Additions to intangible asset		-	(1,680,614)
Reductions/Additions to construction-in-progress	11	406,705,842	(205,299,451)
Increase in other noncurrent liabilities	15	58,773,286	(127,845,570)
Net cash used in investing activities	(290,213,343)	(211,477,446)	(129,526,184)
<i>Balance forwarded</i>			

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

<i>Notes</i>	Years Ended December 31,		
	2019	2018	2017
<i>Forwarded balance</i>			
CASH FLOWS FROM FINANCING ACTIVITIES			
Additional share capital	4,130,000	18,000,000	49,400,000
Additional share premium	71,495,642	-	-
Collection of loans receivable	45,000,000	-	-
Proceeds from deposit for future subscription	-	-	18,000,000
Proceeds(transfer of) from reservation deposit	(10,400,000)	-	10,400,000
Proceeds from notes payable	16 198,423,184	240,563,366	121,044,032
Proceeds from advances			
from shareholders	17 (22,280,480)	38,965,778	27,388,787
Conversion of liability to equity	-	-	(49,400,000)
Finance costs paid	16 (15,317,348)	(697,858)	(71,327)
Net cash provided by/(used in) financing activities	271,050,998	(278,831,286)	176,761,492
NET INCREASE/(DECREASE) IN CASH			
	(524,524)	8,746,796	(10,944,493)
CASH AT BEGINNING OF YEAR	6 22,386,668	13,639,872	24,584,366
CASH AT END OF YEAR	21,862,144	22,386,668	13,639,872

See accompanying Notes to Financial Statements.

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

NOTES TO FINANCIAL STATEMENTS

As at and for the years ended December 31, 2019, 2018 and
2017 (Amounts in Philippine Peso)

NOTE 1. CORPORATE INFORMATION AND STATUS OF OPERATIONS

Corporate Information

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – TACLOBAN 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. CS201423451 on December 2, 2014.

The Company’s primary purpose is to establish, maintain, operate, own and manage hospitals, medical and related healthcare facilities and businesses such as but without restriction to clinical laboratories, diagnostic centers, ambulatory 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.

On September 27, 2019, the SEC En Banc approved the registration statement of the Company for 228,000 shares under SEC MSRD Order No.37. These shares have been registered and may now be offered for sale or sold to the public subject to full compliance with the provisions of the Securities Regulation Code and its Amended Implementing Rules and Regulations, Revised Code of Corporation Governance, and other applicable laws and orders as may be issued by the Commission.

The Company is a BOI-Registered Non-Pioneer Status Hospital certified by the Board of Investments covered by Certificate of Registration No. 2019-075 issued on April 16, 2019.

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 June 2019 or actual start of commercial operations, whichever is earlier (the availment of which shall not be earlier than the date of registration).

The registered office of the Company is located at Barangay 78, Marasbaras, Tacloban City, Leyte.

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. Thereafter on July, 2019, the Company launched the full opening and full commercial operations of its hospital building and facilities.

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

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), which includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations 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 Securities and Exchange Commission (SEC).

Basis of Preparation and Presentation

The financial statements have been prepared on the historical cost basis.

Functional Currency

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

NOTE 3. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARD**Adoption of New 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 the following new standards and amendments starting January 1, 2019. The adoption of these new standards and amendments did not have any significant impact on the Company's financial statements.

PFRS 16, Leases

Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

Amendment to PAS 19, *Employee Benefits Plan Amendment, Curtailment or Settlement*

Amendment to PAS 28, *Long- term Interest in Associates and Joint Ventures*

Philippine Interpretation IFRIC- 23, *Uncertainty over Income Tax Treatments*

Annual Improvements to PFRSs 2015-2017 Cycle

Amendments to PFRS 3, *Business Combinations and PFRS 11, Joint Arrangements Previously Held Interest in Joint Operation*

Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

Amendments to PAS 23, *Borrowing Cost, Borrowing Cost Eligible for Capitalization*

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

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

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

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

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

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

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

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

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

Amendments to PFRS 3, Definition of Business

The amendments are to:

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

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

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

PFRS 17, Insurance Contracts

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

The key principles in PFRS 17 are that an entity:

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

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

The standard is effective for periods beginning on or after January 1, 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 have insurance contracts.

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

PIC Q&A No. 2019-01, PFRS 15, *Revenue from Contracts 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 interpretation as the said revenue stream is not relevant to the principal business activity of the Company.

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

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

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

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

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

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

NOTE 4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and practices applied in the preparation of these financial statements are summarized below. These 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 are classified as noncurrent.

A liability is current when:

- it is expected to be settled in the normal operating cycle; it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period: or

there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as noncurrent.

Deferred tax assets are classified as noncurrent assets.

Financial Instruments

A financial instrument is any contract that gives 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 (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them.

With the exception of trade receivables, that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction cost. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price as disclosed in the Revenue from contracts with customers.

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

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

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

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:
financial assets at amortized cost (debt instruments)

financial assets at fair value through OCI with recycling of cumulative gains and losses
(debt instruments)

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

Financial assets at amortized cost (debt instruments)

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

The Company's financial assets at amortized cost includes cash, accounts and other receivables and loans receivables as at reporting dates (see Notes 6, 8 and 16).

Financial assets at fair value through OCI (debt instruments)

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

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

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

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

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

The Company does not have equity instruments at FVOCI (equity instruments) as at reporting dates.

Financial assets at fair value through profit or loss

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

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

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

otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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

Derecognition

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

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

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

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

Impairment

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

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

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

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

Write-off

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

Financial liabilities

Initial Recognition and Measurement

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

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

The Company's financial liabilities include accounts payable and other liabilities (excluding government liabilities), notes payable and advances from shareholders (see Notes 14, 15 and 16).

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 fair value through profit or loss

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

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

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

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

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

Financial liabilities at amortized cost (Loans and Borrowings)

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

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

This category generally applies to accounts payable and other liabilities (excluding government liabilities), notes payable and advances from shareholders.

Derecognition

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

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

Cash

Cash in the statement of financial position is comprised of cash in banks and on hand.

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

Accounts and other receivables and Loans receivable

A receivable is recognized if an amount of consideration that is unconditional is due from the customer (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.

Advances

Advances are payments made 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.

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.

When the circumstances that previously caused inventories to be impaired no longer exist or when there is clear evidence of an increase in selling price less costs to sell because of changed economic circumstances, a reversal of the impairment is recognized so that the new carrying amount is the lower of the cost and the revised selling price less cost to complete and sell. Any impairment reversal is recognized in profit or loss but is limited to the amount of the original impairment loss recognized.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

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

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

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

Property and Equipment

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

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

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

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

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

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

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

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

Construction-in-progress

Construction-in-progress account, which is a part of property and equipment, is stated at cost. This includes the cost of construction, property development costs and other direct costs. Borrowings and any additional costs incurred in relation to the project are also recognized in this account. Construction-in-progress is not depreciated until such time that the relevant asset is completed and/or put into operational use.

Soft opening or start-up launch of hospital service and amenities are recognized as operational in status while still in completion. Reclassification is thereby effected and depreciation is proportionately taken up.

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.

Intangible Assets

Intangible assets are initially measured at cost and are subsequently measured at cost less accumulated amortization and any accumulated impairment loss. These are amortized over estimated useful life of 3 to 5 years using the straight-line method. If there is an indication that there has been a significant change in amortization rate, useful life or residual value of an intangible asset, the amortization is revised prospectively to reflect the new expectations.

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

Other Noncurrent Assets

Other noncurrent assets are initially and subsequently measured at cost.

Other noncurrent assets are derecognized upon refund and/or disposal or when no future economic benefits are expected to arise from the continued use of the asset.

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.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized as an expense, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

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 instrument

Share Capital

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

Share premium

Share premium includes any premiums received on the initial issuance of capital stock. Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefits.

Deficit

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

Revenue Recognition

Revenue from Contracts with Customers

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

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

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

Service income – hospital fees

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.

Other Revenues

Interest income

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

Other income

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

Expense Recognition

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

Expenses in the statements of comprehensive loss are presented using the function of expense method. Cost of sales and services are expenses incurred that are associated with goods sold and services rendered. Operating 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.

Retirement benefits

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 $\frac{1}{2}$ month's salary for every year of service, fraction of at least 6 months being considered as 1 whole year. The current service cost is the present value of benefits, which accrue during the last year.

However as at reporting dates, the Company has not yet established a retirement benefits plan for its employees since no employee is entitled to date.

Leases

The determination of whether the arrangement is, or contains a lease is based on the substance of the arrangement at inception date of whether the fulfillment of the arrangement depends on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease, if any, if the following applies:

- 2 There is a change in contractual terms, other than a renewal or extension of the arrangement;
- 3 A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- 4 There is a change in the determination of whether fulfillment is dependent on a specified asset; or
- 5 There is substantial change to the asset.

Where the reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c), or (d) above, and at the date of renewal or extension period for scenario (b).

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

The Company as lessee

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

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

Borrowing costs

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

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

Related Party Transactions

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

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

Taxation

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

Current tax

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statements of comprehensive income 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 income or directly in equity, in which case, the current and deferred tax rate also recognized in other comprehensive income or directly in equity respectively.

Earnings per Share/Loss per share

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

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

Provisions and Contingencies

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

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

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

of economic benefits will arise, the asset and the related income are recognized in the financial statements.

Events after the Reporting Period

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

Comparatives

When necessary, comparative figures have been adjusted to conform to the changes in presentation of the current year.

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.

Determination of the Company's 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 Instruments

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.

Impairment of Non-financial Assets

The Company determines whether there are indicators of impairment of the Company's non-financial assets. Indicators of impairment include significant change in usage, decline in the asset's fair value on underperformance relative to expected historical or projected future results. Determining the fair value requires the determination of future cash flows and future economic benefits expected to be generated from the continued use and ultimate disposition of such assets. It requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could be used by management to conclude that these assets are impaired. Any resulting impairment loss could have a material adverse impact on the Company's financial position and financial performance. The preparation of the estimated future cash flows and economic benefits involves significant judgments and estimation.

No impairment loss is recognized in the Company's financial statements in 2019, 2018 and 2017.

Recognition of Deferred Income Taxes

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

Provisions and Contingencies

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

Key Sources of Estimation Uncertainty

The 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 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.

The total estimated loss allowance for expected credit losses is ascertained by Management to be Php-0- and Php-0- for accounts and other receivables for the years ended December 31, 2019 and 2018, respectively.

Estimating Useful Lives of Assets

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

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

Items of Property and equipment	Number of years
Buildings	2. years
Land Improvements	8. years
Medical equipment	5-10 years
Laboratory equipment	5-10 years
Other hospital and office equipment	11.years
Transportation equipment	12.years
Office equipment, furniture and fixtures	13.years

As at December 31, 2019, 2018 and 2017, the Company's property and equipment had carrying amount of P837,375,610, P75,127,796 and P69,444,000 respectively, as disclosed in Note 10. Total accumulated depreciation as at December 31, 2019, 2018 and 2017 amounted to P16,967,140, P459,560 and P215,361 respectively, as disclosed in Note 10.

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 December 31, 2019, 2018 and 2017, the Company had assessed that they will not generate sufficient taxable income from the utilization of deferred tax assets in the succeeding years.

Deferred tax assets with full valuation allowance as at December 31, 2019, 2018 and 2017 amounted to P16,872,168, P5,179,754 and P2,139,863 respectively (see Note 23).

NOTE 6. CASH

This account consists of:

	2019	2018
Cash on hand	2,115,453	30,000
Cash in banks	19,746,691	22,356,668
	21,862,144	22,386,668

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 petty cash funds and revolving 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 cash in banks amounted to P16,985, P16,287 and P32,999 for the years ended December 31, 2019, 2018 and 2017, respectively, and are presented as part of “other income” in the statements of comprehensive loss (see Note 21).

NOTE 7. ACCOUNTS AND OTHER RECEIVABLES

This account consists of:

	2019	2018
Due from PhilHealth ¹	12,192,880	-
Advances to contractors ²	46,821,614	42,170,719
Accrued interest receivable ³	3,334,109	3,334,109
Accounts receivable	2,249,241	-
Other receivables ⁴	214,925	142,837
	64,812,769	45,647,665

14. Due from PhilHealth pertains to reimbursements for hospital expenses and doctors' fees availed by patients who are members of Philippine Health Insurance Corporation.

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

16. Accrued interest receivable represents interest earned on loans receivable from related parties (see Note 14).

17. Other receivables pertain to receivables from various employees and doctors.

NOTE 8. ADVANCES TO SUPPLIERS

Advances to suppliers are down payments made to suppliers of medical equipment and/or construction materials ordered. The amounts represent 5% - 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 according to the agreed terms and conditions.

NOTE 9. INVENTORIES

This account consists of:

	2019
Inventories Held for Consumption:	
Laboratory supplies	2,799,759
Hospital supplies	1,641,479
Office supplies	370,363
Housekeeping supplies	269,222
Dietary supplies	215,543
	5,296,366
Drugs and medicines inventory for sale - Pharmacy	12,399,848
	17,696,214

Laboratory and hospital supplies refer to drugs and medication supplies for hospital consumption.

Housekeeping supplies pertain to cleaning and sanitation supplies for the hospital upkeep and general housekeeping.

NOTE 10. PROPERTY AND EQUIPMENT (net)

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

	Land Land improvements	Hospital Building	Medical equipment	Laboratory equipment
Cost:				
At beginning of year	71,320,076	-	-	45,000
Additions	-	170,650	-	82,348,421
Reclassification (Note 11)	-	-	515,607,443	119,868,185
Land appraisal	23,062,924	-	-	-
At end of year	94,383,000	170,650	515,607,443	196,993,421
				5,268,185
Accumulated depreciation:				
At beginning of year	-	-	748	-
Depreciation (Notes 20 & 22)	-	17,065	4,296,729	8,391,081
At end of year	-	17,065	4,296,729	8,391,829
				210,480
Net carrying value as				
at December 31, 2019	94,383,000	153,585	511,310,714	188,602,340
				5,057,705

	Office Equipment	Other hospital and office equipment	Transportation Equipment (Note 16)	Total
Cost:				
At beginning of year	527,290	59,948	3,635,041	75,587,355
Additions	14,870,051	22,827,721	-	240,085,028
Reclassification (Note 12)	(7,298,100)	7,298,100	-	515,607,443
Land appraisal	-	-	-	23,062,924
At end of year	8,099,241	30,185,769	3,635,041	854,342,750

Accumulated depreciation:

At beginning of year	206,370	4,975	247,467	459,560
Depreciation (Note 16)	1,885,080	1,346,679	360,466	16,507,580
At end of year	2,091,450	1,351,654	607,933	16,967,140

Net carrying value as

at December 31, 2019 **6,002,067** **28,839,091** **3,027,108** **837,375,610**

During the year, the Company recognized depreciation of various property and equipment that are already operational/installed and ready for use.

The Company's additional appraisal increase / revaluation reserve came from the valuation of its parcels of land which was performed by independent appraisers on March 31, 2019. The fair value was determined by reference to market transactions on an arm's length term at the date of valuation.

The value of the parcels of land was arrived at using a combination of cost and market (or direct sales comparison) approach. Cost approach is based on the principle of substitution, which holds that an informed buyer would not pay more for a given property than the cost of an equally desirable alternative. Market data approach is an appraisal technique in which the market value estimate is predicted based upon prices paid in actual market transactions and current listings, the former fixing the lower limit of value in a static or advancing market (pricewise) and fixing the higher limit of value in a declining market; and the latter fixing the higher limit in any market.

Reconciliation of property and equipment (net) as at December 31, 2018 is as follows:

	Land	Office equipment	Other hospital Medical and pharmacy equipment	Transportation Equipment (Note 13)	Total
Cost:					
At beginning of year	67,722,626	285,381	-	1,651,354	69,659,361
Additions	3,597,450	241,909	45,000	1,983,687	5,927,995
At end of year	71,320,076	527,290	45,000	3,635,041	75,587,356
Accumulated depreciation:					
At beginning of year	-	130,361	-	85,000	215,361
Depreciation (Note 18)	-	76,009	748	4,975	162,467
At end of year	-	206,370	748	4,975	247,467
Net carrying value as					
at December 31, 2018	71,320,076	320,920	44,252	54,974	3,387,575
					75,127,796

The land covered by TCT No. 122-2015000303 amounting to ₱25,964,426 has a total area of 2,154 sqm. located at Barangay 78, Marasbaras, Tacloban, Leyte where the Company built a multidisciplinary special medical facility (hospital) (Note 1) and is the subject of a real estate mortgage as disclosed in Note 16.

In 2016, the Company purchased on installment additional lot adjacent to the Company's hospital building. This was fully paid in June 2018 and covered by TCT No. 122-2018000738 with a total area of 5,643 sqm. It is likewise the subject of a real estate mortgage as disclosed in Note 16.

Management has reviewed the carrying values of property and equipment as at December 31, 2019, 2018 and 2017 for any impairment. Based on the results of its evaluation, there are no indications that these assets are impaired.

NOTE 11. CONSTRUCTION-IN-PROGRESS

During the year, the Company commenced its commercial operation. Accordingly, the Management reclassified this into its appropriate Property and equipment account (Note 10).

NOTE 12. INTANGIBLE ASSETS

Reconciliation of the account is as follows:

	2019	2018
Cost:		
At beginning of year	250,000	-
Additions	-	250,000
At end of year	250,000	250,000
Accumulated amortization:		
At beginning of year	-	-
Amortization for the year	25,000	-
At end of year	25,000	-
Net carrying value as at end of year	225,000	250,000

NOTE 13. ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account consists of:

	2019	2018
Retention payable ¹	32,819,302	27,140,308
Interest payable ²	4,419,627	4,419,627
Government liabilities	622,089	434,998
Other payables ³	18,527,200	12,554,714
	56,388,218	44,549,647

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

\endash Accrued interest payable refers to accrual of interest expense on loans from bank (see Note 16).

\endash Other payables pertain to unpaid expenses incurred during the year.

NOTE 14. RESERVATION DEPOSIT

The reservation deposit account represents cash received from third parties prior to the formal issuance of the secondary license, which will be utilized for future stock subscription. Accordingly, the Company is still in the process of securing the secondary license from the SEC.

During the year, the Company's application to register as a secondary license entity was approved (see Note 1), in view of this the reservation deposits from investors were classified to equity account.

NOTE 15. ACCOUNTS PAYABLE – NONCURRENT

This account pertains to non-current obligations to suppliers of various medical equipment and paraphernalia. These are non-interest-bearing obligations of different maturity dates.

NOTE 16. NOTES PAYABLE

This account consists of:

	2019	2018
Notes payable – hospital construction	385,125,000	360,000,000
Notes payable – medical equipment	184,100,000	60,000,000
Notes payable – working capital	50,000,000	-
Notes payable – transportation equipment	805,582	1,607,398
	620,030,582	421,607,398

The Landbank of the Philippines – Leyte Lending Center granted the Company a credit line facility amounting to P500 MILLION to finance the construction of its hospital structure and the acquisition of various medical equipment and fixtures.

The foregoing credit line facility consists of a term loan 1, the availment of which was granted in 2015 amounting to P400 MILLION for financing the hospital building and term loan 2 amounting to P100 MILLION for the acquisition of medical equipment and fixtures.

Term Loan 1 is available in several drawdowns, payable ranging from 7 to 10 years in ladderized quarterly amortizations, including a grace period ranging from 1 to 3 years for principal amortization. Interest rate is at 5% per annum floating rate with 6% per annum fixed rate, payable quarterly in arrears from date of loan release. The loan is subject to quarterly repricing.

Term Loan 2 is available in several drawdowns, payable in twenty-four (24) equal quarterly amortizations starting at the end of the fifth (5th) quarter after the initial loan release. Interest is payable quarterly in arrears starting at the end of the first (1st) quarter from date of loan release.

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 equipment.

In 2017, the Company availed of a loan from Metropolitan Trust Banking Corporation (MBTC) for the purchase of transportation equipment payable in thirty-five (35) monthly installments at an interest rate of 8.9% per annum and monthly amortization of P41,424.

In 2018, the Company availed of an additional loan from MBTC for the purchase of an additional transportation equipment payable in thirty-five (35) monthly installments at an interest rate of 8.93% per annum and monthly amortization of P37,847. Both loans are covered by a chattel mortgage on the aforementioned transportation equipment.

The Company incurred finance costs on loans for acquisition of medical equipment and fixtures and for acquisition of transportation equipment amounting to P15,317,348, P697,858 and P71,427 in December 31, 2019, 2018 and 2017, respectively, and is reflected in the statement of comprehensive loss.

Notes payable are presented as follows:

	2019	2018
Current portion		
Notes payable – hospital construction	47,625,000	13,458,791
Notes payable – medical equipment	24,754,924	833,333
Notes payable – working capital	6,250,000	-
Notes payable – transportation equipment	620,194	841,810
	79,250,118	15,133,934
Non-current portion		
Notes payable – hospital building	337,500,000	346,541,209
Notes payable – medical equipment	159,345,076	59,166,667
Notes payable – working capital	43,750,000	-
Notes payable – transportation equipment	185,388	765,588
	540,780,464	406,473,464
	620,030,582	421,607,398

Breakdown of finance costs incurred is as follows:

	2019	2018	2017
Construction of hospital building	20,996,842	15,206,833	-
Hospital/medical equipment, furniture and fixtures	14,690,024	563,906	71,427
Working capital	515,726	-	-
Transportation equipment	111,598	133,951	-
	36,314,190	15,904,690	71,427

Finance costs incurred on the construction of the building were capitalized in Building account under Property and equipment in the statements of financial position. On the other hand, finance costs incurred on the loans relating to hospital/medical equipment, furniture and fixtures, transportation equipment and working capital were charged directly to expense.

NOTE 17. RELATED PARTY TRANSACTIONS

In the normal course of business, the Company transacts with companies/individuals which are considered related parties. A summary of the transactions and account balances with related parties follows:

Category	Outstanding Balance		Outstanding Transactions	Balance 2019	Terms	Conditions
	2018	2019				
Loans receivable						
ACE MC – Pateros	40,000,000	(32,000,000)	8,000,000	Interest-bearing, to be collected in cash (a)	Unsecured, unguaranteed, not impaired	
ACE MC – Quezon	20,000,000	(13,000,000)	7,000,000	Interest-bearing, to be collected in cash (a)	Unsecured, unguaranteed, not impaired	
	60,000,000	(45,000,000)	15,000,000			

Advances from shareholders	105,516,259	(22,280,480)	83,235,779	Non-interest bearing, to be paid in cash (b)	Unsecured, unguaranteed, not impaired
Category	Outstanding Balance 2017	Amount of Transactions 2018	Outstanding Balance 2018	Terms	Conditions
Loans receivable					
ACE MC – Pateros	40,000,000	-	40,000,000	Interest-bearing, to be collected in cash (a)	Unsecured, unguaranteed, not impaired
ACE MC – Quezon	20,000,000	-	20,000,000	Interest-bearing, to be collected in cash (a)	Unsecured, unguaranteed, not impaired
	60,000,000	-	60,000,000		
Advances from shareholders	66,550,481	38,965,778	105,516,259	Non-interest bearing, to be paid in cash (b)	Unsecured, unguaranteed, not impaired

16. Loans receivable

The Company granted to its affiliates, Allied Care Experts (ACE) Medical Center – Pateros, Inc. and Allied Care Experts (ACE) Medical Center – Quezon, Inc. loans amounting to P40,00,000 and P20,00,000, respectively with interest rate of 5.25% per annum with principal repayments until 2021.

Interest earned from these loans receivable for the years ended December 31, 2019 and December 31, 2018 amounted P1,179,326 and P3,150,000, respectively, and were offset against the borrowing costs capitalized to construction-in-progress (see Note 11).

(3) Advances from shareholders

In the special meeting of the Board held last January 11, 2015, the directors and shareholders were mandated and empowered to contribute resources and make cash advances to the Company for the construction of its medical structures and appurtenances.

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

The Board of Directors ratified the conversion of advances from shareholders amounting to P49,400,000 in 2017 to settle in full the outstanding unpaid subscription of certain shareholders within the base ceiling of the original authorized share capital (see Note 19).

Key Management Personnel Compensation

The Board of Directors (BOD) has not yet declared key management personnel compensation for the years 2019 and 2018, respectively. Instead, only per diem and transportation allowance per meetings were given as per Board Resolution dated August 08, 2015 (see Note 22).

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

NOTE 18. SHARE CAPITAL- net

Details of share capital are as follows:

	2019
Authorized:	
600 founder shares and 239,400 common shares both at 1,000 par value per share	240,000,000
Subscribed:	
600 founder shares and 195,530 common shares both at 1,000 par value per share	196,130,000
Paid-up and outstanding (net of subscription receivable of P54,000,000):	
600 founder shares and 141,530 common shares both at 1,000 par value per share	142,130,000
	2018
Authorized:	
600 founder shares and 239,400 common shares both at 1,000 par value per share	240,000,000
Subscribed:	
600 founder shares and 191,400 common shares both at 1,000 par value per share	192,000,000
Paid-up and outstanding (net of subscription receivable of P54,000,000):	
600 founder shares and 137,400 common shares both at 1,000 par value per share	138,000,000

During the year, pursuant to approval of its permit to offer securities for sale with the SEC, the Company issued an additional **FOUR THOUSAND ONE HUNDRED THIRTY (4,130)** common shares. The related share premium arising from the sale after deducting transaction costs associated with the issuance of shares, amounted to P71,495,642.

Founder's shares have the exclusive right to vote and be voted upon in the election of directors for five (5) years from the date of registration. Thereafter, the holders of Founder's shares shall have the same rights and privileges as holders of common shares. As at December 31, 2019, 2018 and 2017, the Company has fifty (50) shareholders, each owning 100 or more shares of the Company's shares of stock.

NOTE 19. REVENUES

Revenues earned for the year ended December 31, 2019 is as follows:

	2019
Hospital fees, net	
Hospital fees	44,320,139
Less: Hospital discounts and allowances ¹⁾	(5,177)
	44,314,962
 Sale of drugs and medicines, net	
Sale of drugs and medicines	18,129,061
Less: Sales discounts and allowances	(3,628)
	18,125,433
 TOTAL REVENUES, net	62,440,395

¹⁾Hospital discount and allowances are those given to seniors, employee and investors.

NOTE 20. COST OF SALES AND SERVICES

Details of the account is as follows:

	2019
Salaries and wages	17,787,876
Depreciation (Note 10)	14,244,968
Professional fees	4,145,090
Materials	3,149,081
Service fees	385,781
	39,712,796

No comparative information is presented as the Company only started its operations during the year.

NOTE 21. OTHER INCOME

Details of the account is as follows:

	2019	2018	2017
Income from cafeteria	1,570,143	-	-
Interest income (Note 6)	16,985	16,287	32,099
Doctor's clinic income	215,409	-	-
Miscellaneous income	38,200	-	-
	1,840,737	16,287	32,999

Income from cafeteria – revenues generated from the Hospital-operated cafeteria/restaurant.

NOTE 22. OPERATING EXPENSES

Details of the account is as follows:

	Notes	2019	2018	2017
Salaries and allowances		15,361,546	1,518,364	467,372
Utilities		5,571,393	328,593	32,054
Taxes and licenses		3,634,656	2,524,691	1,921
Board meetings and meals	18	2,866,233	2,226,300	1,309,000
Insurance		2,653,471	463,286	33,333
SSS, Philhealth, Pag-ibig contributions		2,529,297	-	-
Transportation and Travel		2,474,003	1,600,827	754,941
Depreciation	10	2,262,612	244,199	137,220
Janitorial services		1,979,603	72,924	-
Rental		1,923,761	180,000	90,000
Security services		1,532,966	198,211	-
Housekeeping and linen supplies		1,331,829	-	-
Office supplies		1,126,757	84,191	77,463
Professional fee and legal fees		548,743	908,675	327,700
Training and development		398,334	74,682	-
Repairs and maintenance		387,345	-	-
Uniforms		211,225	-	-
Representation		147,994	384,363	342,239
Advertising and promotion		136,495	-	-
Penalties and charges		46,481	-	-
Amortization	12	25,000	-	-
Miscellaneous		1,247,359	197,475	170,499
		48,397,103	11,006,781	3,743,742

NOTE 23. INCOME TAX

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

I. Regular Corporate Income Tax (RCIT)	2019	2018	2017
Net loss before income tax	(39,146,115)	(11,688,352)	(3,782,170)
Add (deduct) reconciling items:			
Interest income subjected to final tax (Note 6)	(16,985)	(16,287)	(23,999)
Interest expense arbitrage	7,006	6,718	9,900
Penalties and charges	46,481	-	-
NOLCO	(39,109,613)	(11,697,921)	(3,796,269)
Tax rate	30%	30%	30%
RCIT	(11,732,884)	(3,509,376)	(1,138,881)

II. Minimum Corporate Income Tax

Gross income	24,568,336
Less: Non-taxable income	
Interest income subjected to final tax	(16,985)
Adjusted gross loss	24,551,351
Tax rate	2%
MCIT	491,027

No comparative information is presented as the Company only started its operations during the period.

The Company being a BOI registered for its pioneering status is tax-exempt for four (4) years (see Note 1)

III. Net Operating Loss Carry-Over (NOLCO)

As at December 31, 2019, the Company has NOLCO and MCIT that can be claimed as deduction from future taxable income and income tax payable, are as follows:

Year incurred	Expiration date	At beginning of year	Additions	Expired	Claimed	At end of year
NOLCO						
2014	2017	-	843,085	-	-	843,085
2015	2018	843,085	1,564,952	-	-	2,408,037
2016	2019	2,408,037	1,771,657	-	-	4,179,694
2017	2020	4,179,694	3,796,269	843,085	-	7,132,878
2018	2021	7,132,878	11,697,921	1,564,952	-	17,265,846
2019	2022	17,265,846	39,109,613	1,771,657	-	54,603,802

IV. DEFERRED TAX ASSETS

The significant component of the Company's deferred tax assets as at December 31 are as follows:

	2019	2018	2017
NOLCO	54,603,802	17,265,846	7,132,878
Tax rate	30%	30%	30%
	16,381,141	5,179,754	2,139,863
Valuation allowance	(16,381,141)	(5,179,754)	(2,139,863)
	-	-	-

Deferred tax asset from NOLCO arises from the net operating loss that can be charged against taxable income for the next three taxable years.

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

NOTE 24. BASIC LOSS PER SHARE

Basic loss per share is computed as follows:

	2019	2018	2017
Loss attributable to ordinary shares	(39,146,115)	(11,688,352)	(3,782,170)
Divide by: Weighted average number of ordinary shares outstanding	196,130	192,000	120,000
Basic loss per share	(199.59)	(60.88)	(31.52)

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

NOTE 25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risks or combination of risks. The Company's aim is to achieve an appropriate balance between risks and returns and minimize potential adverse effects on the Company's financial performance. The Company's risk management policies focus on actively securing the Company's short-term to medium-term cash flows by minimizing the exposure to financial markets.

The most important types of risk that the Company manages are market risk (which includes interest risk), credit risk and liquidity risk.

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, the 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 Company's financial instruments that are interest-bearing are its cash in banks and notes payable (Notes 6 and 16).

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

As to the notes payable, the Company does not foresee any cash flow and fair value interest rate risk to have a significant impact on operations relating to those notes that carry a fixed rate of 6%. Interest rate risk is directed to the portion of the Company's notes which carry variable interest rate subject to quarterly repricing. However, upon management assessment, these do not present significant interest rate risk.

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 are as follows:

Cash

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

Accounts and Other Receivables

The Company has no significant concentrations of credit risk on its accounts and other receivables. The Company's 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 accounts and other receivables.

Liquidity Risk

Liquidity risk arises when the Company encounters difficulty in meeting the obligations 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.

As part of its overall liquidity management, the Company maintains sufficient levels of cash to meet building construction requirements. The Company avails of funds from related parties and from shareholders when needed. Excess cash are invested to short-term investments such as time deposits which can be used for emergency expenses.

The table below summarizes the maturity profile of the Company's financial liabilities as at December 31, 2019 and 2018:

December 31, 2019	1 to 12 months	1 to 5 years	Total
Accounts payable and other liabilities*	55,766,129	-	55,766,129
Notes payable	79,250,118	540,780,464	620,030,582
Advances from shareholders	-	83,235,779	83,235,779
	135,016,247	624,016,243	759,032,490

December 31, 2018	1 to 12 months	1 to 5 years	Total
Accounts payable and other liabilities*	44,114,649	-	44,114,649
Reservation deposit	10,400,000	-	10,400,000
Notes payable	15,133,934	406,473,464	421,607,398
Advances from shareholders	-	105,516,259	105,516,259
	69,648,583	511,989,723	581,638,306

**excluding government liabilities*

The above maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the reporting dates.

NOTE 26. CATEGORIES OF FINANCIAL ASSETS AND LIABILITIES

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

Financial assets	2019		2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash	19,746,691	19,746,691	22,356,668	22,356,668
Advances to suppliers	32,525,921	32,525,921	90,359,063	90,359,063
Receivables	64,812,769	64,812,769	45,647,665	45,647,665
Loans receivable	15,000,000	15,000,000	60,000,000	60,000,000
	132,085,381	132,085,381	218,363,396	218,363,396

Financial liabilities	2019		2018	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Accounts payable and other liabilities	55,766,129	55,766,129	44,114,649	44,114,649
Reservation deposit			10,400,000	10,400,000
Notes payable	620,030,582	620,030,582	421,607,398	421,607,398
Advances from shareholders	83,235,779	83,235,779	105,516,259	105,516,259
	759,032,490	759,032,490	581,638,306	581,638,306

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 and government payables, respectively, that are not considered as financial assets and liabilities.

Due to the short-term maturities of the Company's cash, advances to suppliers, other receivables, loans 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.

NOTE 27. 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 when necessary.

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

	2019	2018
Total liabilities	819,581,277	582,073,304
Total equity	177,639,929	118,410,730
	4.61:1	4.92: 1

The Company is subjected to externally imposed capital requirement of 75:25 debt-to-equity ratio from its interest-bearing loan but has no restrictions on the issue and repurchase of ordinary shares. There were no changes in the Company's approach to capital management during the year.

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

NOTE 28. EVENTS AFTER REPORTING DATE

COVID-19, an infectious disease caused by a novel Coronavirus is exponentially spreading illness throughout the globe and has been recognized as a global pandemic by the World Health Organization (WHO). The various governments worldwide have taken drastic measures, including locking down of entire country to reduce the impact of this catastrophe.

In Asia, the Philippine government (the “government”) was one of the first to enforce the wide-area Enhanced Community Quarantine (ECQ) as a matter of national interest and policy to address the impending outbreak and cushion the impact of the coronavirus crisis to the constituents, including the business sector. Thus, on March 16, 2020, as per the advice of health authorities, the government directed the entire population of Luzon to stay home, observe social distancing and to wear a mask when outside their homes, to contain the spread of COVID-19.

This directive of the government to contain the public health risk is disrupting supply chain and affecting production and sales across a range of businesses with the sudden fall in demand for products and services, labor shortage and supply interruptions due to the temporary mandated closure of business activities. To mitigate the impact of the COVID-19, the government issued ordinances to temporarily extend support to the business sector most especially during the ECQ period.

While Management is cognizant of the impact of the disruption caused by COVID-19 to be temporary, the adverse effects on the operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on customers, employees and vendors all of which are uncertain and cannot be predicted.

Management is optimistic that notwithstanding the adverse effects of the temporary closure brought about by the ECQ, the Company may still recover its shortfalls from the time ECQ will have been lifted till the end of the year 2020.

The Company has determined that these events are non-adjusting subsequent events. Accordingly, their impact was not reflected in the Company's financial statements as of and for the year ended December 31, 2019.

NOTE 29. APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company as at and for the year ended December 31, 2019, including its comparatives for 2018 and 2017, were approved and authorized for issuance by the Board of Directors on September 19, 2020.

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

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

Supplementary information required by Revenue Regulations 15-2010

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

Output and Input Value-Added Tax

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

Documentary Stamp Tax

Documentary stamp tax paid related on the loans availed amounted to P1,930,770.

Taxes and licenses

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

	2019
Documentary stamp	1,930,770
SEC payment	1,701,726
Real property taxes	1,660
Annual registration	500
	3,634,656

Withholding Taxes

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

	2019
Expanded withholding taxes	2,882,507

Deficiency Tax Assessment and Tax Cases

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

* * *