

SEC Number : CS201506626
File Number :

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

(Company's Full Name)

BRGY. 78, MARASBARAS, TACLOBAN CITY

(Company's Address)

CS201423451

(TIN Number)

053-884322/ 09564614352

(Telephone Number)

N/A

(Fax Number)

SEC FORM 20-IS
DEFINITIVE INFORMATION STATEMENT

Form Type

Each Active Secondary License Type and File Name: NONE

NOTICE OF ANNUAL STOCKHOLDERS' MEETING

DEAR STOCKHOLDERS:

Please be informed that the Annual Stockholders' Meeting of Allied Care Experts (ACE) Medical Center- Tacloban, Inc. ("ACEMC-Tacloban") will be held on December 29, 2020 (Tuesday) at 9:00 o'clock in the morning, via Zoom Webinar, in light of the COVID pandemic.

For the conduct of the Webinar, please register on or before December 21, 2020, through the following link:

https://zoom.us/webinar/register/WN_toJABeFzQ_iWdAfR8HpEgQ

Once you have successfully registered, you will receive a confirmation email containing information about the webinar meeting.

The link will provide you the process for the registration. You will receive a confirmation email once you have successfully registered in the platform, including the details and procedures in the conduct of the meeting. Voting will be done via the online tool which you can access once you have logged in to the Webinar; voting in the election of directors may also be done *in absentia* through the above link.

The meeting shall be recorded (visual and audio) for future reference.

The Agenda:

- I. Call to Order
- II. Invocation
- III. Determination of Quorum
- IV. Welcome Message
- V. Reading and Approval of the Minutes of the Y2019 Annual Stockholders' Meeting
- VI. Audited Financial Report 2019
- VII. President's Report
- VIII. Ratification of the Acts and Proceedings of the Board of Directors, Officers, and Management of the Corporation
- IX. Amendments of the Articles of Incorporation and By-Laws
 1. Section 6, Article II of the by-laws (Tele/Video Conference)
 2. Section 6, Article III (Tele/Video Conference)
 3. Section 7, Article II (Manner of voting and Submission of Proxies)
 4. Section 8, Article II (Closing of Transfer of Books or Fixing of Record Date)
 5. Section 1, Article II (Date of Annual Stockholders' Meeting)
- X. Election of the Board of Directors 2020-2021
- XI. Appointment of External Auditor for the year 2020
- XII. Other Matters
- XIII. Adjournment

Only stockholders of record at the close of business on December 9, 2020, Wednesday, shall be entitled to notice of and to vote at the meeting. If you cannot personally attend the meeting, you may opt to send your proxy to attend in your behalf. Kindly submit your duly executed proxy form

with the undersigned, via email, at acemctacloban2015@gmail.com not later than 5:00 p.m. on December 28, 2020, but preferably, on December 21, 2020, to enable your proxy to register in the

Zoom Webinar. Attached is a sample proxy form for your reference. [NOTE: Management is not soliciting proxies.]

The Information Statement and Management Report and SEC Form 17-A are available at the Corporation's website at <https://acemctacloban.com>

You may contact the undersigned via email at acemctacloban2015@gmail.com through mobile number 09178178394 if you have inquiries/concerns regarding the meeting.

Very truly yours,

A handwritten signature in cursive script, appearing to read "La Rhaine G. Viernes".

LA RHAINE G. VIERNES

Corporate Secretary

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-1S
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:

- ☐ Preliminary Information Statement
☒ Definitive Information Statement

2. Name of Registrant as specified in its charter: **ALLIED CARE EXPERTS(ACE) MEDICAL CENTER-TACLOBAN INC.**

3. Province, country or other jurisdiction of incorporation or organization: **Philippines**

4. SEC Identification Number: CS201423451

5. BIR Tax Identification Code: 008-917-666-000

6. Address of Principal Office: BRGY 78 MARASBARAS TACLOBAN CITY Postal Code: 6500

7. Registrant's telephone number, including area code: 053-884322 / 09564614352

8. Date, time and place of the meeting of security holders:

Date : **December 29, 2020**
Time : **9:00 a. m.**
Place : **Via Zoom Webinar**
Bgy. 78 Marasbaras, Tacloban City

9. Approximate date on which the Information Statement is first to be sent or given to security holders:
December 4, 2020.

10. In case of Proxy Solicitations: NOT APPLICABLE

Name of Person Filing the Solicitation Statement:
Address and Tel. No. :

11. Securities registered pursuant to Section 8 and 12 of the Code or Section 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding
Founder's Shares	As of September , 2020 – 600 shares for Php600,000
Common Shares	As of September , 2020 – 202,860,000 shares for 202,860,000

12. Are any or all registrant's securities listed in a Stock Exchange?

Yes No x

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. GENERAL INFORMATION**Date, time and place of meeting of security holders.**

(a) The stockholders' meeting shall be held on:

Date : **December 29, 2020**
 Time : **9:00 a. m.**
 Place : **Via Zoom Webinar**
Bgy. 78 Marasbaras, Tacloban City

Complete Mailing Address of Principal Office of Registrant:

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

The approximate date on which the information statement is first to be sent and given to security holders shall be **December 4 ,2020**.

Dissenter's Right of Appraisal

The proposed amendment of the Company's By-laws, particularly, Section 6, Article II, Section 6, Article III and Sections 7 and 8, Article II, and Section 1 of Article II thereof, to include tele/video conferencing as a mode of conducting board and stockholders meetings, amending the record date for determining the stockholders entitled to notice of and to vote during the stockholders' meeting, and amending the date of the annual stockholders meeting to every Fourth Tuesday of October of every year, respectively, may give rise to a possible exercise by security holders of their appraisal right. Under Section 80, Title X of the Revised Corporation Code of the Philippines, the stockholders of the Corporation have the right of appraisal under the following instances:

- a. In case an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those outstanding shares of any class, or of extending or shortening the term of corporate existence;
- b. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in this Code;
- c. In case of merger or consolidation; and
- d. In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

The dissenting stockholder who votes against a proposed corporate action may exercise the right of appraisal by making a written demand on the corporation for the payment of the fair value of shares held within thirty (30) days from the date on which the vote was taken. Provided that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented, the corporation shall pay the stockholder, upon surrender of the certificate of stock representing the stockholders shares, the fair value thereof as of the day before the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

Interest of Certain Persons in or Opposition to Matters to be Acted Upon

No director, officer or nominee for election as director of the Company, or associate of a director, officer, or nominee for election as director has any substantial interest in any matter to be acted upon, other than election to office. No director has informed the Company in writing that he intends to oppose any action to be taken by the Company at the meeting.

B. CONTROL AND COMPENSATION INFORMATION**Voting Securities and Principal Holders Thereof**(a) Class of Voting Shares as of **October 31, 2020**:

	Shares Outstanding	No. of Vote Each Share Is Entitled
Common Shares:		
Filipino	202,860	One (1) vote per share
Foreign	-	One (1) vote per share
Total	202,860	

(b) Record Date:

All stockholders of record as of **December 9, 2020** are entitled to notice of and to vote at the Annual Stockholders' Meeting.

(c) Manner of voting:

The holders of common stock are entitled to one vote per share, but in connection with the cumulative voting feature applicable to the election of directors, each stockholder is entitled to as many votes as shall equal the number of shares held by such person at the close of business on the record date, multiplied by the number of directors to be elected. A stockholder may cast all of such votes for a single nominee or may apportion such votes among any two or more nominees. The shares shall be voted/cast by secret balloting and/or raising of hands. In all matters included in the agenda, except the election of directors, the counting of votes will be done through the regular method.

(d) Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners (of more than 5%) as of October 31, 2020

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 October 31, 2020 are as follows:

Title of Class	Name, Address of record owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common Founder	Miguel Antonio Enriquez - son Michael Edward -son Marilyn Enriquez - wife Fernando P. Carlos – first	Enriquez, Amado Manuel Jr. C./Father	Filipino	27,930 -C 70 - F (Direct) 28,000 (Indirect)	23.33%
Common Founder	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 Founder	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)	23.33%

(2) Security Ownership of Directors and Management as of October 31, 2020:

(c) Security Ownership of Directors and Management as of October 31, 2020:

Name	Amount and Nature of Beneficial Ownership		Citizenship	No. of Shares	% Ownership
	Direct	Indirect			
BOARD OF DIRECTORS					
Enriquez, Amado Manuel Jr. C.	27,930,000	28,000,000	Filipino	27,930 (common shares) 70 (founder shares)	23.33%
Carlos, Fernando P.	15,960,000	40,000,000	Filipino	15,960 (common shares) 40(founder shares)	23.33%
Caboboy, Francis	3,990,000	-	Filipino	3990 (common shares) 10 (founder shares)	1.67%

Camenforte., Ma. Lourdes L.	3,990,000	-	Filipino	3990 (common shares) 10 (founder shares)	1.67%
Cerna- Lopez, Geanie C.	3,990,000	4,000,000	Filipino	3990 (common shares) 10 (founder shares)	3.33%
Enriquez, Miguel Antonio R.	3,990,000	52,000,000	Filipino	3990 (common shares) 10 (founder shares)	23.33%
Jadloc, Jonathan Moses C.	3,990,000	-	Filipino	3990 (common shares) 10 (founder shares)	1.67%
Merin, Fe G.	3,990,000	-	Filipino	3990 (common shares) 10 (founder shares)	1.67%
Nuevas, Nimfa L.	3,990,000	-	Filipino	3990 (common shares) 10 (founder shares)	1.67%
Orillaza, Generoso	3,990,000	4,000,000	Filipino	3990 (common shares)	3.33%
				10 (founder shares)	
Samoy, Marietta T.	7,980,000	-	Filipino	7,980 (common shares) 20 (founder shares)	3.33%
Tagra, Mina Sirikit C.	3,990,000	-	Filipino	3,990 (common shares) 10 (founder shares)	1.67%
Ty, Florentina U.	3,990,000	4,000,000	Filipino	3,990 (common shares) 10 (founder shares)	3.33%
Viernes, La Rhaine G.	3,990,000	4,000,000	Filipino	3,990 (common shares) 10 (founder shares)	3.33%
Zozobrado, Evangeline	3,990,000	4,000,000	Filipino	3,990 (common shares) 10 (founder shares)	3.33%

Name	Amount and Nature of Beneficial Ownership		Citizenship	No. of Shares	% Ownership
	Direct	Indirect			
EXECUTIVE OFFICERS					
Enriquez, Amado Manuel Jr. C.	27,930,000	28,000,000	Filipino	27,930 (common shares) 70 (founder shares)	23.33%
Carlos, Fernando P.	15,960,000	40,000,000	Filipino	15,960 (common shares) 40(founder shares)	23.33%
Jadloc, Jonathan Moses C.	3,990,000	—	Filipino	3990 (common shares) 10 (founder shares)	1.67%
Viernes, La Rhaine G.	3,990,000	4,000,000	Filipino	3,990 (common shares) 10 (founder shares)	3.33%
Nuevas, Nimfa L.	3,990,000	-	Filipino	3990 (common shares) 10 (founder shares)	1.67%

Cerna- Lopez, Geanie C.	3,990,000	4,000,000	Filipino	3990 (common shares) 10 (founder shares)	3.33%
Samoy, Marietta T.	7,980,000	—	Filipino	7,980 (common shares) 20 (founder shares)	3.33%

- (3) There are no voting trust holders of 5% or more.
(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.

(e) No change in control of the registrant has occurred since the beginning of its last fiscal year.

Directors and Executive Officers

(a) Directors/Nominees and Executive Officers

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 current members of the Board of Directors are the following:

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

Nominees for Election as Members of the Board of Director

1. Enriquez, Amado Manuel Jr. C.
2. Carlos, Fernando P.
3. Abriol-Santos, Ma. Rosario L.
4. Arroyo, Nestor Jogie C.
5. Cerna-Lopez, Geanie A.
6. De la Rosa, Carlos
7. Enriquez, Michael Edward
8. Enriquez, Miguel Antonio
9. Latorre, Rosario E. – Independent Director
10. Merin, Fe G.
11. Nuevas, Nimfa L.
12. Opinion, Ma. Lourdes – Independent Director
13. Samoy, Marietta T.
14. Tobio, Everly Joy P. – Independent Director
15. Viernes, La Rhaine G.

The following have been nominated to the Board for the ensuing year:

The Company has complied with the guidelines on the nomination and election of independent directors as set forth in Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code. The nominated independent directors are as follows : Dr. Rosario E. Latorre, Dr. Ma. Lourdes

Opinion, Dr. Everly Joy Tobio were nominated by Dr. Sonia Sim, Dr. Pilipinas Jaya and Dr. Rosario Latorre respectively. The nominees are not related to their respective nominating stockholder and were pre-screened by the Nominations Committee composed of Rosario E. Latorre, Eulogio Penalosa and Sonia Sim.

The Company's key executive officers as of October 31, 2020 are as follows:

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

The Officers (per the Company's By-Laws) are elected/appointed annually by the Board of Directors during its organizational meeting following the annual stockholders' 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.

Please refer to attached Annex “A” for the summary of qualifications of the current Directors/Nominees and Executive Officers.

Significant Employees

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

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.

Certain Relationships and Related Transactions.

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

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

September 30, 2020 (Unaudited)

Nature of Relationship	Nature of Transaction	Amount (current transaction)	Outstanding balance	Terms	Conditions
Advances from Shareholders	Advances	(₱83,235,779)	₱.	(6)	(7)
Loans receivable-ACE Medical Center-Pateros, Inc.	Collection	(8,000,000)	.	(3)	(7)
Loans receivable-ACE Medical Center-Quezon City, Inc.	Collection	(4,384,012)	2,615,988	(3)	(7)

December 31, 2019 (Audited)

Nature of Relationship	Nature of Transaction	Amount (current transaction)	Outstanding balance	Terms	Conditions
Advances from Shareholders	Payment	₱(22,280,480)	83,235,779	(6)	(7)
Loans receivable-ACE Medical Center-Pateros, Inc.	Collection	(32,000,000)	8,000,000	(3)	(7)
Loans receivable-ACE Medical Center-Quezon City, Inc.	Collection	₱(13,000,000)	₱ 7,000,000	(3)	(7)

Terms and Conditions:

- (1) Interest bearing, collectible in cash in 3-months
- (2) Collectible in cash and on demand
- (3) Interest bearing, collectible in cash
- (4) Payable in cash and on demand
- (5) Secured by acceptable real or personal property

- (6) *Non-interest bearing, no scheduled repayment terms*
- (7) *Unsecured*
- (8) *Secured by acceptable real or personal property*
- (9) *Non-interest bearing, no scheduled repayment terms*
- (10) *Unsecured*
- (11) *Secured by acceptable real or personal property*
- (12) *Non-interest bearing, no scheduled repayment terms*
- (13) *Unsecured*
- (14) *Secured by acceptable real or personal property*
- (15) *Secured by acceptable real or personal property*
- (16) *Non-interest bearing, no scheduled repayment terms*
- (17) *Unsecured*
- (18) *Secured by acceptable real or personal property*
- (19) *Non-interest bearing, no scheduled repayment terms*
- (20) *Unsecured*

Loans Receivable

The Company extended loans to ACE Medical Center – Pateros, Inc. and ACE Medical Center – Quezon, Inc. amounting to ₱40,000,000 and ₱20,000,000, respectively with a 5.25% interest rate per annum. These loans are payable until 2021.

Interest earned from this loan receivable amounted to ₱1,179,326 for the year ended December 31, 2019

Cash Advances

The Company obtains cash advances from shareholders to finance the on-going construction of its hospital building. These are unsecured, payable in cash with no scheduled repayment terms. The outstanding balance of these advances were presented under Advances from shareholders account in the statements of financial position.

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 Ilaza, 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 Davielene 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

SUMMARY COMPENSATION TABLE

(a)	(b)	(c)	(d)	(e)
Name & Principal Position	Year	Salary	Bonus	Other Compensation
A. Fernando P. Carlos President	- 0 -	- 0 -	- 0 -	- 0 -
B. Treasurer	- 0 -	- 0 -	- 0 -	- 0 -
C. La Rhaine G. Viernes Corporate Secretary	- 0 -	- 0 -	- 0 -	- 0 -
D. Aggregate For The Above Named CEO & Officers	2020-Estim.	- 0 -	- 0 -	- 0 -
	2019	- 0 -	- 0 -	- 0 -
	2018*	- 0 -	- 0 -	- 0 -
E. Aggregate For The Officers And Directors As A Group	2020-Estim.	- 0 -	- 0 -	- 0 -
	2019	- 0 -	- 0 -	- 0 -
	2018*	- 0 -	- 0 -	- 0 -

a. Except for per diem (P10,000.00/board meeting) for each director during board meetings, 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.

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

(c) Independent Public Accountants

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.

C. OTHER MATTERS

Action with Respect to Reports

The approval of the stockholders on the following will be taken up:

- i. Minutes of the April 28, 2019 Annual Stockholders' Meeting. The Minutes cover the following items:
 - A. Reading and Approval of the Minutes of the Y2018 Annual Stockholders' Meeting
 - B. Audited Financial Report 2018
 - C. President's Report
 - D. Election of the Board of Directors 2019-2020

The approval or disapproval of the above Minutes will refer only to the correctness of the Minutes and will not constitute an approval/disapproval of the matters stated in the Minutes.

- ii. Audited Financial Statements for the year ending 31 December 2018.

Other Proposed Actions

1. Ratification of all corporate acts and resolutions during the past year of the Board, Officers and Management. These acts are covered by resolutions duly adopted in the usual course of business such as opening of bank accounts and designation of authorized signatories for various transactions, etc.
2. Amendment of the By-Laws:

- Section Section 6 of Article II , Section 6 of Article III
 - Section Section 7 of Article II
 - Section Section 1 of Article II
 - Section Section 8 of Article II
3. Election of Directors including Independent Directors for Y2020-2021
 4. Appointment of External Auditor for fiscal year ending 31 December 2020

Amendment of Charter, By-Laws and other Documents

The Board, in its meeting on August 21,2020 approved the amendment of the following:

1. Section 6 of Article II , Section 6 of Article III , adapting Teleconference as a medium for the conduct of meeting.
2. Section 7 of Article II, adapting the deadline for the submission of proxies which will now be seven days prior to the date of annual Stockholder's Meeting.
3. Section 1 of Article II of the By Laws of the Corporation, changing the date of the Annual Stockholder's Meeting to every Fourth Tuesday of October of each year.
4. Section 8 of Article II of the By-laws of the Corporation, removing the 20-day period to enable the Board to fix the record date in determining the stockholders entitled to notice of and to vote during the annual stockholders meeting, to align with the last day for sending out of the definitive information statement.

Voting Procedures

Except on the election of directors, an affirmative vote by the stockholders owning at least a majority of the outstanding capital stock shall be sufficient to approve matters requiring stockholder's action. The holder of a majority interest of all outstanding stock of the Company entitled to vote at the meeting, in person or by proxy, shall constitute a quorum for the transaction of business. The holders of common stocks are entitled to one vote per share, except in connection with the election of directors where only the founders are entitled to vote. The founders shall be entitled to as many votes as shall equal the number of shares held by such person at the close of business on the record date, multiplied by the number of directors to be elected. The founder may cast all of such votes for a single nominee or may apportion such votes among any two or more nominees. The shares shall be voted/cast via the online poll thru the Zoom Webinar. Stockholders shall be entitled to vote either in person or by proxy.

Method of Counting Votes

The Corporate Secretary, assisted by the Company's external auditor, will be responsible for counting the votes.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Tacloban on **December 3, 2020**.

ALLIED CARE EXPERTS(ACE) DUMAGUETE DOCTORS INC.

By:



LA RHAINE G. VIERNES
Corporate Secretary

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.
Baranggay 78 Marasbaras, Tacloban City
Attention: The Corporate Secretary

INCUMBENT BOARD OF DIRECTORS/NOMINEES

Name	Business and Professional Work Experience for the Past five(5) Years
<p>AMADO MANUEL C. ENRIQUEZ, JR. 68 Filipino</p>	<p>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); Alaminos Medical Center Foundation (2001-present)</p> <p>Founding Chairman – ACE Medical Center Valenzuela, ACE Medical Center Baliwag, ACE Medical Center Pateros, ACE Medical Center Malolos, ACE Medical Center Mandaluyong, ACE Medical Center Palawan, ACE Medical Center Iloilo, ACE Medical Center Tacloban, ACE Dumaguete Doctors, Inc., ACE Dumaguete Doctors, Inc., 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</p> <p>Active consultant in Cardiovascular-Thoracic Surgery – St. Luke's Medical Center, Manila East Medical Center, ACE Medical Center Hospitals.</p>
<p>CARLOS, FERNANDO P. 59, Filipino</p>	<p>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.</p> <p>Hospital Affiliations:</p> <p>ACE Hospitals</p>
<p>CAMENFORTE, MA. LOURDES L. 59, Filipino</p>	<p>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</p> <p>Purchasing Director, ACEMC-Tacloban 2018 up to present</p>
<p>CERNA- LOPEZ, GEANIE C 67,Filipino</p>	<p>President - Las Pinas City Medical Center, Medical Director- Unihealth Paranaque, Management Consultant - Medical Center Muntinlupa, Past President - Medical Center Muntinlupa (2016), Past Hospital Admin - UniHealth Paranaque Hospital (2016) and Las Pinas City Medical Center(2016); Past president Paranaque Doctors Hospital (2015)</p>
<p>ENRIQUEZ, MIGUEL ANTONIO 32, Filipino</p>	<p>ACE Medical Centre Valenzuela - Hospital Administrator; ACE Medical Centre Quezon City - Vice President; ACE Medical Centre Pateros - Vice President</p> <p>Hospital Affiliations:</p>
<p>JADLOC, JONATHAN MOSES C. 47, Filipino</p>	<p>Medical Director – Corrompido Specialty Hospital (2009-2017)</p> <p>Director – Souley MD Services, Inc.</p> <p>President/CEO Havilah Polymedic</p> <p>Consultant – Consuelo K. Tan Medical Center</p> <p>Medical Director ACEMC-Tacloban 2019 -2020</p>

Name	Business and Professional Work Experience for the Past five(5) Years
MERIN FE G. 65, Filipino	<p>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);</p> <p>Consultant – Divine Word Hospital (1991-present);</p> <p>President, POGS Region 8 (2003 & 2004)</p> <p>Regional Director, POGS Region 8 (2010-2012);</p> <p>Board of Director, POGS Region 8 (2013-2016)</p> <p>Vice Chairman & Hospital Administrator, ACEMC Tacloban (2014 – present)</p> <p>Administrator – ACEMC-Tacloban 2019 up to present</p> <p>HOSPITAL AFFILIATIONS:</p> <p>ACEMC- TACLOBAN –Active Consultant</p> <p>Divine Word Hospital- Visiting Consultant</p>
NUEVAS, NIMFA L. 53,Filipino	<p>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;</p> <p>Assistant Treasurer- Tagum Global Medical Center Inc. 2018 up to present; Member Phil Society of Climacteric Medicine</p> <p>HOSPITAL AFFILIATIONS:</p> <p>ACEMC- TACLOBAN –Active Consultant</p> <p>Mother of Mercy Hospital –Visiting consultant</p> <p>RTR Hospital –Visiting Consultant</p> <p>Divine Word Hospital- Visiting Consultant</p>
ORILLAZA, GENEROSO M. 64, Filipino	<p>Director – Paranaque Doctors Hospital (2007 – present); ACE Baypointe Hospital & Medical Center (2010- present); ACE Baliwag (2012-2014)</p> <p>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</p>
SAMOY, MARIETTA T. 63, Filipino	<p>Chairman – Unihealth-Baypointe Hospital & Medical Center, Inc. (Subic Bay Freeport Zone) 2017</p> <p>President – Unihealth-Valenzuela Hospital & Medical Center (2017)</p> <p>Medical Director – YGEIA Medical Center</p> <p>Chairman, Dept. of Surgery – ACE Medical Center Valenzuela; Uni-Health Paranaque Hospital and Medical Center (2017)</p>
TAGRA, MINA SIRIKIT 59, Filipino	<p>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);</p> <p>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)</p> <p>HOSPITAL AFFILIATIONS:</p> <p>Hospital Affiliations:</p> <p>ACEMC- TACLOBAN –Active Consultant</p> <p>Mother of Mercy Hospital –Visiting consultant</p>

Name	Business and Professional Work Experience for the Past five(5) Years
	RTR Hospital –Visiting Consultant Divine Word Hospital- Visiting Consultant
<p>TY, FLORENTINA U. 68, Filipino</p>	<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 Head, Pediatric ICU- The Medical City (2005-present); Chairman- Diliman Doctors Hospital, Dept of Pediatrics</p>
<p>VIERNES, LA RHAINE G. 52, Filipino</p>	<p>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)</p> <p>Hospital Affiliations: ACEMC- TACLOBAN –Active Consultant Mother of Mercy Hospital –Active consultant RTR Hospital –Active Consultant Divine Word Hospital- Visiting Consultant</p>
<p>ZOZOBRAO, EVANGELINE Y 63, Filipino</p>	<p>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,</p>

Name	Business and Professional Work Experience for the Past five(5) Years
	<p>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)</p> <p>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</p>

INCUMBENT OFFICERS

Name	Business and Professional Work Experience
<p>AMADO MANUEL C. ENRIQUEZ, JR. 68, Filipino (Chairman)</p>	<p>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); Alaminos Medical Center Foundation (2001-present)</p> <p>Founding Chairman – ACE Medical Center Valenzuela, ACE Medical Center Baliwag, ACE Medical Center Pateros, ACE Medical Center Malolos, ACE Medical Center Mandaluyong, ACE Medical Center Palawan, ACE Medical Center Iloilo, ACE Medical Center Tacloban, ACE Dumaguete Doctors, Inc., ACE Dumaguete Doctors, Inc., 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</p> <p>Active consultant in Cardiovascular-Thoracic Surgery – St. Luke's Medical Center, Manila East Medical Center, ACE Medical Center Hospitals.</p>
<p>CARLOS, FERNANDO P. 59, Filipino (President)</p>	<p>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.</p> <p>Hospital Affiliations:</p> <p>ACE Hospitals</p>

<p>NUEVAS, NIMFA L. 53, Filipino (Corporate Treasurer)</p>	<p>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</p> <p>HOSPITAL AFFILIATIONS: ACEMC- TACLOBAN –Active Consultant Mother of Mercy Hospital –Visiting consultant RTR Hospital –Visiting Consultant Divine Word Hospital- Visiting Consultant</p>
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	Business and Professional Work Experience
<p>VIERNES, LA RHAINE G. 52,Filipino(Corporate Secretary)</p>	<p>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)</p>

MANAGEMENT REPORT

A. Independent Auditor

During the two most recent fiscal years or any subsequent interim period, the Company's independent accountant, Dimaculangan, Dimaculangan and Co. CPAs has not resigned, nor was dismissed or otherwise ceased performing services for the Company; there were no disagreements with the said independent accountant on any matter of accounting and financial disclosure. The Board of Directors is recommending a new independent auditor considering that the contract with the old independent auditor has already ended.

B. Description of 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 Issuer's application to increase 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.

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.

It is the mission of ACE Medical Center - Tacloban to set up a Level 2 health care facility with an organized, systematic, cost-effective, sympathetic and holistic approach to its goal in providing the best quality and justifiable medical services to its clients and stakeholders. ACE Medical Center –Tacloban 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., serve as the parking lot that can accommodate up to 150 cars. It also serve as the site for Laundry Room, Generator Set Room, Fire Pump Room, Waste Segregation and ECODAS for treatment of medical waste, Cistern Tank and LPG Room.

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 provides world- class medical facilities that house 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 intended and considered markets for its shares are mostly medical specialists and individuals who are related to medical specialists.

Competition

The Company's principal competitors are the following:

NAME OF HOSPITAL	LEVEL	BED CAPACITY	LOCATION/ ADDRESS	FINANCIAL MARKET
Divine Word Hospital (DWH)	III	150	-Located in the heart of the downtown area of Tacloban City - Approximate distance is 2.5 km from ACEMC Tacloban	-Largest and most equipped hospital of Tacloban City. -Funded by the Society of Divine Word (SVD) and operated by the Benedictine Sisters(OSB).
				-Approximately 50% of patients from Tacloban City and the nearby towns are admitted in this hospital. -Waiting time at the Emergency Room is 12-24 hours on the average due to lack of beds.
Mother of Mercy Hospital (MMH)	II	75	-Located in the downtown area of Tacloban City. -Approximate distance is 1km from DWH and 2 km from ACEMC Tacloban	-Owned and managed by the Sisters of Mercy Congregation. - Approximately 20% of patients from Tacloban City and the nearby towns are admitted in this hospital. -Spillover of patients from DWH are admitted in this hospital.
Remedios T. Romualdez Hospital (RTRH)	II	100	-Located around 1.5km from ACEMC Tacloban	-Owned and managed by the RTR Medical Foundation. -Approximately 30% of patients from Tacloban City and the nearby towns are admitted in this hospital.
Eastern Visayas Medical Center (EVRMC)	III	500	Barangay Cabalawan, Bagacay, Tacloban City, approx 5.6 kilometers from ACEMC-Tacloban	teaching and training government hospital. It caters the less fortunate or marginalized group in the society.

The strategic location¹ of ACE Medical Center-Tacloban primarily influence the decision of the medical practitioners to subscribe to the shares of stock of the Hospital. Once the Doctor decides where to practice, price and quality of facility plus management come as the next factors. Good location, proximity to patients, reasonableness of the offer price and quality of the facilities enable ACE Medical Center-Tacloban, Inc. to effectively compete with its competitors within the area.

Patients will find a better ambience with ACE Medical Center-Tacloban due to its carefully planned, designed, constructed hospital building. Its advantage is not simply its newly built structure but it also boasts of world-class facilities and new equipment.

ACE Medical Center-Tacloban is a one-stop-shop with its latest technology, complete laboratory and imaging facilities such as MRI, CT Scan, Digital X- ray and Mammogram, 2D Echo and Physical & Occupational Therapy and Rehabilitation Facilities and Equipment. Specialized services are also present such as HORIA Center (Hematology, Oncology, Rheumatology, Immunology and Allergology Center), Hemodialysis Center, ENT and Eye Center, Diabetes Center, Poison and Bite Center and Concierge Medicine.

Suppliers

The Company has no existing supply contracts with the principal suppliers. The Company has a broad base of suppliers. The Company is not dependent on one or a limited number of suppliers.

Customer

The Company is not dependent upon a single customer or a few customers due to the nature of the industry.

Government Regulations

ACE Medical Center - Tacloban, Inc. has secured the necessary permits to construct 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.

The Company is not involved in any legal proceedings.

Employees

Total number of full-time employees as of November 18, 2020, is 289. The breakdown is as follows:

	CBA	Non-CBA	Total
Rank and File		245	245
Supervisors	-	25	25
Managers and Top Management	-	19	19
Total		289	289

The Company does not expect to hire additional employees in the next 12 months considering the impact of the COVID pandemic on the business operation of the hospital.

Securities of the Registrant

Market Price, Dividend and Related Stockholder Matters

The securities of Allied Care Experts (ACE) Medical Center-Tacloban Inc. are marketed through its organic salaried employees who serve as salesmen. 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	
<i>Market Price</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>	<i>2019</i>
High	-	-	-	-	-	-	-	200,000
Low	-	-	-	-	-	-	-	200,000

The price as of November 06, 2020 (latest practicable trading date) is P232,500,000.

There are no recent sales of unregistered or exempt securities including recent issuance of securities constituting an exempt transaction.

There are approximately 1,173 holders of common and founders shares of the Company as of October 31, 2020.

Please refer to Annex "C" for the list of top 20 stockholders as of October 31, 2020.

No dividends were declared in 2019.

There are no restrictions that limit the payment of dividends on Common Shares.

C. Management's Discussion and Analysis or Plan of Operation

FOR THE THIRD QUARTER OF 2020

The following table shows the consolidated operational highlights of the Company for the nine months ended September 30, 2020 and 2019:

	<i>(In Thousands)</i>	
	30-Sept-2020	30-Sept-2019
Income Statement Data		
Revenue	P 130,501	P 19,851
Other Income	3,953	598
Cost of Sales and Services	(120,354)	(15,817)
Operating Expenses	(32,296)	(33,606)
Finance Cost	(40,541)	(25,737)
Operating Income (Loss)	(58,738)	(54,711)
Net Loss	P (41,094)	P (54,711)

Loss for the nine months ended September 30, 2020 is lower than in 2019 by 25%. This was due to higher income derived in 2020 and the income earned is higher than the expenses incurred in 2020 compare in 2019.

The net revenue for the nine months ended September 30, 2020 is higher than the nine months ended September 30, 2019 by 557%. This is due to the full operation of the hospital in 2020 unlike in 2019 which only started in July.

Cost of sales and services in 2020 is higher by 661% than in 2019 since the hospital operated in full in 2020. This is also connected with the increase in revenue which means increase in cost as well.

The 4% decrease in operating expenses in 2020 compared to 2019 is primarily due to decrease in salaries and wages, taxes and licenses, transportation and travel, insurance and utilities which was negated by increase in depreciation 2020 than in 2019.

Material Changes in Operating Results

a. Revenue increased by 557%

Due to the full operation of the hospital in 2020 unlike in 2019 which only started in July.

b. Cost of sales and services increased by 661%

Primarily related to the increase in cost associated with the increase in revenue.

c. Operating Expenses increased by 25%

Due to the full operation of the hospital in 2020 unlike in 2019 which only started in March.

d. Finance cost increased by 58%

Due to additional loans releases in 2019 of which the payment of which the payment of interest started in 2020 or in the latter part of 2019 and due to the changes in interest rate since the rates are subject to quarterly repricing.

e. Net loss decreased by 25%

Revenues earned in 2020 is higher due to the full operation of the hospital in 2020 unlike in 2019 which only started in July.

Financial Condition (September 30, 2020 compared to December 31, 2019)

Total assets increased from ₱997M to ₱1,002M. The increase was primarily due to the increase in property and equipment, prepayments and other current assets and deferred tax assets which was negated by the decrease in trade and other receivables, advances to suppliers and loans receivables.

Cash decreased by ₱8,558,569 due to acquisition of property and equipment and disbursements for hospital operation.

The decrease in receivables by 66% or ₱42,680,077 was due to the application and reclassification of advances to contractors to proper accounts.

The decrease in advances to suppliers by 100% or ₱32,525,921 was due to the application and reclassification of payments to suppliers to proper account.

Loans receivable decreased by 83% or ₱12,384,012, this was due to payment from an affiliate.

The slight increase in inventories by ₱1,626,067 was primarily due to the hospital supplies which was negated by the decrease in laboratory supplies.

The increase in prepayments and other currents assets by ₱9,497,389 was due to the increase in input tax on purchases of goods and services.

Property and equipment increased by 8.55% or ₱71,584,747 this was due to additional acquisition and reclassification of advances to contractors and suppliers in 2020 negated by the depreciation.

Intangible asset increased by ₱240,268 due to additions to HIS which is partly negated by the amortization in 2020.

There was no movement in other non-current assets from 2019 to 2020.

Deferred tax asset increased by ₱17,925,628 as the Company started to recognize DTA on NOLCO only in 2020.

The decrease in payables by ₱78,000,058 was mainly due to the settlement of liabilities to suppliers for purchases of goods and services.

The decrease in trade and other payables (current and non-current) by ₱28,917,141 was mainly due to the payment of liabilities to suppliers of goods and services negated by the increase in accrued expenses and interest payable.

Notes payable represents interest-bearing loan from Banks in support of the construction of the Company's hospital building and purchase of additional medical equipment. This decreased by ₱1,939,081 in 2020 payment of loan is higher than the proceeds received in 2020.

The decrease in advances from shareholders amounting to ₱83,235,779 was due to payment of advances from shareholders.

The ₱118.8M increase in the total equity is due to the issuance of additional shares at a premium negated by the loss on operation for the nine months period ended September 30, 2020.

Material Changes in Financial Condition

a. Cash decreased by ₱8.6M
primarily due to additional acquisition of property and equipment and disbursements in relation to the hospital operation.
b. Trade and other receivables decreased by ₱42.7M
primarily due to application and reclassification of advance payment to contractors to proper account
c. Loans receivable decreased by ₱12.3M
due to the payment from an affiliate
d. Advances to suppliers decreased by ₱32.5M
due to the application and reclassification of advance payment to suppliers to proper account
e. Inventories increased by ₱1.6M
due to the increase in hospital supplies which was negated by the decrease in laboratory supplies
f. Prepayments increased by ₱9.4M
due to the increase in input tax on purchases of goods and services
g. Property and equipment increased by ₱71.5M
primarily due to additional acquisitions and reclassification from advances to suppliers and contractors
h. Deferred tax asset increased by ₱17.9M
the Company started to recognize deferred tax asset from NOLCO only in 2020.
i. Trade and other payables (current and non-current) decreased by ₱28.9M
due to the payment of liabilities to suppliers of goods and services negated by the increase in accrued expenses and interest payable
j. Notes payable decreased by ₱1.9M
primarily due to payments made in 2020
k. Advances from shareholders decreased by ₱83.2M
due to payment of advances from shareholders
l. Equity increased by ₱118.8M

due to the issuance of additional shares at a premium negated by the loss on operation for the nine months period ended September 30, 2020

Key Performance Indicators

	Sept. 30, 2020	Sep. 30, 2019	Dec. 31, 2019
1. Liquidity a. Quick ratio - capacity to cover its short-term obligations using only its most liquid assets. $[(\text{cash} + \text{receivables}) / \text{current liabilities}]$ b. Current ratio - capacity to meet current obligations out of its liquid assets. $(\text{current assets} / \text{current liabilities})$	0.29:1 0.57:1	0.12:1 1.94:1	0.74:1 1.17:1
2. Solvency a. Debt to equity ratio - indicator of which group has the greater representation in the assets of the Company. $(\text{total liabilities} / \text{equity})$	2.38:1	9.56:1	4.61:1
3. Profitability a. Net profit margin - ability to generate surplus for stockholder $(\text{net income} / \text{sales})$ b. Return on equity - ability to generate returns on investment of stockholders. $(\text{net income} / \text{stockholders equity})$	(0.31):1 (0.14):1	(2.76):1 (0.26):1	(0.63):1 (0.81):1
4. Leverage b. Debt to total asset ratio - the proportion of total assets financed by creditors. $(\text{total debt} / \text{total assets})$ c. Asset to equity ratio - indicator of the overall financial stability of the Company. $(\text{total assets} / \text{equity})$	0.70:1 3.38:1	0.91:1 10.56:1	0.82:1 5.61:1
2. Interest Rate Coverage Ratio a. Interest rate coverage ratio - measure of the company's ability to meet its interest payments $(\text{earnings before interest and taxes} / \text{interest expense})$ • Remarks: The Company was able to meet its interest payments. The negative result was due to loss from operations.	(0.45):1	(1.13):1	(1.56):1

There are no known trends, events or uncertainties that have material impact on liquidity except for COVID 19. As the battle against the spread of COVID-19 continues, monitoring and tracking system have been put in place; businesses have resumed, although through skeletal work scheme. Restrictions on movement have been relaxed and people can now enter the City with minimum requirements. Borders now allow more vehicles and people in the city allowing more patients to visit hospitals for medical services. Because of this, there has been a gradual increase in census for inpatients as well as for outpatients. The census also increased for all medical ancillaries thus contributing to gradual increase in the hospital revenue for 3rd Quarter in 2020. The increase in revenue was also contributed due to availability of COVID-19 screening and confirmatory test such as: Rapid Antibody Test (RAT), Antigen (Ag) Test, and RT-PPCR (partnership with Eastern Visayas Regional Medical Center). There was also a decrease in expense due to increase in donations of consumables from suppliers, companies, private entities and DOH. This coming 4th Quarter, management expects more inpatient and OPD patients and more census for all medical ancillaries leading to a more increase and steady hospital revenue along with strategies on online social media advertisements and hopefully telemedicine as a prospect for next year. Nevertheless, Management still continues to pursue intensive collection efforts to reduce accounts receivables and improve cash management.

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 completion of the hospital building

and acquisition of some equipment.

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

Financial Risks

- Interest Rate Risk – The Company's interest rate risk is limited to its cash in bank and bank loans.
- Foreign Currency Risk – The Company's has no exposure to the risk for changes in foreign exchange rates since the Company has no foreign currency denominated financial assets and liabilities.
- Credit Risk – The Company limits its exposure to credit risks by depositing its cash only with financial institutions duly evaluated and approved by the BOD. The Company's exposure on receivables is not significant since the collectability of contractual cash flows expected from these receivables is reasonably assured.
- Liquidity Risk – The Company maintains a level of cash deemed sufficient to finance operations and to mitigate the effects of fluctuation in cash flows and a balance between continuity of funding and flexibility through the use of bank loans and advances from related parties, if any.

The Company has no investments in foreign securities.

DECEMBER 31, 2019, DECEMBER 31, 2018 AND DECEMBER 31, 2017

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

	<i>As of December 31 (In Thousands)</i>		
	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)
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 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.

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 + 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			
d. 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			
b. 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
c. 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			
e. 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
f. 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
5. Interest Rate Coverage Ratio			
b. Interest rate coverage ratio - measure of the company's ability to meet its interest payments (earnings before interest and taxes / interest expense)	(1.556):1	(15.749):1	(52.083):1

<ul style="list-style-type: none"> • 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 and 2017. 			
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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

From January 1, 2019 to December 31, 2019	From January 1, 2018 to December 31, 2018	From January 1, 2017 to December 31, 2017
	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	d. Other current assets decreased by ₱60K	

due to recognition of input VAT on purchases of goods and services pursuant to the change	due to reclassification of prepayments to construction in progress.	
in the tax type registration of the Company from Percentage Tax to Value Added Tax.		
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 because the construction of the hospital building was completed and the amount was reclassified to building account in 2019	g. Construction in progress increased by ₱205M due to the additional cost incurred on the on-going construction of the hospital building	d. Construction in progress increased by ₱127.8M 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 due to payment of advances from shareholders.	k. Advances from shareholders increased by ₱38.9M due to the additional cash advances from shareholders.	h. Advances from shareholders decreased by ₱22M due to conversion to equity.
m. Equity increased by ₱59M	l. Equity increased by ₱6.3M	i. Equity decreased by ₱45.6M

due to issuance of shares and the revaluation increment in Land. This was partly negated by the negative result of operation for the year	due to the additional issuance of shares. This was partly negated by the negative result of pre-operation for the year.	due to the additional issuance of shares. This was partly
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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% 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.	d. Loss for the year increased by 196% 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.	c. Loss for the year decreased by 112% 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 fact that the impact of the disruption caused by COVID-19 is 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. Nevertheless, Management still continues to pursue intensive collection efforts to reduce accounts receivables and improve cash management.

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 and acquisition of equipment.

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.

D. Certain Relationships and Related Transactions

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

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

September 30, 2020 (Unaudited)

Nature of Relationship	Nature of Transaction	Amount (current transaction)	Outstanding balance	Terms	Conditions
Advances from Shareholders	Advances	(P83,235,779)	P-	(6)	(7)
Loans receivable-ACE Medical Center-Pateros, Inc.	Collection	(8,000,000)	-	(3)	(7)
Loans receivable-ACE Medical Center-Quezon City, Inc.	Collection	(4,384,012)	2,615,988	(3)	(7)

December 31, 2019 (Audited)	Nature of Transaction	Amount (current transaction)	Outstanding balance	Terms	Conditions
Nature of Relationship					
Advances from Shareholders	Payment	P22,280,480)	83,235,779	(6)	(7)
Loans receivable-ACE Medical Center- Pateros, Inc.	Collection	(32,000,000)	8,000,000	(3)	(7)
Loans receivable-ACE Medical Center- Quezon City, Inc.	Collection	P13,000,000)	P7,000,000	(3)	(7)

Terms and Conditions:

- (1) Interest bearing, collectible in cash in 3-months
- (2) Collectible in cash and on demand
- (3) Interest bearing, collectible in cash
- (4) Payable in cash and on demand
- (5) Secured by acceptable real or personal property
- (6) Non-interest bearing, no scheduled repayment terms
- (7) Unsecured

Loans Receivable

The Company extended loans to ACE Medical Center – Pateros, Inc. and ACE Medical Center – Quezon, Inc. amounting to ₱40,000,000 and ₱20,000,000, respectively with a 5.25% interest rate per annum. These loans are payable until 2021.

Interest earned from this loan receivable amounted to ₱1,179,326 for the year ended December 31, 2019

Cash Advances

The Company obtains cash advances from shareholders to finance the on-going construction of its hospital building. These are unsecured, payable in cash with no scheduled repayment terms. The outstanding balance of these advances were presented under Advances from shareholders account in the statements of financial position.

Required permits were secured by the Company from the Department of Health (DOH) for the hospital operations. 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.

E Management and Certain Security Holders

Directors, Executive Officers

There are fifteen (15) members of the Board, three (3) of whom are independent directors who hold office for one (1) year. The Corporation relies significantly on the continued collective efforts of its senior executive officers and expects each employee to do his share in achieving the Corporation's goals.

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.

No director or executive officer has been involved in any legal proceeding during the last five (5) years

F. Corporate Governance

The Company adheres to the principles of good governance as provided in its Manual on Corporate Governance (MCG). In the performance of their respective responsibilities, the directors, officers and employees are guided by the mission and vision of the Company and the good corporate practices provided under the Company's Manual on Corporate Governance.

The Board has created different committees: Nomination and Election Committee, Audit Committees, Remuneration/Compensation Committee, Committee on Corporate Governance and Committee on Inspection and Validity of Proxies, all composed of qualified members and who undertake their functions as mandated. There were no major deviations from the adopted Manual on Corporate Governance.

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

ANNEX "C"

**TOP 20
STOCKHOLDER
S
As of October
31, 2020**

NAME		NATIONALITY	TYPE	NUMBER OF SHARES	% OF OWNERSHIP
1.	AMADO MANUEL C. ENRIQUEZ, JR	Filipino	Common	27930	11.66%
			Founder	70	
			TOTAL	28,000	
2.	FERNANDO P. CARLOS	Filipino	Common	15960	6.66%%
			Founder	40	
			TOTAL	16,000	
3.	MARIETTA T. SAMOY	Filipino	Common	7980	3.33%
			Founder	20	
			TOTAL	8,000	
4.	GEANIE A. LOPEZ-CERNA	Filipino	Common	3990	1.67%
			Founder	10	
			TOTAL	4,000	
5.	FRANCISCO P. CABOBOY	Filipino	Common	3990	1.67%
			Founder	10	
			TOTAL	4,000	
6.	MA. LOURDES L. CAMENFORTE	Filipino	Common	3,990	1.67%
			Founder	10	
			TOTAL	4,000	
7.	CARLOS DE LA ROSA	Filipino	Common	3990	1.67%
			Founder	10	
			TOTAL	4,000	
8.	ROBERTO M. DE LEON	Filipino	Common	3990	1.67%
			Founder	10	
			TOTAL	4,000	
9.	MARIA PILIPINAS D. JAYA	Filipino	Common	3,990	1.67%
			Founder	10	
			TOTAL	4,000	
10.	FELIX P. NOLASCO	Filipino	Common	3,990	1.67%
			Founder	10	
			TOTAL	4,000	
11.	NIMFA L. NUEVAS	Filipino	Common	3,990	1.67%
			Founder	10	
			TOTAL	4,000	
12.	GENEROSO M. ORILLAZA	Filipino	Common	3,990	1.67%
			Founder	10	
			TOTAL	4,000	

13.	EULOGIO T. PENALOSA	Filipino	Common	3,990	1.67%
			Founder	10	
			TOTAL	4,000	
14.	RONALD L. RAMIRO	Filipino	Common	3,990	1.67%
			Founder	10	
			TOTAL	4,000	
15.	LA RHAINE G. VIERNES	Filipino	Common	3,990	1.67%
			Founder	10	
			TOTAL	4,000	
16.	EARL COURTNEY A. VIERNES	Filipino	Common	3,990	1.67%
			Founder	10	
			TOTAL	4,000	
17.	MA. ROSARIO ABRIOL SANTOS	Filipino	Common	3,990	1.67%
			Founder	10	
			TOTAL	4,000	
18.	MA. ROSITA O. ADOLFO	Filipino	Common	3,990	1.67%
			Founder	10	
			TOTAL	4,000	
19.	ROSARIO E. LATORRE	Filipino	Common	3,990	1.67%
			Founder	10	
			TOTAL	4,000	
20.	FE G. MERIN	Filipino	Common	3,990	1.67%
			Founder	10	
			TOTAL	4,000	

CERTIFICATION OF INDEPENDENT DIRECTOR

I, ROSARIO E. LATORRE, Filipino, of legal age and a resident of BRGY. 69, ANIBONG DIST., TACLOBAN CITY, having been duly sworn in accordance with law do hereby declare that:

1. I am a nominee for independent director of Allied Care Experts (ACE) Medical Center – Tacloban, Inc. and have been its independent director since _____.
2. I am affiliated with the following companies or organizations (including government-owned and controlled corporations):

Company/Organization	Position/Relationship	Period of Service
BLOCS Medical	SECRETARY	2018 TO PRESENT
Equipment Inc.		

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of ACEMC - TACLOBAN, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances
4. I am related to the following director/officer/substantial shareholder of _____ other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code

Name of Director/Officer/Substantial Shareholder	Company	Nature of Relationship

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding/ I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be);
6. (For those in government service/affiliated with a government agency or GCC) I have the required written permission or consent from the (head of agency/department) to be an independent director in _____, pursuant to Office f the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances

8. I shall inform the Corporate Secretary of ACPMC - TACLOBAN of any changes in the abovementioned information within five days from its occurrence.

Done this SEP 14 2020 day of SEP 14 2020, at TACLOBAN CITY.

unlaine

Affiant

SUBSCRIBED AND SWORN to before me this SEP 14 2020 day of SEP 14 2020 at TACLOBAN CITY affiant personally appeared before me and exhibited to me his/her PRC 10087373 issued on 05/02/2018, at TACLOBAN CITY

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Book No 06
Series of 2020

ATTY. SAMUEL C. LAGUNZAD
NOTARY PUBLIC UNTIL DEC. 31, 2020
FOR AND WITHIN THE TERRITORIAL JURISDICTION
OF THE REGIONAL TRIAL COURTS OF TACLOBAN CITY
COMMISSION NO. 2019-01-14
ROLL No. 38043, IBP No. 03807, LIFETIME MEMBER
PTR No. 7746673, Jan. 02, 2020, TACLOBAN CITY
MCLE COM. No. VI-0002189, 04-14-2020
110 M.H. DEL PILAR ST., TACLOBAN CITY, LEYTE

CERTIFICATION OF INDEPENDENT DIRECTOR

I, Maria Lourdes F. Opinion, Filipino, of legal age and a resident of Tacloban City, having been duly sworn in accordance with law do hereby declare that:

1. I am a nominee for independent director of Allied Care Experts (ACE) Medical Center – Tacloban, Inc. and have been its independent director since _____.
2. I am affiliated with the following companies or organizations (including government-owned and controlled corporations):

Company/Organization	Position/Relationship	Period of Service
<u>Loyte Medical Society</u>	<u>PRO/ auditor</u>	<u>2015 → Present</u>
<u>AMHOP</u>	<u>OFFICER</u>	
<u>PMA</u>	<u>Lifetime member</u>	

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of ACEMC TC, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances
4. I am related to the following director/officer/substantial shareholder of _____ other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code

Name of Director/Officer/Substantial Shareholder	Company	Nature of Relationship

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding/ I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be);
6. (For those in government service/affiliated with a government agency or GCC) I have the required written permission or consent from the (head of agency/department) to be an independent director in ACEMC TAC, pursuant to Office f the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances

8. I shall inform the Corporate Secretary of ACEMC 7AC of any changes in the
abovementioned information within five days from its occurrence.

Done this 09 OCT day of 2020 at Tacloban City, Philippines

Maria Lourdes F. Epmson Mro
Affiant

SUBSCRIBED AND SWORN to before me this 09 OCT day of 2020 at
Tacloban City, Philippines affiant personally appeared before me and exhibited to me his/her
PRC 0065220 issued on _____, at _____

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ATTY. ALJIM DEIVER M. ARCUENO
NOTARY PUBLIC
For and within Territorial Jurisdiction of RTC-Tacloban City, Leyte
Notarial Commission No. 2019-01-27
Until December 31, 2020
PTR No. 7962801, 1/2/2020; Tacloban City
Roll No. 67089, 5/23/2017
IBP Lifetime Membership No. 017444, 5/24/2017
MCLE Compliance No. VI-0004799
TIN: 477-271-726-000
187 P. Zamora St., Knights of Columbus Bldg., Tacloban City
Cellphone No.: 0927 558 8318; Landline No. (053) 321-4633

CERTIFICATION OF INDEPENDENT DIRECTOR

I, EVERLY JOY TORIO, Filipino, of legal age and a resident of BRGY G2-D SAGKATH, 231, KALIPAYAN, TACLOBAN CITY, having been duly sworn in accordance with law do hereby declare that:

1. I am a nominee for independent director of Allied Care Experts (ACE) Medical Center – Tacloban, Inc. and have been its independent director since _____.
2. I am affiliated with the following companies or organizations (including government-owned and controlled corporations):

Company/Organization	Position/Relationship	Period of Service

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of _____, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances
4. I am related to the following director/officer/substantial shareholder of _____ other than the relationship provided under Rule 38.2.3 of the Securities Regulation Code

Name of Director/Officer/Substantial Shareholder	Company	Nature of Relationship

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding/ I disclose that I am the subject of the following criminal/administrative investigation or proceeding (as the case may be);
6. (For those in government service/affiliated with a government agency or GCC) I have the required written permission or consent from the (head of agency/department) to be an independent director in _____, pursuant to Office f the President Memorandum Circular No. 17 and Section 12, Rule XVIII of the Revised Civil Service Rules
7. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances

8. I shall inform the Corporate Secretary of _____ of any changes in the
abovementioned information within five days from its occurrence.

Done this 21 OCT 2020 at Tacloban City, Philippines

DOBIO, Emyly Jay
Affiant

SUBSCRIBED AND SWORN to before me this 21 OCT 2020 at
Tacloban City, Philippines affiant personally appeared before me and exhibited to me his/her
PRC ID 0089228 issued on _____, at _____

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Book No X
Series of 2020

ATTY. ALJIM DENVER M. ARCUENO
NOTARY PUBLIC
For and within Territorial Jurisdiction of RTC, Tacloban City, Leyte
Notarial Commission No. 2019-01-27
Until December 31, 2020
PTR No. 7962801; 1/2/2020; Tacloban City
Roll No. 67089; 5/23/2017
IBP Lifetime Membership No. 017444; 5/24/2017
MCLE Compliance No. VI-0004799
TIN: 477-271-726-000
187 P. Zamora St., Knights of Columbus Bldg., Tacloban City
Cellphone No.: 0927 958 8318; Landline No. (053) 321-4833

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended ...September 30, 2020
Commission Identification Number. CS201423451 3. BIR Tax Identification No..008-
2. 917-666-
000

- Allied Care Experts (ACE) Medical Center- Tacloban, Inc.
4. Exact name of issuer as specified in its charter
....Philippines
5. Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)

7. Address of issuer's principal office Brgy. 78, Marasbaras Tacloban
City Postal Code 6500

- . . 053- 884322 / 09564614352
8. Issuer's telephone number, including area code

- ...N/A
9. Former name, former address and former fiscal year, if changed since last report

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares	196,130,000.00
Total Debt Outstanding	865,400,983

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

Yes [] No [x]

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

12. Indicate by check mark whether the registrant:

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

Yes ☒ No ☐

- (b) has been subject to such filing requirements for the past ninety

(90) days. Yes ☒ No ☐

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements.

	<i>Notes</i>	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSET S			
Current Assets			
Cash	4,6	P 13,303,575	P 21,862,144
Trade and other receivables	4,5,7	22,132,691	64,812,768
Loans receivable	4,22	2,615,988	15,000,000
Advances to suppliers	4,8	-	32,525,921
Inventories	4,9	19,322,281	17,696,214
Prepayments and other current assets	4,10	17,213,937	7,716,548
Total Current Assets		74,588,472	159,613,595
 Property and equipment - net	4,5,11	908,960,357	837,375,610
Intangible asset - net	4,12	465,268	225,000
Other non-current asset	4,13	7,000	7,000
Deferred tax asset	4,5,23	17,925,628	-
Total Non-Current Assets		927,358,253	837,607,610
TOTAL ASSETS		P 1,001,946,725	P 997,221,205
 LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	4,14	P 97,189,816	P 57,541,629
Notes payable - current	4,16	67,311,037	79,250,118
Total Current Liabilities		164,500,853	136,791,747
Non-current liabilities			
Notes payable - non current	4,16	550,780,464	540,780,464
Non-current trade payables	4,15	42,772,557	58,773,286
Advances from shareholders	4,22	107,347,109	83,235,779
Total Non-Current Liabilities		700,900,130	682,789,529
Total Liabilities		865,400,983	819,581,276
Equity			
Share capital	4,17	142,130,000	142,130,000
Share premium	4,17	71,495,642	71,495,642
Revaluation surplus	4	23,062,924	23,062,924
Retained earnings (Deficits)	4	(100,142,824)	(59,048,637)
Equity, net		136,545,742	177,639,929
TOTAL LIABILITIES AND EQUITY		P 1,001,946,725	P 997,221,205

		January to September		July to September	
	Notes	2020	2019	2020	2019
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
REVENUES - net	4,18	₱ 130,501,102	₱ 19,850,591	₱ 51,981,568	₱ 19,850,591
COST OF SALES AND SERVICES	4,19	<u>120,354,093</u>	<u>15,816,843</u>	<u>33,132,166</u>	<u>15,576,881</u>
GROSS INCOME		10,147,009	4,033,748	18,849,402	4,273,710
OPERATING EXPENSES	4,20	32,295,968	33,606,440	8,788,458	10,686,615
OTHER INCOME	4,21	3,952,502	598,420	1,378,053	590,798
FINANCE COST	4,16	<u>40,541,368</u>	<u>25,736,862</u>	<u>18,970,246</u>	<u>9,986,582</u>
LOSS BEFORE TAX		<u>(58,737,825)</u>	<u>(54,711,134)</u>	<u>(7,531,249)</u>	<u>(15,808,689)</u>
INCOME TAX EXPENSE (BENEFIT)	4,23	<u>(17,643,638)</u>	-	<u>(2,275,512)</u>	-
LOSS FOR THE PERIOD		<u>(41,094,187)</u>	<u>(54,711,134)</u>	<u>(5,255,737)</u>	<u>(15,808,689)</u>
COMPREHENSIVE INCOME (LOSS)		-	-	-	-
TOTAL COMPREHENSIVE LOSS		<u>₱ (41,094,187)</u>	<u>₱ (54,711,134)</u>	<u>₱ (5,255,737)</u>	<u>₱ (15,808,689)</u>

		September 30	
	Notes	2020	2019
		(Unaudited)	(Unaudited)
SHARE CAPITAL	4,17	₱ 142,130,000	₱ 124,230,000
SHARE PREMIUM	4,17	<u>71,495,642</u>	-
REVALUATION SURPLUS	4	<u>23,062,924</u>	18,345,424
RETAINED EARNINGS (DEFICITS)	4		
Balance, beginning of the period		(59,048,637)	(19,902,521)
Total comprehensive loss for the period		<u>(41,094,187)</u>	<u>(54,711,134)</u>
Balance, end of the period		<u>(100,142,824)</u>	<u>(74,613,655)</u>
EQUITY, net		₱ 136,545,742	₱ 67,961,769

		September 30	
	Notes	2020 (Unaudited)	2019 (Unaudited)
CASH FLOWS FROM PRE OPERATING ACTIVITIES			
Loss for the period		₱ (58,737,825)	₱ (54,711,134)
Adjustment to reconcile net loss to net cash provided by (used in) pre operating activities:			
Depreciation	4,5,11	32,382,493	7,614,060
Amortization	4,12	86,518	-
Interest income	4,21	9,169	12,625
Finance cost		40,541,368	25,736,862
Pre-operating loss before changes in working capital		14,281,723	(21,347,587)
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Trade and other receivables	4,5,7	42,680,077	(5,637,472)
Advances to suppliers	4,8	32,525,921	-
Inventories	4,9	(1,626,067)	(6,550,538)
Prepayments and other current assets	4,10	(9,045,063)	(4,781,952)
Increase (decrease) in:			
Trade and other payables	4,14	39,648,187	10,950,411
Non-current trade payables	4,15	(16,000,729)	-
Cash used in pre operation		102,464,049	(27,367,138)
Interest received	4,21	(9,169)	(12,625)
Income tax paid	4,23	(734,315)	-
Net cash used in pre operating activities		101,720,565	(27,379,763)
CASH FLOWS FROM INVESTING ACTIVITIES			
Collection of loans receivable	4,22	12,384,012	40,000,000
Additions to hospital information system	4,12	(326,786)	-
Acquisition of property and equipment	4,5,11	(103,967,241)	(194,087,722)
Net cash used in investing activities		(91,910,015)	(154,087,722)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances from shareholders	4,22	24,111,330	16,167,625
Proceeds of loans	4,16	10,000,000	173,200,000
Payment of loans and interest	4,16	(52,480,449)	(26,354,390)
Net cash provided by financing activities		(18,369,119)	163,013,235
NET INCREASE (DECREASE) IN CASH		(8,558,569)	(18,454,250)
CASH AT THE BEGINNING OF THE PERIOD		21,862,144	22,386,668
CASH AT THE END OF THE PERIOD		₱ 13,303,575	₱ 3,932,418

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

FINANCIAL CONDITION

As of September 30, 2020, the assets of the Company reached ₱1,001,946,725, 0.47% or ₱4,725,520 higher than in 2019 balance of ₱997,221,205. The slight increase was caused by the increase in property and equipment, prepayments and other current assets and deferred tax assets which was negated by the decrease in trade and other receivables, advances to suppliers and loans receivables.

Cash decreased by ₱8,558,569, this was primarily due to additional acquisition of property and equipment.

The decrease in receivables by 66% was due to the application and reclassification of advances to contractors to proper accounts.

The decrease in advances to suppliers by 100% was due to the application and reclassification of payments to suppliers to proper account

Loans receivable decreased by 83% or ₱12,384,012, this was due to payment from an affiliate.

The slight increase in inventories by ₱1,626,067 was primarily due to the hospital supplies which was negated by the decrease in laboratory supplies.

The increase in prepayments and other currents assets by ₱9,497,389 was due to the increase in input tax on purchases of goods and services.

Property and equipment increased by 8.55% or ₱71,584,747, this was due to additional acquisition and reclassification of advances to contractors and suppliers in 2020 negated by the depreciation.

Intangible asset increased by ₱240,268 due to additions to HIS which is partly negated by the amortization in 2020.

There was no movement in other non-current assets from 2019 to 2020.

Deferred tax asset increased by ₱17,925,628 as the Company started to recognize DTA on NOLCO only in 2020.

The increase in trade and other payables (current and non-current) by ₱26,647,458 was mainly due to the increase in liabilities to suppliers of goods and services and increase in accrued interest payable.

The increase in advances from shareholders amounting to ₱24,111,330 was due to additional advances from shareholders to augment the hospital operation.

As of September 30, 2020, the Company obtained additional loan amounting to ₱10,000,000 and paid ₱11,939,081 resulting to a decrease in loan of 13%.

The decrease in equity was due to the loss on operation for the nine months period ended September 30, 2020.

Net decrease in equity amounted to ₱41,094,187 or 23%.

Material Changes in Financial Condition

a. Cash decreased by ₱8.6M primarily due to additional acquisition of property and equipment and disbursements in relation to the hospital operation.
b. Trade and other receivables decreased by ₱42.7M primarily due to application and reclassification of advance payment to contractors to proper account
c. Loans receivable decreased by ₱12.3M due to the payment from an affiliate
d. Advances to suppliers decreased by ₱32.5M due to the application and reclassification of advance payment to suppliers to proper account
e. Inventories increased by ₱1.6M due to the increase in hospital supplies which was negated by the decrease in laboratory supplies
f. Prepayments increased by ₱9.4M due to the increase in input tax on purchases of goods and services
g. Property and equipment increased by ₱71.5M primarily due to additional acquisitions and reclassification from advances to suppliers and contractors
h. Deferred tax asset increased by ₱17.9M the Company started to recognize deferred tax asset from NOLCO only in 2020.
i. Trade and other payables (current and non-current) decreased by ₱28.9M due to additional increase in liabilities to supplier of goods and services and accrued interest payable
j. Notes payable decreased by ₱1.9M primarily due to payments made in 2020
k. Advances from shareholders increased by ₱83.2M due to additional advances from shareholders
l. Equity decreased by ₱118.8M due to the issuance of additional shares at a premium negated by the loss on operation for the nine months period ended September 30, 2020

RESULTS OF OPERATIONS

As disclosed in the Note 1 in the financial statements, the Company was incorporated on December 2, 2014 and has commenced its commercial operations in July 2019.

The net revenue for the nine months ended September 30, 2020 is higher by 557% than in 2019. This is due to the full operation of the hospital in 2020 unlike in 2019 which only started in July.

Cost of sales and services for the nine months ended September 30, 2020 are higher than the nine months ended September 30, 2019 by 661%. This is due to the full operation of the hospital in 2020. This is also connected with the increase in revenue which means increase in cost as well.

Expenses for the nine months ended September 30, 2020 are lower compared to 2019 expenses by 4%. This was primarily due to decrease in salaries and wages, taxes and licenses, transportation and travel, insurance and utilities which was negated by increase in depreciation 2020.

Finance cost increased by 58% due to additional loans releases in 2019 of which the payment of interest started in 2020 or in the latter part of 2019 and due to the changes in interest rate since the rates are subject to quarterly repricing.

Loss for the nine months ended September 30, 2020 is lower than in 2019 by 25%. This was due to

higher income derived in 2020 and the income earned is higher than the expenses incurred in 2020 compare in 2019.

Material Change in Operating Results

a. Revenue increased by 557% Due to the full operation of the hospital in 2020 unlike in 2019 which only started in July.
b. Cost of sales and services increased by 661% Primarily related to the increase in cost associated with the increase in revenue.
c. Operating Expenses increased by 25% Due to the full operation of the hospital in 2020 unlike in 2019 which only started in March.
d. Finance cost increased by 58% Due to additional loans releases in 2019 of which the payment of which the payment of interest started in 2020 or in the latter part of 2019 and due to the changes in interest rate since the rates are subject to quarterly repricing.
e. Net loss decreased by 25% Revenues earned in 2020 is higher due to the full operation of the hospital in 2020 unlike in 2019 which only started in July.

THE COMPANY'S KEY PERFORMANCE INDICATORS

	Sept. 30, 2020	Sep. 30, 2019	Dec. 31, 2019
1. Liquidity			
a. Quick ratio - capacity to cover its short-term obligations using only its most liquid assets. [(cash + receivables) / current liabilities]	0.23:1	0.12:1	0.74:1
b. Current ratio - capacity to meet current obligations out of its liquid assets. (current assets / current liabilities)	0.45:1	1.94:1	1.17:1
2. Solvency			
a. Debt to equity ratio - indicator of which group has the greater representation in the assets of the Company. (total liabilities / equity)	6.34:1	9.56:1	4.61:1
3. Profitability			
a. Net profit margin - ability to generate surplus for stockholder (net income / sales)	(0.31):1	(2.76):1	(0.63):1
b. Return on equity - ability to generate returns on investment of stockholders. (net income / stockholders equity)	(0.30):1	(0.26):1	(0.81):1
4. Leverage			
b. Debt to total asset ratio - the proportion of total assets financed by creditors. (total debt / total assets)	0.86:1	0.91:1	0.82:1
c. Asset to equity ratio - indicator of the overall financial stability of			

the Company. (total assets / equity)	7.34:1	10.56:1	5.61:1
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 loss from operations.	(0.45):1	(1.13):1	(1.56):1

DISCUSSION AND ANALYSIS OF MATERIAL EVENT/S AND UNCERTAINTIES

- (i) *Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation.*

There are no events that will trigger direct or indirect contingent financial obligation that is material to the company, including any default or acceleration of an obligation.

- (ii) *Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the period.*

The Company did not enter into any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships with unconsolidated entities or other persons during the period.

- (iii) *Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way.*

As the battle against the spread of COVID-19 unravels, measures on monitoring and tracking system have been put in place—people starts to resume skeletal work. Movements to and from the city starts to loosen and people could now enter the City with minimum requirements as to: Medical Certificate, Travel Pass, Work Quarantine Pass and Safe City QR Code. Borders starts to allow more and more vehicles and people in the city allowing more patients to visit hospitals for medical services. Because of this, a gradual increase in census for inpatients as well for outpatients. The census also increased for all medical ancillaries thus contributing to gradual increase in the hospital revenue for 3rd Quarter in 2020. The increase in revenue was also contributed due to availability of COVID-19 screening and confirmatory test such as: Rapid Antibody Test (RAT), Antigen (Ag) Test, and RT-PPCR (partnership with Eastern Visayas Regional Medical Center). There was also a decrease in expense due to increase in donations of consumables from suppliers, companies, private entities and DOH. This coming 4th Quarter, management expect for more inpatient and OPD patients and more census for all medical ancillaries leading to a more increase and steady hospital revenue along with strategies on online social media advertisements and hopefully telemedicine as a prospect for next year. Nevertheless, Management still continues to pursue intensive collection efforts to reduce accounts receivables and improve cash management.

- (iv) Any material commitments for capital expenditures, general purpose of such commitments, and the expected sources of funds for such expenditures should be described.***

There were material commitments for capital expenditures during the quarter as disclosed in Note 11 of the interim financial statements.

- (v) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described.***

As the battle against the spread of COVID-19 unravels, measures on monitoring and tracking system have been put in place—people starts to resume skeletal work. Movements to and from the city starts to loosen and people could now enter the City with minimum requirements as to: Medical Certificate, Travel Pass, Work Quarantine Pass and Safe City QR Code. Borders starts to allow more and more vehicles and people in the city allowing more patients to visit hospitals for medical services. Because of this, a gradual increase in census for inpatients as well for outpatients. The census also increased for all medical ancillaries thus contributing to gradual increase in the hospital revenue for 3rd Quarter in 2020. The increase in revenue was also contributed due to availability of COVID-19 screening and confirmatory test such as: Rapid Antibody Test (RAT), Antigen (Ag) Test, and RT-PPCR (partnership with Eastern Visayas Regional Medical Center). There was also a decrease in expense due to increase in donations of consumables from suppliers, companies, private entities and DOH. This coming 4th Quarter, management expect for more inpatient and OPD patients and more census for all medical ancillaries leading to a more increase and steady hospital revenue along with strategies on online social media advertisements and hopefully telemedicine as a prospect for next year.

- (vi) Any significant elements of income or loss that did not arise from the registrant's continuing operations.***

There were no significant elements of income or loss that did not arise from the Company's continuing operations.

- (vii) Any seasonal aspects that had a material effect on the financial condition or results of operations.***

There were no seasonal aspects that had any material effect on the financial condition or results of operations of the Company.

- (viii) Any material events subsequent to the end of interim period that have not been reflected in the financial adjustments of the interim period.***

There were no material events subsequent to the end of the interim period that have not been reflected in the financial adjustments of the interim period.

The unaudited interim financial statement as of September 30, 2020 is attached as integral part hereof, as Annex "A".

PART II--OTHER INFORMATION

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

SIGNATURES

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



FERNANDO P. CARLOS
President



NIMFA L. NUEVAS
Treasurer

Date: November 12, 2020

Date: November 12, 2020

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

UNAUDITED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2020

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – TACLOBAN, INC.
STATEMENTS OF FINANCIAL POSITION
As at September 30, 2020 and December 31, 2019

	<i>Notes</i>	September 30, 2020 (Unaudited)	December 31, 2019 (Audited)
ASSETS			
Current Assets			
Cash	4,6	P 13,303,575	P 21,862,144
Trade and other receivables	4,5,7	22,132,691	64,812,768
Loans receivable	4,22	2,615,988	15,000,000
Advances to suppliers	4,8	-	32,525,921
Inventories	4,9	19,322,281	17,696,214
Prepayments and other current assets	4,10	17,213,937	7,716,548
Total Current Assets		74,588,472	159,613,595
 Property and equipment - net	4,5,11	908,960,357	837,375,610
Intangible asset - net	4,12	465,268	225,000
Other non-current asset	4,13	7,000	7,000
Deferred tax asset	4,5,23	17,925,628	-
Total Non-Current Assets		927,358,253	837,607,610
TOTAL ASSETS		P 1,001,946,725	P 997,221,205
 LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	4,14	P 97,189,816	P 57,541,629
Notes payable - current	4,16	67,311,037	79,250,118
Total Current Liabilities		164,500,853	136,791,747
Non-current liabilities			
Notes payable - non current	4,16	550,780,464	540,780,464
Non-current trade payables	4,15	42,772,557	58,773,286
Advances from shareholders	4,22	107,347,109	83,235,779
Total Non-Current Liabilities		700,900,130	682,789,529
Total Liabilities		865,400,983	819,581,276
Equity			
Share capital	4,17	142,130,000	142,130,000
Share premium	4,17	71,495,642	71,495,642
Revaluation surplus	4	23,062,924	23,062,924
Retained earnings (Deficits)	4	(100,142,824)	(59,048,637)
Equity, net		136,545,742	177,639,929
TOTAL LIABILITIES AND EQUITY		P 1,001,946,725	P 997,221,205

(See accompanying Notes to Financial Statements)

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – TACLOBAN, INC.
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

For The Nine Months Ended September 30, 2020 and 2019
For The Three Month Period Ended September 30, 2020 and 2019

	<i>Notes</i>	January to September 2020 (Unaudited)	2019 (Unaudited)	July to September 2020 (Unaudited)	2019 (Unaudited)
REVENUES - net	4,18	₱ 130,501,102	₱ 19,850,591	₱ 51,981,568	₱ 19,850,591
COST OF SALES AND SERVICES	4,19	<u>120,354,093</u>	<u>15,816,843</u>	<u>33,132,166</u>	<u>15,576,881</u>
GROSS INCOME		10,147,009	4,033,748	18,849,402	4,273,710
OPERATING EXPENSES	4,20	32,295,968	33,606,440	8,788,458	10,686,615
OTHER INCOME	4,21	3,952,502	598,420	1,378,053	590,798
FINANCE COST	4,16	<u>40,541,368</u>	<u>25,736,862</u>	<u>18,970,246</u>	<u>9,986,582</u>
LOSS BEFORE TAX		<u>(58,737,825)</u>	<u>(54,711,134)</u>	<u>(7,531,249)</u>	<u>(15,808,689)</u>
INCOME TAX EXPENSE (BENEFIT)	4,23	<u>(17,643,638)</u>	<u>-</u>	<u>(2,275,512)</u>	<u>-</u>
LOSS FOR THE PERIOD		(41,094,187)	(54,711,134)	(5,255,737)	(15,808,689)
COMPREHENSIVE INCOME (LOSS)		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS		<u>₱ (41,094,187)</u>	<u>₱ (54,711,134)</u>	<u>₱ (5,255,737)</u>	<u>₱ (15,808,689)</u>

(See accompanying Notes to Financial Statements)

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – TACLOBAN, INC.
STATEMENTS OF CHANGES IN EQUITY
For The Nine Months Ended September 30, 2020 and 2019

	<i>Notes</i>	September 30 2020 (Unaudited)	2019 (Unaudited)
SHARE CAPITAL	<i>4,17</i>	<u>₱ 142,130,000</u>	<u>₱ 124,230,000</u>
SHARE PREMIUM	<i>4,17</i>	<u>71,495,642</u>	<u>-</u>
REVALUATION SURPLUS	<i>4</i>	<u>23,062,924</u>	<u>18,345,424</u>
RETAINED EARNINGS (DEFICITS)	<i>4</i>		
Balance, beginning of the period		<u>(59,048,637)</u>	<u>(19,902,521)</u>
Total comprehensive loss for the period		<u>(41,094,187)</u>	<u>(54,711,134)</u>
Balance, end of the period		<u>(100,142,824)</u>	<u>(74,613,655)</u>
EQUITY, net		<u>₱ 136,545,742</u>	<u>₱ 67,961,769</u>

(See accompanying Notes to Financial Statements)

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – TACLOBAN, INC.
STATEMENTS OF CASH FLOWS

For The Nine Months Ended September 30, 2020 and 2019

	<i>Notes</i>	September 30 2020 (Unaudited)	2019 (Unaudited)
CASH FLOWS FROM PRE OPERATING ACTIVITIES			
Loss for the period		₱ (58,737,825)	₱ (54,711,134)
Adjustment to reconcile net loss to net cash provided by (used in) pre operating activities:			
Depreciation	4,5,11	32,382,493	7,614,060
Amortization	4,12	86,518	-
Interest income	4,21	9,169	12,625
Finance cost		40,541,368	25,736,862
Pre-operating loss before changes in working capital		14,281,723	(21,347,587)
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Trade and other receivables	4,5,7	42,680,077	(5,637,472)
Advances to suppliers	4,8	32,525,921	-
Inventories	4,9	(1,626,067)	(6,550,538)
Prepayments and other current assets	4,10	(9,045,063)	(4,781,952)
Increase (decrease) in:			
Trade and other payables	4,14	39,648,187	10,950,411
Non-current trade payables	4,15	(16,000,729)	-
Cash used in pre operation		102,464,049	(27,367,138)
Interest received	4,21	(9,169)	(12,625)
Income tax paid	4,23	(734,315)	-
Net cash used in pre operating activities		101,720,565	(27,379,763)
CASH FLOWS FROM INVESTING ACTIVITIES			
Collection of loans receivable	4,22	12,384,012	40,000,000
Additions to hospital information system	4,12	(326,786)	-
Acquisition of property and equipment	4,5,11	(103,967,241)	(194,087,722)
Net cash used in investing activities		(91,910,015)	(154,087,722)
CASH FLOWS FROM FINANCING ACTIVITIES			
Advances from shareholders	4,22	24,111,330	16,167,625
Proceeds of loans	4,16	10,000,000	173,200,000
Payment of loans and interest	4,16	(52,480,449)	(26,354,390)
Net cash provided by financing activities		(18,369,119)	163,013,235
NET INCREASE (DECREASE) IN CASH		(8,558,569)	(18,454,250)
CASH AT THE BEGINNING OF THE PERIOD		21,862,144	22,386,668
CASH AT THE END OF THE PERIOD		₱ 13,303,575	₱ 3,932,418

(See accompanying Notes to Financial Statements)

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – TACLOBAN, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2020, December 31, 2019 and September 30, 2019

NOTE 1 - GENERAL INFORMATION

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – TACLOBAN, INC. (the Company) is a stock corporation organized and registered with the Philippine Securities and Exchange Commission (SEC) on December 2, 2014 under SEC Registration No. CS201423451.

The Company's primary purpose is to establish, maintain, operate, own and manage hospitals, medical and related healthcare facilities and businesses such as but without restriction to clinical, laboratories, diagnostic centers, ambulatory clinics, condo-hospital, scientific research and other allied undertaking 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 under SEC MSRD Order No. 37 approved effective the registration statement of the Company for 228,000 shares broken down as follows: the primary offering to be sold by way of initial public offering for thirty six thousand (36,000) commons shares equivalent to 3,600 blocks or 10 shares per block at an offer price ranging from ₱200,000.00 per block up to a maximum offer price of ₱400,000.00 per block with an aggregate principal amount of One Billion Pesos (₱1,000,000,000.00); six hundred (600) founder shares – not included in the offer; and one hundred ninety-one thousand four hundred (191,400) common shares – not included in the offer. These shares have been registered and may now be offered for sale or sold to the public subject to full compliance with the provisions of the Securities Regulation Code and its Amended Implementing Rules and Regulations, Revised Code of Corporation Governance, and other applicable laws and orders as may be issued by the Commission.

The 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 Operation

The Company has launched the full opening and full commercial operations of its hospital building and facilities in July 2019.

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

Statement of Compliance

The unaudited interim 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 SEC.

Basis of Preparation

The unaudited interim financial statements of the Company have been prepared on the historical cost basis unless otherwise indicated.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety; which is described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Functional and Presentation Currency

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

NOTE 3 - ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2020.

Unless otherwise indicated, the adoption of the new and amended PFRS did not have any material effect on the unaudited interim financial statements. Additional disclosures have been included in the notes to financial statements, as applicable.

- Amendments to PFRS 3, *Definition of Business* – The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments confirmed that a business must include inputs and a process, and clarified that: the process must be substantive; and the inputs and process must together significantly contribute to creating outputs; o narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and o added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

- Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8 (Amendments),

Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material (effective from January 1, 2020). The amendments provide a clearer definition of „material“ in PAS 1 by including the concept of „obscuring“ material information with immaterial information as part of the new definition, and clarifying the assessment threshold (i.e., misstatement of information is material if it could reasonably be expected to influence decisions made by primary users, which consider the characteristic of those users as well as the entity’s own circumstances). The definition of material in PAS 8 has been accordingly replaced by reference

to the new definition in PAS 1. In addition, amendment has also been made in other

Standards that contain definition of material or refer to the term „material“ to ensure consistency.

New and Amended PFRS Issued But Not Yet Effective

Relevant new and amended PFRS which are not yet effective as of September 30, 2020 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2021:

- PFRS 17, *Insurance Contracts* – This standard will replace PFRS 4, *Insurance Contracts*. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued.

Deferred effectivity -

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture* – The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

The adoption of the foregoing new and amended PFRS is not expected to have any material effect on the unaudited interim financial statements of the Company.

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Assets and Liabilities

Date of Recognition

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

Initial Recognition and Measurement

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those designated at fair value through profit and loss (FVPL), includes transaction cost.

“Day 1” Difference

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

“Day 1” difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the “Day 1” difference.

Classification

The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at FVPL, (b) financial assets at amortized cost and (c) financial assets at fair value through other comprehensive income (FVOCI). Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or financial liabilities at amortized cost. The classification of a financial instrument largely depends on the Company’s business model and its contractual cash flow characteristics.

Financial Assets and Liabilities at FVPL

Financial assets and liabilities at FVPL are either classified as held for trading or designated at FVPL. A financial instrument is classified as held for trading if it meets either of the following conditions:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

This category includes equity instruments which the Company had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows are not “solely for payment of principal and interest” assessed at initial recognition of the assets, or which are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

The Company may, at initial recognition, designate a financial asset or financial liability meeting the criteria to be classified at amortized cost or at FVOCI, as a financial asset or financial liability at FVPL, if doing so eliminates or significantly reduces accounting mismatch that would arise from measuring these assets or liabilities.

After initial recognition, financial assets at FVPL and held for trading financial liabilities are subsequently measured at fair value. Unrealized gains or losses arising from the fair valuation of

financial assets at FVPL and held for trading financial liabilities are recognized in profit or loss.

For financial liabilities designated at FVPL under the fair value option, the amount of change in fair value that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income (rather than in profit or loss), unless this creates an accounting mismatch. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss.

As at September 30, 2020 and December 31, 2019, the Company does not have financial assets and liabilities at FVPL.

Financial Assets at Amortized Cost

Financial assets shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at September 30, 2020 and December 31, 2019, the Company's cash, trade and other receivables and loans receivable are classified under this category (see Notes 6, 7 and 22).

Financial Assets at FVOCI

For debt instruments that meet the contractual cash flow characteristic and are not designated at FVPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, the Company may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity

instruments are recognized in OCI and presented in the equity section of the statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As at September 30, 2020 and December 31, 2019, the Company does not have any financial assets carried at FVOCI.

Financial Liabilities at Amortized Cost

Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

These financial liabilities are initially recognized at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the liabilities are derecognized or through the amortization process.

As at September 30, 2020 and December 31, 2019, the Company's trade and other payables (excluding government liabilities), notes payable, noncurrent payable and advances from shareholders are classified under this category (see Note 14, 15, 16 and 22).

Impairment of Financial Assets under PFRS 9

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 three stages.

For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). Those accounts with contract payments that are more than 30 days past due are assumed to have significant increase in credit risk.

For those accounts that show evidence of impairment, a lifetime ECL is recognized and interest income is computed based on the new carrying amount of the financial asset. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows such as changes in arrears or economic conditions that correlate with defaults. The Company considers a financial asset to be impaired when contractual payments are more than 90 days past due. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For trade receivables, the Company applies a simplified approach in calculating ECLs. For debt

securities that are considered impaired, lifetime ECL is recognized and the effective interest rate is applied to the carrying value of the financial assets. 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.

Derecognition of Financial Assets and Liabilities

Financial Assets

A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;
- the Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a “pass-through” arrangement; or
- the Company has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) 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 right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company’s continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. 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 a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statements of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10% from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Company could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the statements of comprehensive income.

On the other hand, if the difference does not meet the 10% threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

Classification of Financial Instrument between Liability and Equity

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

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

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

Equity

Share capital represents the nominal value of shares that have been issued.

Share premium includes any premium received on the 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.

Retained Earnings (Deficit)

Retained earnings represent accumulated profit attributable to equity holders of the Company after deducting dividends declared. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Deficit represents accumulated losses incurred by the Company.

Inventories

Inventories consist of various laboratory, hospital, office, housekeeping and dietary supplies, these are initially measured at cost. Cost includes purchase price and other related cost incurred in bringing the inventories to their present location. Subsequently, inventories are reported in the statements of financial position at the lower of cost and estimated selling price less cost to sell. Cost is calculated 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 cost to sell if an item of inventory is impaired, its carrying amount is reduced to selling price less cost to sell and an impairment loss is recognized immediately in profit and 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 in 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 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 profit or loss 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 goods or services related to the prepayments 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. This account includes security deposit and deferred input vat. Other current assets are presented in the financial statement of financial position at cost.

Property and Equipment

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

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- 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; and
- the initial estimate of the future costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

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, item of property and equipment are measured using the cost model are carried at cost less any subsequent accumulated depreciation and impairment losses except for land which is stated in the statements of financial position at revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional appraisers.

Any revaluation increase arising on the revaluation of land is charged to other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is charged to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of building and improvements is charged as an expense to the extent that it exceeds the balance, if any, held in the properties revaluation surplus relating to a previous revaluation of that asset. 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.

Properties in the course of construction for operation, rental or administrative purposes are carried at cost, less any recognized impairment loss. Cost includes property development and construction

costs and for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences at the time the assets are ready for their intended use. The Company recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known. Any impairment loss from the construction project is charged to operations during the period in which the loss is determined.

Depreciation is computed on the straight-line method based on the estimated useful lives of the assets as follows:

<u>Description</u>	<u>Useful Lives</u>
Buildings	50 years
Land improvements	10 years
Medical equipment	5 – 10 years
Laboratory equipment	5 – 10 years
Other hospital and office equipment	5 years
Transportation equipment	5 years
Office equipment/furniture and fixtures	5 years

The Company estimates the useful lives of its property and equipment based on the period cover which these assets are expected to be available for use. The estimated useful lives of these assets and residual values are reviewed, and adjusted if appropriated, only if there is a significant change in the asset or how it is used.

The residual values, estimated useful lives and method of depreciation of property and equipment are reviewed and adjusted if appropriate, at the end of each reporting period.

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.

Intangible Assets

Intangible assets of the Company pertains to computer software.

Computer software represents the total development costs incurred to bring the software to its usable condition.

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 using the straight-line method. If there is an indication that there has been a significant change in amortization rate, useful life or residual value of an intangible asset, the amortization is revised prospectively to reflect the new expectations.

When an intangible asset is disposed of, the gain or loss on disposal is determined as the difference between the proceeds and the carrying amount of the asset and is recognized in profit or loss.

This is amortized on a straight-line basis over the estimated useful life of 3 to 5 years.

Impairment of Non-financial Assets

At each reporting date, non-financial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying

amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit and loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Derecognition of Non-financial Assets

Items of non-financial assets are derecognized when these assets are disposed of or when no future economic benefits are expected from these assets. Any difference between the carrying value of the asset derecognized and net proceeds from disposal is recognized in profit or loss.

Related Party Relationships and Transactions

Related party transactions are transfers of resources, services or obligations between the Company and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company and close members of the family of any such individual; and, (d) the Company's funded retirement plan.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Revenue Recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company perform its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

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

Rendering of Services

Revenue from a contract to provide services is recognized as revenue in the accounting periods in which the services are rendered. Revenue from a contract to provide services is recognized when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Company;
- the stage of completion of the transaction can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

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

Expenses in the statement of comprehensive income are presented using the function of expense method. General and administration expenses are costs attributable to administrative, marketing, selling and other business activities of the Company.

Company as Lessee

For any new contracts entered into on or after January 1, 2019, the Company considers whether a contract is, or contains, a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Company assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Company;
- the Company has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and,
- the Company has the right to direct the use of the identified asset throughout the period of use. The Company assess whether it has the right to direct „how and for what purpose“ the asset is used throughout the period of use.

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability in the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Company, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Company depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

On the other hand, the Company measures the lease liability at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed) less lease incentives receivable, if any, variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee, and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Company has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets and lease liabilities have been presented separately from property, plant and equipment and other liabilities, respectively.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of the assets until such time as the assets are substantially ready for their intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale,

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

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

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 benefits are recognized as expense in the period the related service is provided.

Retirement benefits

The Company does not have a formal retirement benefit plan. However, the Company provides retirement benefits in compliance with RA 7641. No actuarial computation was made because the Company believes that the amount of provision for employee benefits will not materially affect the fair presentation of the financial statements considering that none of the employees qualifies for the five years employment requirement under RA 7641.

Income Tax

Income tax expense represents the sum of the current tax 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 current tax liability is calculated using 30% regular corporate income tax (RCIT) rate or 2% minimum corporate income tax rate, 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 bases used in the computation 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 of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 are also recognized in other comprehensive income or directly in equity respectively.

Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are recognized when the Company has a present obligation, either legal or constructive, as a result of a past event, it is probable that the Company will be required to settle the obligation through an outflow of resources embodying economic benefits, and the amount of the obligation can be estimated reliably.

The amount of the provision recognized is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. A provision is measured using the cash flows estimated to settle the present obligation; its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

If it is no longer probable that a transfer of economic benefits will be required to settle the obligation, the provision should be reversed.

Contingent assets and liabilities are not recognized in the statement of financial position.

Changes in accounting policies, change in accounting estimates and correction of prior years errors

The Company apply changes in accounting policy if the change is required by PFRS or in order to provide reliable and more relevant information about the effects of transactions, other events or conditions on the Company's financial statements. Changes in accounting policy brought about by new accounting standards are accounted for in accordance with the specific transitional provision of the standards. All other changes in accounting policy are accounted for retrospectively.

Changes in accounting estimates are recognized prospectively by reflecting it in the profit and loss in the period of the change if the changes affects that period only or the period of the change or future period if the change affects both.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that was available when financial statements for those periods were authorized for issue and could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

To the extent practicable, the Company corrects a material prior period error retrospectively in the first financial statements authorized for issue after its discovery by restating the comparative amounts for the prior periods(s) presented in which the error occurred, or if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for period presented.

When it is impracticable to determine the period-specific effects of an error on comparative information for one or more prior periods presented, the Company restates the opening balances of assets, liabilities and equity for the earliest period for which retrospective restatement is practicable.

Events after Reporting Date

Subsequent events that provide additional information about conditions existing at period end (adjusting events) are recognized in the financial statements. Subsequent events that provide additional information about conditions existing after period end (non-adjusting events) are disclosed in the notes to the financial statements.

NOTE 5 - SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Company's unaudited interim financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

Critical Management Judgments in Applying Accounting Policies

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

(a) Determination of ECL on Financial Assets

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

As at September 30, 2020 and December 31, 2019, Management believes that there are no expected credit losses in relation to their financial assets, accordingly, no loss allowance was recognized for the year. Details about the ECL on the Company's financial assets are disclosed in Note 24.

Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) Estimation of Useful Lives of Property and Equipment

The Company estimates the useful lives of its property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of 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 assets. On-going construction in progress is not depreciated. Land is not depreciated.

The carrying amounts of property and equipment are analyzed in Note 11.

(b) Determination of Realizable Amount of Deferred Tax Assets

The Company reviews its deferred tax assets at the end of each reporting period and reduces the 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. Management assessed that the deferred tax assets recognized as at September 30, 2020 will be fully utilized in the coming years. The carrying value of deferred tax assets as of those dates is disclosed in Note 23.

NOTE 6 - CASH

This account consists of:

	30-Sept-2020 (Unaudited)	31-Dec-2019 (Audited)
Cash on hand	₱ 670,763	₱ 2,115,453
Cash in banks	12,632,812	19,746,691
	₱ 13,303,575	₱ 21,862,144

Cash in banks generally earn interest at bank deposit rates. Interest income earned from cash in banks amounted to ₱9,169, ₱16,985 and ₱5,003 for the nine months ended September 30, 2020, year ended December 31, 2019 and nine months ended September 30, 2019, respectively, and is presented under interest income in the statements of comprehensive income.

NOTE 7 - TRADE AND OTHER RECEIVABLES

This account consists of:

	30-Sept-2020 (Unaudited)	31-Dec-2019 (Audited)
Trade receivables	₱ 5,218,041	₱ 2,249,241
Due from PhilHealth	13,820,620	12,192,880
Accrued interest receivable	2,854,109	3,334,109
Advances to contractors	-	46,821,614
Others	239,921	214,924
	22,132,691	64,812,768
Allowance for credit losses	-	-
	₱ 22,132,691	₱ 64,812,768

Trade receivables pertain to receivables from patients and reimbursements from DSWD availed by the patients.

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

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

Accrued interest receivable represents interest accrued on loans extended to related parties. (Note 20)

Other receivables pertain to advances to various employees and doctors.

All of the Company's trade and other receivables have been reviewed for indicators of impairment. As at September 30, 2020 and December 31, 2019, Management believes that there are no expected credit losses in relation to their financial assets, accordingly, no loss allowance was recognized for the year. Details about the ECL on the Company's financial assets are disclosed in Note 24.

NOTE 8 - ADVANCES TO SUPPLIERS

Advances to suppliers are downpayments made to suppliers of medical equipment and/or construction materials ordered. The amounts represent 5% - 50% of the total contact price of the items purchased. The construction material are to be delivered during construction while the medical equipment are to be delivered depending on the agreement of the Company with the supplier. This amounts to ₱nil as at September 30, 2020 and ₱32,525,921 as at December 31, 2019.

NOTE 9 - INVENTORIES

This account consists of the following:

	30-Sept-2020 (Unaudited)	31-Dec-2019 (Audited)
Hospital supplies	₱ 11,306,290	₱ 4,441,238
Laboratory supplies	6,551,281	12,399,848
Office supplies	1,018,538	370,363
Housekeeping supplies	379,393	269,222
Dietary supplies	66,779	215,543
	₱ 19,322,281	₱ 17,696,214

Laboratory and hospital supplies pertain to drugs and medication supplies which are consumed when a patient is admitted.

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

NOTE 10 - PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

	30-Sept-2020 (Unaudited)	31-Dec-2019 (Audited)
Input tax	₱ 15,664,289	₱ 6,730,675
Prepaid income tax (Note 23)	452,325	-
Others	1,097,323	985,873
	₱ 17,213,937	₱ 7,716,548

Input VAT are VAT on purchases of goods and services and the current portion of deferred input vat on purchase of capital goods. These are creditable to VAT liability of the Company.

Others includes advances that are subject for liquidation and prepayments of company's expenses for recognition as expense in the succeeding period.

Allied Care Experts (ACE) Medical Center – Tacloban Inc.
Notes to Financial Statements

NOTE 11 - PROPERTY AND EQUIPMENT – net

A reconciliation of the carrying amounts at the beginning and end of the nine months ended September 30, 2020 and year ended December 31, 2019 of property and equipment is shown below:

September 30, 2020 (Unaudited)

	Land	Land improvements	Hospital Building	Medical Equipment	Transportation Equipment	Laboratory Equipment	Office Equipment/Furnitures and Fixtures	Other Hospital Equipment	Total
Cost									
1-Jan-20	P 94,383,000	P 170,650	P 515,607,443	P 196,993,421	P 3,635,041	P 5,268,185	P 8,099,241	P 30,185,769	P 854,342,750
Additions	-	-	57,029,579	4,755,288	-	50,000	15,666,992	26,465,381	103,967,241
Disposals	-	-	-	-	-	-	-	-	-
30-Sept-20	94,383,000	170,650	572,637,022	201,748,709	3,635,041	5,318,185	23,766,233	56,651,150	958,309,990
Accumulated depreciation									
1-Jan-20	-	17,065	4,296,729	8,391,081	607,933	210,480	2,097,174	1,346,678	16,967,140
Depreciation	-	12,799	8,581,402	15,446,964	270,350	391,439	3,354,115	4,325,424	32,382,493
Disposals	-	-	-	-	-	-	-	-	-
30-Sept-20	-	29,864	12,878,131	23,838,045	878,283	601,919	5,451,289	5,672,102	49,349,633
Carrying amounts									
31-Dec-19	P 94,383,000	P 153,585	P 511,310,714	P 188,602,340	P 3,027,468	P 5,057,705	P 6,002,067	P 28,839,091	P 837,375,610
Carrying amounts									
30-Sept-20	P 94,383,000	P 140,786	P 559,758,891	P 177,910,664	P 2,756,758	P 4,716,266	P 18,314,944	P 50,979,048	P 908,960,357

December 31, 2019 (Audited)

	Land	Land improvements	Hospital Building	Medical Equipment	Transportation Equipment	Laboratory Equipment	Office Equipment/Furnitures and Fixtures	Other Hospital Equipment	Total
Cost									
1-Jan-19	P 71,320,076	P -	P -	P 45,000	P 3,635,041	P -	P 527,290	P 59,948	P 75,587,355
Additions	-	170,650	-	82,348,421	-	119,868,185	14,870,051	22,827,721	240,085,028
Reclassifications	-	-	515,607,443	114,600,000	-	(114,600,000)	(7,298,100)	7,298,100	515,607,443
Appraisals	23,062,924	-	-	-	-	-	-	-	23,062,924
31-Dec-19	94,383,000	170,650	515,607,443	196,993,421	3,635,041	5,268,185	8,099,241	30,185,769	854,342,750
Accumulated depreciation									
1-Jan-19	-	-	-	-	247,467	-	212,094	-	459,561
Depreciation	-	17,065	16,104,085	8,391,081	360,466	210,480	1,885,080	1,346,678	16,507,579
Disposals	-	-	-	-	-	-	-	-	-
31-Dec-19	-	17,065	16,104,085	8,391,829	607,933	210,480	2,097,174	1,351,654	16,967,140
Carrying amounts									
31-Dec-18	P 71,320,076	P -	P -	P 45,000	P 3,387,574	P -	P 315,196	P 54,948	P 75,127,794
Carrying amounts									
31-Dec-19	P 94,383,000	P 153,585	P 511,310,714	P 188,602,340	P 3,027,108	P 5,057,705	P 6,002,067	P 28,839,091	P 837,375,610

The Company bought a parcels of land with TCT No. 122-2015-000303 and TCT No. 122-2018000738 with a total area of 7,797 sq. m. situated at Brgy. 78, Marasbaras, Tacloban, Leyte. This lot was used for the construction of hospital building. The land together with all the buildings and improvements existing or which may hereinafter exist thereon were used as collateral in the bank loan availed by the Company (Note 16). These are stated at revalued amount based on the valuation performed by an 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 computation of cost and market (or direct sales comparison) approach.

Medical equipment were used as collateral for a loan. (Note 16)

Management has reviewed the carrying values of property and equipment as at September 30, 2020 and December 31, 2019 for any impairment. Based on the result of its evaluation, there are no indications that these assets are impaired.

NOTE 12 - INTANGIBLE ASSET – net

This account pertains to the hospital information system used by the Company in its operation.

A reconciliation of the carrying amounts at the beginning and end of the nine months ended September 30, 2020 and year ended December 31, 2019 of this account is shown below:

	30-Sept-2020 (Unaudited)	31-Dec-2019 (Audited)
Cost		
Balance, beginning of the year	₱ 250,000	₱ 250,000
Additions	326,786	-
Disposal	-	-
Balance, end of the year	576,786	250,000
Accumulated Amortization		
Balance, beginning of the year	25,000	-
Amortization	86,518	25,000
Disposal	-	-
Balance at end of year	111,518	25,000
Carrying amount	₱ 465,268	₱ 225,000

NOTE 13 - OTHER NON-CURRENT ASSETS

This account pertains to miscellaneous deposits amounting to ₱7,000 as at September 30, 2020 and December 31, 2019.

NOTE 14 - TRADE AND OTHER PAYABLES

This account consists of:

	30-Sept-2020 (Unaudited)	31-Dec-2019 (Audited)
Trade payable	₱ 43,745,799	₱ 19,606,690
Retention payable	30,071,281	32,819,302
Accrued interest payable	19,395,842	4,419,627
Accrued expense	3,025,640	-
Payable to government	909,909	580,743
Others	41,345	115,267
	₱ 97,189,816	₱ 57,541,629

Trade payable pertain to unpaid balances on the progress billings of contractors for the year but were paid in the subsequent year, to suppliers on the purchase of medical/hospital equipment and supplies and to doctors for their professional fees.

Retention payable pertains to the amount withheld or retain by the Company on the construction contract, this is payable upon completion of the project and acceptance of the Company of the workmanship of the contractor.

Accrued interest payable represents interest accrued on bank loan. (See Note 16)

Accrued expenses pertain to expenses incurred but not yet paid as of reporting period such as salaries and wages, professional fees, utilities and other expenses.

Payable to government pertain to mandatory payable to BIR, SSS, PHIC and HDMF.

Other payables are non-interest bearing payables and are normally settled within a short period of time.

NOTE 15 - NON-CURRENT TRADE PAYABLES

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. This amounts to ₱42,772,557 and ₱58,773,286 as of September 30, 2020 and December 31, 2019, respectively.

NOTE 16 - NOTES PAYABLE

Outstanding balances of the Company's loans payable are summarized as follows:

	30-Sept-2020 (Unaudited)	31-Dec-2019 (Audited)
Current	₱ 67,311,037	₱ 79,250,118
Non-current	550,780,464	540,780,464
Total	₱ 618,091,501	₱ 620,030,582

Land Bank of the Philippines

The Company entered into term loan agreements with Land Bank of the Philippines (LBP) with a total amount of ₱850M. The amount of loan released as of September 30, 2020 amounted to ₱634.1M.

First term loan

The first loan is payable in ten (10) years inclusive of three (3) – year grace period on the principal repayment. The principal is payable in thirty-six (36) quarterly amortizations commencing at the end of the thirteenth (13th) quarter from the date of initial loan release until fully paid. The interest is based on LBP's prevailing rates on the date of loan release ranging from 6% per annum with quarterly repricing and is payable quarterly commencing at the end of the 1st quarter after initial loan release

Under the terms of the agreement, the proceeds of the loan will be used by the Company to partially finance the construction of a 10-storey tertiary Hospital Building which is located at Brgy. 78, Marasbaras, Tacloban City. The loan was collateralized by a Real Estate Mortgage (REM) with TCT Nos. T-112-2015000303 with an area of 2,154 sq. m. registered under the name of Allied Care Experts (ACE) Medical Center - Tacloban, Inc. and a Chattel Mortgage (CHM) on various medical equipment of the medical center.

The loan agreement with the bank provides certain restrictions and requirements with respect to, among others, maintenance of debt to equity ratio of 75:25 during the term of the loan and maintenance of LBP as the major depository bank of the Company. As at September 30, 2020, the Company is in compliance with the terms of its loan agreement except for debt to equity ratio.

Second term loan

The second loan is payable in seven (7) years inclusive of a one (1) – year grace period on the principal repayment. The principal is payable in twenty four (24) quarterly amortizations commencing at the end of the fifth (5th) quarter from the date of initial loan release until fully paid. The interest is based on DBP's prevailing rates on the date of loan release ranging from 6% per

annum with quarterly repricing and is payable quarterly commencing at the end of the 1st quarter after initial loan release.

Under the terms of the agreement, the proceeds of the loan will be used by the Company to finance the acquisition of medical equipment, hospital furniture and fixtures. The loan was collateralized by a by a Real Estate Mortgage (REM) with TCT Nos. T-112-2015000303 with an area of 2,154 sq. m. registered under the name of Allied Care Experts (ACE) Medical Center - Tacloban, Inc. and a Chattel Mortgage (CHM) on various medical equipment of the medical center.

The loan agreement with the bank provides certain restrictions and requirements with respect to, among others, maintenance of debt to equity ratio of 75:25 during the term of the loan and maintenance of LBP as the major depository bank of the Company. As at September 30, 2020, the Company is in compliance with the terms of its loan agreement except for debt to equity ratio.

Third term loan

The third loan is payable in seven (7) years inclusive of a one (1) – year grace period on the principal repayment. The principal is payable in twenty four (24) quarterly amortizations commencing at the end of the fifth (5th) quarter from the date of initial loan release until fully paid. The interest is based on DBP's prevailing rates on the date of loan release ranging from 4.5%-5% per annum with quarterly repricing and is payable quarterly commencing at the end of the 1st quarter after initial loan release.

Under the terms of the agreement, the proceeds of the loan will be used by the Company to finance the acquisition of additional hospital equipment, hospital furniture and fixtures. The loan was collateralized by a by a Real Estate Mortgage (REM) with TCT Nos. T-112-2015000303 with an area of 2,154 sq. m. registered under the name of Allied Care Experts (ACE) Medical Center - Tacloban, Inc. and a Chattel Mortgage (CHM) on various medical equipment, hospital furniture and fixtures of the medical center.

The loan agreement with the bank provides certain restrictions and requirements with respect to, among others, maintenance of debt to equity ratio of 80:20 during the term of the loan and maintenance of LBP as the major depository bank of the Company. As at September 30, 2020, the Company is in compliance with the terms of its loan agreement except for debt to equity ratio.

Fourth term loan

The fourth loan is payable in five (5) years inclusive of a one (1) – year grace period on the principal repayment. The principal is payable in twenty four (24) quarterly amortizations commencing at the end of the fifth (5th) quarter from the date of initial loan release until fully paid. The interest is based on DBP's prevailing rates on the date of loan release ranging from 4.5%-5% per annum with quarterly repricing and is payable quarterly commencing at the end of the 1st quarter after initial loan release.

Under the terms of the agreement, the proceeds of the loan will be used by the Company to finance the permanent working capital for the acquisition of the hospital/medical supplies and inventory build-up for medicine and laboratory supplies. The loan was collateralized by a by a Real Estate Mortgage (REM) with TCT Nos. T-112-2015000303 with an area of 2,154 sq. m. registered under the name of Allied Care Experts (ACE) Medical Center - Tacloban, Inc. and a Chattel Mortgage (CHM) on various medical equipment, hospital furniture and fixtures of the medical center.

The loan agreement with the bank provides certain restrictions and requirements with respect to, among others, maintenance of debt to equity ratio of 80:20 during the term of the loan and maintenance of LBP as the major depository bank of the Company. As at September 30, 2020, the Company is in compliance with the terms of its loan agreement except for debt to equity ratio.

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Metropolitan Trust Banking Corporation (MBTC)

In 2017, the Company availed of a loan from 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 ₱41,424.

In 2018, the Company availed of a loan from MBTC for the purchase of an additional transportation equipment payable in thirty-five (35) monthly installments at an interest rate of 8.9% per annum and monthly amortization of ₱37,847.

Both loans are covered by a chattel mortgage on the aforementioned transportation equipment.

Movement of loans payable is as follows:

	30-Sept-2020 (Unaudited)	31-Dec-2019 (Audited)
Beginning balance	₱ 620,030,582	₱ 421,607,398
Proceeds	10,000,000	199,225,000
Payments	(11,939,081)	(818,816)
Ending balance	<u>₱ 618,091,501</u>	<u>₱ 620,030,582</u>

Total interest incurred from these loans amounted to ₱40,541,368 and ₱15,317,348 for the nine months ended September 30, 2020 and year ended December 31, 2019, respectively.

NOTE 17 - EQUITY

Capital Stock

The details of the Company's authorized, issued and outstanding capital as at September 30, 2020 and December 31, 2019 are as follows:

	30-Sept-2020 (Unaudited)		31-Dec-2019 (Audited)		30-Sept-2019 (Unaudited)	
	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares
Authorized capital stock:						
Common shares - ₱1,000 par value Founder’s shares	₱239,400,000	239,400	₱239,400,000	239,400	₱239,400,000	239,400
—						
₱1,000 par value	600,000	600	600,000	600	600,000	600
	<u>240,000,000</u>	<u>240,000</u>	<u>240,000,000</u>	<u>240,000</u>	<u>240,000,000</u>	<u>240,000</u>
Subscribed:						
Common shares - ₱1,000 par value Founder’s shares	195,530,000	195,530	195,530,000	195,530	192,000,000	192,000
—						
₱1,000 par value	600,000	600	600,000	600	600,000	600
	<u>196,130,000</u>	<u>196,130</u>	<u>196,130,000</u>	<u>196,130</u>	<u>192,600,000</u>	<u>192,600</u>
Less:						
Subscription receivable						
Common shares - ₱1,000 par value	(54,000,000)	(54,000)	(54,000,000)	(54,000)	(54,000,000)	(54,000)
Issued and outstanding	₱142,130,000	142,130	₱142,130,000	142,130	₱124,230,000	124,230

Allied Care Experts (ACE) Medical Center – Tacloban Inc.
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In 2019, the Company filed a Registration Statement covering its proposed Initial Public Offering (IPO) of 36,000 common shares. Said registration statement was approved on September 27, 2019, in accordance with the provisions of the SEC's Securities Regulation Code. (See Note 1)

As of December 31, 2019, the Company issued through public offering **Four thousand one hundred thirty (4,130)** common shares. The related share premium arising from this sale, amounted to ₱71,495,642. Total share premium paid as at September 30, 2020 amounted to ₱71,495,642.

NOTE 18 - REVENUES

An analysis of the Company's revenues is as follows:

	For The Nine Months Ended		For The Three Months Ended	
	30-Sept-2020	30-Sept-2019	30-Sept-2020	30-Sept-2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Hospital fees, net				
Hospital fees	₱ 109,644,996	₱ 13,944,499	₱ 45,001,712	₱ 13,944,499
Less: Hospital discounts and allowances	(8,292,331)	(8,805)	(3,209,312)	(8,805)
	<u>101,352,665</u>	<u>13,935,694</u>	<u>41,792,400</u>	<u>13,935,694</u>
Sale of drugs and medicines, net				
Sale of drugs and medicines	32,849,236	5,914,897	11,295,897	5,914,897
Less: Sales discounts and allowances	(3,700,799)	-	(1,106,729)	-
	<u>29,148,437</u>	<u>5,914,897</u>	<u>10,189,168</u>	<u>5,914,897</u>
	<u>₱ 130,501,102</u>	<u>₱ 19,850,591</u>	<u>₱ 51,981,568</u>	<u>₱ 19,850,591</u>

Breakdown of hospital fees are as follows:

	For The Nine Months Ended		For The Three Months Ended	
	30-Sept-2020	30-Sept-2019	30-Sept-2020	30-Sept-2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Pulmonary Center Services	₱ 23,154,913	₱ 1,686,155	₱ 10,502,190	₱ 1,686,155
Clinical Lab	20,391,443	2,760,079	8,904,514	2,760,079
Ancillary income	16,465,211	1,597,405	5,728,664	1,597,405
CSR	15,518,415	1,684,940	7,351,679	1,684,940
Room and board	12,201,287	3,237,485	4,459,599	3,237,485
Imaging	13,377,611	1,894,867	4,987,466	1,894,867
Cardiology	7,191,790	1,083,568	2,553,016	1,083,568
Billing	1,262,829	-	481,010	-
Linen and laundry	81,497	-	33,574	-
	<u>₱ 109,644,996</u>	<u>₱ 13,944,499</u>	<u>₱ 45,001,712</u>	<u>₱ 13,944,499</u>

Allied Care Experts (ACE) Medical Center – Tacloban Inc.
Notes to Financial Statements

NOTE 19 - COST OF SALES AND SERVICES

This account consists of the following:

	For The Nine Months Ended		For The Three Months Ended	
	30-Sept-2020	30-Sept-2019	30-Sept-2020	30-Sept-2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Materials	₱ 42,846,210	₱ 297,553	₱ 6,488,970	₱ 297,553
Salaries and wages	29,058,702	7,487,092	10,775,834	7,487,092
Depreciation	26,911,431	5,967,444	9,335,931	5,752,183
Professional Fees	8,568,502	856,274	2,823,163	856,274
Utilities	7,970,933	-	2,471,244	-
Dietary	5,078,433	890,488	1,675,312	890,488
Housekeeping and linen	1,128,254	-	403,871	-
Service fees	785,664	271,792	129,002	271,791
Amortization	86,518	-	28,839	-
Others	-	46,200	-	21,500
Rebates	(2,080,554)	-	(1,000,000)	-
	₱ 120,354,093	₱ 15,816,843	₱ 33,132,166	₱ 15,576,881

NOTE 20 - OPERATING EXPENSES

Details of the Company's operating expenses are as follows:

	For The Nine Months Ended		For The Three Months Ended	
	30-Sept-2020	30-Sept-2019	30-Sept-2020	30-Sept-2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Salaries and wages	₱ 8,024,188	₱ 11,494,467	₱ 2,615,452	₱ 3,256,657
Depreciation	5,471,062	1,646,616	713,310	612,920
SSS/PHIC/HDMF contributions	2,960,709	1,432,132	1,139,397	879,547
Security services	2,599,773	949,792	755,124	594,840
Outside services	2,370,714	1,188,757	661,607	639,394
Board meeting and meals (Note 22)	2,085,500	2,312,834	606,000	842,834
Rentals	1,519,082	37,648	253,469	19,261
Utilities	1,229,086	3,117,839	383,802	1,676,944
Hospital and office supplies	1,144,202	708,911	278,279	311,299
Repairs and maintenance	1,010,431	203,879	288,587	176,299
Courier	604,343	22,855	9,530	10,717
Insurance	479,418	1,403,270	277,532	157,551
Bank service charge	471,990	224,750	111,465	-
Advertising/promotion /marketing	460,816	849,600	332,320	46,722
Dietary	309,880	-	145,637	-
Transportation and travel	220,078	1,930,021	494	582,755
Fuel oil and lubricants	280,676	132,838	43,909	93,545
Professional fee	228,654	388,967	3,500	40,503
Taxes and licenses	177,342	3,401,299	22,846	269,751
Housekeeping and linen supplies	130,362	971,536	44,875	61,037
Training and development	66,771	370,886	-	13,936
Fines and penalties	65,133	21,708	51,733	20,708
Uniforms	64,460	211,225	16,300	84,855
Representation and entertainment	283	145,398	-	2,000
Miscellaneous	321,015	439,212	33,290	292,540
	₱ 32,295,968	₱ 33,606,440	₱ 8,788,458	₱ 10,686,615

Allied Care Experts (ACE) Medical Center – Tacloban Inc.
Notes to Financial Statements

NOTE 21 - OTHER INCOME

This account consists of the following:

	For The Nine Months Ended		For The Three Months Ended	
	30-Sept-2020	30-Sept-2019	30-Sept-2020	30-Sept-2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Income from cafeteria	₱ 2,782,942	₱ 534,140	₱ 844,876	₱ 534,140
Doctor's clinic	1,089,164	51,655	507,821	51,655
Interest income	9,169	12,625	2,057	5,003
Miscellaneous income	71,227	-	23,299	-
	<u>₱ 3,952,502</u>	<u>₱ 598,420</u>	<u>₱ 1,378,053</u>	<u>₱ 590,798</u>

NOTE 22 - RELATED PARTY TRANSACTIONS

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

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

September 30, 2020 (Unaudited)

Nature of Relationship	Nature of Transaction	Amount (current transaction)	Outstanding balance	Terms	Conditions
Advances from Shareholders	Advances	₱ 24,111,330	₱107,347,109	(6)	(7)
Loans receivable- ACE Medical Center-Pateros, Inc.	Collection	(8,000,000)	-	(3)	(7)
Loans receivable- ACE Medical Center-Quezon City, Inc.	Collection	(4,384,012)	2,615,988	(3)	(7)

December 31, 2019 (Audited)

Nature of Relationship	Nature of Transaction	Amount (current transaction)	Outstanding balance	Terms	Conditions
Advances from Shareholders	Payment	₱(22,280,480)	83,235,779	(6)	(7)
Loans receivable- ACE Medical Center-Pateros, Inc.	Collection	(32,000,000)	8,000,000	(3)	(7)
Loans receivable- ACE Medical Center-Quezon City, Inc.	Collection	₱(13,000,000)	₱ 7,000,000	(3)	(7)

Terms and Conditions:

- (1) Interest bearing, collectible in cash in 3-months
- (2) Collectible in cash and on demand
- (3) Interest bearing, collectible in cash
- (4) Payable in cash and on demand

Allied Care Experts (ACE) Medical Center – Tacloban Inc.
Notes to Financial Statements

- (5) Secured by acceptable real or personal property
- (6) Non-interest bearing, no scheduled repayment terms
- (7) Unsecured

Loans Receivable

The Company extended loans to ACE Medical Center – Pateros, Inc. and ACE Medical Center – Quezon, Inc. amounting to ₱40,000,000 and ₱20,000,000, respectively with a 5.25% interest rate per annum. These loans are payable until 2021.

Interest earned from this loan receivable amounted to ₱1,179,326 for the year ended December 31, 2019

Cash Advances

The Company obtains cash advances from shareholders to finance the on-going construction of its hospital building. These are unsecured, payable in cash with no scheduled repayment terms. The outstanding balance of these advances were presented under Advances from shareholders account in the statements of financial position.

Key Management Personnel Compensations

No compensation was paid to key management personnel for the nine months ended September 30, 2020 and year ended December 31, 2019 except for the per diem and transportation allowance per meeting per Board Resolution dated August 08, 2015. (Note 20)

NOTE 23 - INCOME TAXES

Income tax expense (benefit) for the nine months ended September 30, 2020 and September 30, 2019 consists of:

	For The Nine Months Ended		For The Three Months Ended	
	30-Sept-2020	30-Sept-2019	30-Sept-2020	30-Sept-2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Deferred	₱ 17,643,638	₱ -	₱ 2,275,512	₱ -
	₱ 17,643,638	₱ -	₱ 2,275,512	₱ -

Reconciliation between statutory tax and effective tax follows:

	For The Nine Months Ended		For The Three Months Ended	
	30-Sept-2020	30-Sept-2019	30-Sept-2020	30-Sept-2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Income tax at statutory rate	₱ (17,621,348)	₱ (16,415,627)	₱ (2,259,375)	₱ (4,742,608)
Tax effects of income subject to final tax	(2,750)	(1,500)	(616)	(1,500)
Tax effect of non-deductible fines and penalties	(19,540)	(6,513)	(15,520)	(6,212)
Tax effect of unrecognized deferred tax assets on NOLCO	-	16,423,640	-	4,750,320
Effective income tax	₱ (17,643,638)	₱ -	₱ (2,275,511)	₱ -

Allied Care Experts (ACE) Medical Center – Tacloban Inc.
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A reconciliation of loss before tax reported in the statement of comprehensive income and taxable loss follows:

	For The Nine Months Ended		For The Three Months Ended	
	30-Sept-2020	30-Sept-2019	30-Sept-2020	30-Sept-2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss before tax	P (58,737,825)	P (54,718,755)	P (7,531,249)	P (15,808,692)
Permanent differences:				
Interest income	(9,169)	(5,003)	(2,057)	(5,003)
Non-deductible fines and penalties	(65,133)	(21,708)	(51,733)	(20,708)
Unrecognized NOLCO		(54,745,466)		(15,834,403)
Temporary differences:				
NOLCO	-	-	-	-
Taxable loss	P (58,812,127)	P -	P (7,585,039)	P -
Minimum Corporate Income Tax:				
Taxable gross income(loss)				
Tax rate	2%	2%	2%	2%
	281,990	92,491	404,549	97,290
Tax due (Higher of RCIT or MCIT)	281,990	92,491	404,549	97,290
Less: Tax credits				
Prior Year's Excess Credit	-	-	-	-
Creditable taxes	(734,315)	-	(734,315)	-
Income tax payable (prepaid income tax)	(452,325)	92,491	(329,766)	97,290

The NOLCO incurred shall be carried over as a deduction from the taxable income as defined in the National Internal Revenue Code of 1997 (NIRC) for three consecutive taxable years immediately following the year of such loss. No deferred tax asset on NOLCO was set up because management believes that the Company will not likely to be able to realize the benefit within the prescribed period.

The carry forward benefit of NOLCO which can be claimed as deduction against future taxable income are summarized below:

<u>Date Incurred</u>	<u>Date of Expiration</u>	<u>Amount</u>	<u>Applied</u>	<u>Expired</u>	<u>Balance</u>
30-Sept-2020	2023	P 58,812,127	P -	P -	P 58,812,127
31-Dec-2019	2022	54,603,802	-	-	54,603,802
31-Dec-2018	2021	17,265,846	-	-	17,265,846
31-Dec-2017	2020	7,132,878	-	-	7,132,878
		P 137,814,653	P -	P -	P 137,814,653

Allied Care Experts (ACE) Medical Center – Tacloban Inc.
Notes to Financial Statements

Details of DTA follows:

	30-Sept-2020 (Unaudited)	31-Dec-2019 (Audited)
DTA arising from NOLCO	₱ 17,643,638	₱ -
DTA arising from MCIT	281,990	-
	₱ 17,925,628	₱ -

NOTE 24 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks which result from its operating activities. The most important components of this financial risk are credit risk, liquidity risk and market risks. The Company's risk management is coordinated with the Board of Directors, and focuses on actively securing the Company's short-to-medium term cash flows by minimizing the exposure to financial markets.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's business activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Liquidity Risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of contractual obligation; or inability to generate cash inflows as anticipated.

The Company maintains cash to meet its liquidity requirements for up to 30-day periods and the Company maintains adequate highly liquid assets in the form of cash and receivables to assure necessary liquidity, if any. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities.

The Company monitors its cash flow position and overall liquidity position in assessing its exposure to liquidity risk. The Company maintains a level of cash deemed sufficient to finance operations and to mitigate the effects of fluctuation in cash flows and a balance between continuity of funding and flexibility through the use of bank loans and advances from related parties, if there's any.

The table below summarizes the maturity profile of the Company's financial liabilities as at September 30, 2020 and December 31, 2019 based on contractual undiscounted payment.

	September 30, 2020 (Unaudited)			
	Within 30 days	1 Year	Above 1 Year	Total
Trade and other payables	₱ 96,279,907	₱ -	₱ -	₱ 96,279,907
Notes payable	-	71,349,699	782,108,259	853,457,958
Noncurrent trade payables	-	-	42,772,557	42,772,557
Advances from shareholders	-	-	107,347,109	107,347,109
	₱ 96,279,907	₱ 71,349,699	₱ 932,227,925	₱ 1,099,857,531

Allied Care Experts (ACE) Medical Center – Tacloban Inc.
Notes to Financial Statements

	December 31, 2019 (Audited)			
	Within 30 days	1 Year	Above 1 Year	Total
Trade and other payables	₱ 56,960,886	₱ -	₱ -	₱ 151,436,961
Notes payable	-	84,005,125	800,355,087	884,360,212
Noncurrent payables	-	-	58,773,286	58,773,286
Advances from shareholders	-	-	83,235,779	83,235,779
	<u>₱ 56,960,886</u>	<u>₱ 84,005,125</u>	<u>₱ 942,364,152</u>	<u>₱ 1,177,856,238</u>

*Trade and other payables excludes government statutory payables amounting to ₱909,909 and ₱580,743 for 2020 and 2019, respectively.

The fair values of payables have not been individually disclosed as, due to their short duration, management considers the carrying amounts recognized in the statements of financial position to be reasonable approximation of their fair values.

Market Risks

Interest Rate Risk

Interest rate risks arises from the possibility that the changes in interest rates will affect the fair value of financial instruments. Interest on financial instruments classified as floating rate is repriced at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

The Company's financial instrument that are exposed to cash flow interest rate risk pertains to its bank loan amounting to ₱618,091,501 and ₱620,030,582 as at September 30, 2020 and December 21, 2019, respectively, which are subject to interest rate repricing. (See Note 13)

The effect on income before income tax due to possible changes in interest rates is as follows:

Increase/Decrease in Interest Rate	Effect on Income Before Income Tax	
	30-Sept-2020 (Unaudited)	31-Dec-2019 (Audited)
+1%	₱(6,180,915)	₱(6,200,306)
-1%	6,180,915	6,200,306

There is no other impact on the Company's equity other than those affecting profit and loss.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework of the Company. The risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and activities of the Company.

Foreign Currency Risk

The Company's has no exposure to the risk for changes in foreign exchange rates since the Company has no foreign currency denominated financial assets and liabilities.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge and obligation and cause the other party to incur a financial loss.

The Company's credit risk is primarily attributable to its cash, receivables and loans receivable. The Company has adopted stringent procedure in extending credit terms and in monitoring its credit risk.

Allied Care Experts (ACE) Medical Center – Tacloban Inc.
Notes to Financial Statements

The Company continuously monitors defaults of officers and affiliates, identified either individually or by group, and incorporate this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties.

The Company limits its exposure to credit risks by depositing its cash only with financial institutions duly evaluated and approved by the BOD. The Company's exposure on receivables is minimal since no default in payments were made by the counterparties.

The tables below show the credit quality per class of financial asset and an aging analysis of past due but not impaired accounts as at September 30, 2020 and December 31, 2019.

Credit Quality per Class of Financial Asset

September 30, 2020 (Unaudited)						
Neither Past Due nor Impaired						
	High Grade	Standard Grade	Substandard Grade	Past Due but not Impaired	Impaired	Total
	P= 12,632,812	P=	P=	P=	P=	P= 12,632,812
Cash in banks						
Trade and other receivables		22,132,691	-	-	-	22,132,691
Loans receivable	2,615,988	-				2,615,988
	P= 15,248,800	P= 22,132,691	-	-	-	P= 37,381,491
December 31, 2019 (Audited)						
Neither Past Due nor Impaired						
	High Grade	Standard Grade	Substandard Grade	Past Due but not Impaired	Impaired	Total
	=P 19,746,691	=P=	P=	P=	=P=	=P 19,746,691
Cash in banks						
Trade and other receivables	-	34,811,751	-	-	-	34,811,751
Loans receivable	15,000,000	-				15,000,000
	=P 34,746,691	P= 34,811,751	-	-	-	=P 69,558,442

The credit quality of the financial assets is managed by the Company using the internal credit quality ratings. High grade accounts consist of receivables from debtors with good financial condition and with relatively low defaults.

The table below shows the maximum exposure to credit risk for the components of the statements of financial position. The maximum exposure is shown gross, without taking into account collateral and other credit enhancement.

	30-Sept-2020 (Unaudited)	31-Dec-2019 (Audited)
Cash in banks	₱ 12,632,812	₱ 19,746,691
Trade and other receivables	22,132,691	64,812,768
Loans receivable	2,615,988	15,000,000
	₱ 37,381,491	₱ 60,251,528

Cash excludes cash on hand amounting to ₱670,763 and ₱2,115,453 in September 30, 2020 and December 31, 2019.

None of the Company's financial assets are secured by collateral or other credit enhancements, except for cash and cash equivalents and advances to contractors as described below.

(a) Cash

The credit risk for cash is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash are cash in banks which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of ₱500,000 for every depositor per banking institution.

(b) Trade and other receivables

The Company has no significant concentrations of credit risk on its trade and other receivables as these are reviewed on continuous basis. As such, Management believes that there are no indicators of impairment on the Company's trade and other receivables and all receivables are fully recoverable.

(c) Loans receivables

The loss allowance is to be determined using general approach. The amount of ECL is not significant due to the fact that the collectability of contractual cash flows expected from these financial instruments is reasonable assured.

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains strong and healthy financial position to support its current business operations and drive its expansion and growth in the future.

Management sees to it that equity is closely monitored in proportion to risk. Total equity comprises all components of equity including share capital and accumulated earnings of the Company. The Company monitors capital on the basis of the debt-to-equity ratio.

This ratio is calculated as total liabilities divided by total equity.

	30-Sept-2020 (Unaudited)	31-Dec-2019 (Audited)
Liabilities	₱ 865,400,983	₱ 819,581,276
Equity	136,545,742	177,639,929
Debt-to-Equity Ratio	<u>6.34:1</u>	<u>4.61:1</u>

The Company is not subjected to externally imposed capital requirements.

NOTE 25 - FINANCIAL INSTRUMENTS

Fair value of Financial Instruments

The following table sets forth the carrying values and estimated fair values of financial assets and liabilities recognized as at September 30, 2020 and December 31, 2019:

		September 30, 2020 (Unaudited)			
		Fair Value			
		Carrying Amount	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Note				
Assets for which fair values are disclosed:					
Cash in banks	6	P= 12,632,812	P=	P= 12,632,812	P=
Trade and other receivables	7	22,132,691	–	22,132,691	–
Loans receivable	22	2,615,988	–	2,615,988	–
		<u>P= 37,381,491</u>	<u>P=</u>	<u>P= 37,381,491</u>	<u>P=</u>
Liabilities for which fair values are disclosed:					
Financial liabilities at amortized cost:					
Trade and other payables	14	P= 96,279,907	P=	P= 96,279,907	P=
Notes payable	16	618,091,501	–	618,091,501	–
Noncurrent trade payables	15	42,772,557	–	42,772,557	–
Advances from shareholders	22	107,347,109	–	107,347,109	–
		<u>P= 864,491,074</u>	<u>P=</u>	<u>P= 864,491,074</u>	<u>P=</u>
		December 31, 2019 (Audited)			
		Fair Value			
		Carrying Amount	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	Note				
Assets for which fair values are disclosed:					
Cash in banks	6	=P 19,746,691	=P-	=P 19,746,691	=P-
Trade and other receivables	7	34,811,751	–	34,811,751	–
Deposit	22	15,000,000	–	15,000,000	–
		<u>=P 69,558,442</u>	<u>=P-</u>	<u>=P 69,558,442</u>	<u>=P-</u>
Liabilities for which fair values are disclosed:					
Financial liabilities at amortized cost:					
Trade and other payables	14	=P 56,960,886	=P-	=P 56,960,886	=P-
Notes payable	16	620,030,582	–	620,030,582	–
Non-current trade payables	15	58,773,286	–	58,773,286	–
Advances from shareholders	22	83,235,779	–	83,235,779	–
		<u>=819,000,533P</u>	<u>=P-</u>	<u>=819,000,533P</u>	<u>=P-</u>

*Payables excludes government statutory payables amounting to P909,909 and P580,743 for 2020 and 2019, respectively.

NOTE 26 - OTHER MATTERS

There were no significant events or transactions for the quarter that had a major impact on the Company's financial condition and performance that were not disclosed in the financial statements.

There were no material event subsequent to the interim period, which have not been reflected in the interim financial statements.

Allied Care Experts (ACE) Medical Center – Tacloban Inc.
Notes to Financial Statements

The nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence.

There are no assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence during the current period.

The nature and amount of changes in estimates of amounts reported in prior interim periods of the current fiscal year or changes in estimates of amounts reported in prior financial years, if those changes have a material effect in the current interim period.

The key assumptions concerning the future and other key sources of estimation used the preparation of the unaudited interim financial statements are consistent with those followed in preparation of the Company's annual financial statements as of and for the year ended December 31, 2019.

The effect of changes in the composition of the issuer during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.

There were no material changes in the composition of the Company for this quarter.

Changes in contingent liabilities or contingent assets since the last annual reporting date.

There are no material changes in contingent assets and liabilities since the last annual financial reporting date.

Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim period.

As the battle against the spread of COVID-19 unravels, measures on monitoring and tracking system have been put in place-people starts to resume skeletal work. Movements to and from the city starts to loosen and people could now enter the City with minimum requirements as to: Medical Certificate, Travel Pass, Work Quarantine Pass and Safe City QR Code. Borders starts to allow more and more vehicles and people in the city allowing more patients to visit hospitals for medical services. Because of this, a gradual increase in census for inpatients as well for outpatients. The census also increased for all medical ancillaries thus contributing to gradual increase in the hospital revenue for 3rd Quarter in 2020.

The increase in revenue was also contributed due to availability of COVID-19 screening and confirmatory test such as: Rapid Antibody Test (RAT), Antigen (Ag) Test, and RT -PPCR (partnership with Eastern Visayas Regional Medical Center). There was also a decrease in expense due to increase in donations of consumables from suppliers, companies, private entities and DOH.

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION
As at September 30, 2020**

**ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – TACLOBAN, INC.
Barangay 78, Marasbaras, Tacloban City, Leyte**

Unappropriated Retained Earnings (Deficit), <i>as adjusted to available for dividend distribution, beginning of the year</i>		(59,048,637)
Add: Net income actually earned/realized during the period		<u>(41,094,187)</u>
Less: Non-actual/unrealized income net of tax		
• Equity in net income of associate/joint venture	-	
• Unrealized foreign exchange gain - (after tax except those	-	
• Fair value adjustment (mark-to-market gains)	-	
• Fair value adjustment of Investment Property resulting to gain	-	
• Adjustment due to deviation from PFRS-gain	-	
• Other unrealized gains or adjustments to retained earnings as a result of certain transactions accounted for under PFRS	-	
Sub-total	<u>-</u>	
Add: Non-actual losses		
• Depreciation or revaluation increment (after tax)	-	
• Adjustment due to deviation from PFRS/GAAP - loss	-	
• Loss on fair value adjustment of investment property (after tax)	-	
Sub-total	<u>-</u>	-
Net income actually earned during the period		(41,094,187)
Add (Less):		
• Dividend declarations during the period	-	
• Appropriations of Retained Earnings during the period	-	
• Reversals of appropriations	-	
• Effects of prior period adjustments	-	
• Treasury Shares	-	
Sub-total	<u>-</u>	-
TOTAL RETAINED EARNINGS, END OF YEAR AVAILABLE FOR DIVIDEND DECLARATION		<u><u>₱ - nil -</u></u>

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – TACLOBAN, INC.
SUPPLEMENTARY SCHEDULE
FINANCIAL SOUNDNESS INDICATORS

Current Ratio

	30-Sept-2020 (Unaudited)	31-Dec-2019 (Audited)
Total current assets	₱ 74,588,472	₱ 159,613,595
Total current liabilities	164,500,853	136,791,747
Current ratio	0.45:1	1.17:1

Quick Ratio

	30-Sept-2020 (Unaudited)	31-Dec-2019 (Audited)
Cash + Receivables	₱ 38,052,254	₱ 101,674,912
Total current liabilities	164,500,853	136,791,747
Current ratio	0.23:1	0.74:1

Solvency Ratio

	30-Sept-2020 (Unaudited)	31-Dec-2019 (Audited)
Net income (loss) after tax + depreciation	₱ (8,711,694)	₱ (22,638,535)
Total liabilities	865,400,983	819,581,276
Solvency ratio	-0.01:1	-0.03:1

Debt-to-equity Ratio

	30-Sept-2020 (Unaudited)	31-Dec-2019 (Audited)
Total liabilities	₱ 865,400,983	₱ 819,581,276
Total equity	136,545,742	177,639,929
Debt-to-equity ratio	6.34:1	4.61:1

Asset-to-equity Ratio

	30-Sept-2020 (Unaudited)	31-Dec-2019 (Audited)
Total assets	₱ 1,001,946,725	₱ 997,221,205
Total equity	136,545,742	177,639,929
Asset to equity ratio	7.34:1	5.61:1

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – TACLOBAN, INC.
SUPPLEMENTARY SCHEDULE
FINANCIAL SOUNDNESS INDICATORS

Profitability Ratio

a.) Profit margin ratio

	30-Sept-2020 (Unaudited)	30-Sept-2019 (Unaudited)
Net loss	₱ (41,094,187)	₱ (54,711,134)
Net sales	130,501,102	19,850,591
	<u>-0.31:1</u>	<u>-2.76:1</u>

b.) Return on asset ratio

	30-Sept-2020 (Unaudited)	30-Sept-2019 (Unaudited)
Net loss after tax	₱ (41,094,187)	₱ (54,711,134)
Total assets	1,001,946,725	863,508,538
	<u>-0.04:1</u>	<u>-0.06:1</u>

c.) Return on equity ratio

	30-Sept-2020 (Unaudited)	30-Sept-2019 (Unaudited)
Net loss after tax	₱ (41,094,187)	₱ (54,711,134)
Total equity	136,545,742	67,961,769
	<u>-0.3:1</u>	<u>-0.81:1</u>



Allied Care Experts (ACE) Medical Center – Tacloban

“A Member of **ACE** Group of Hospitals”
Brgy. 78 Marasbaras, Tacloban City

STATEMENT OF MANAGEMENT’S RESPONSIBILITY

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February 2001

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:

- (a) 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;
- (b) 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;
- (c) **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

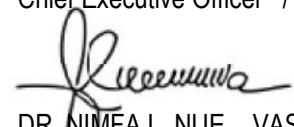
contested in good faith.



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



DR. FERNANDO P. CARLOS
Chief Executive Officer / President



DR. NIMFA L. NUE VAS
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.



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 Commission 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 ZUÑIGA-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)

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

Balance forwarded

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - TACLOBAN INC.
STATEMENTS OF FINANCIAL POSITION

(Amounts in Philippine Peso)

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

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

		Years Ended December 31,			
		Notes	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	Revaluation		
Share capital	Premium increment in			
(Note 18)	(Note 18) 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
<u>Net loss for the year</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,782,170)</u>	<u>(3,782,170)</u>
As at December 31, 2017	120,000,000	-	-	(7,900,918)	112,099,082
Additional share capital	18,000,000	-	-	-	18,000,000
<u>Net loss for the year</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,688,352)</u>	<u>(11,688,352)</u>
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
		-			71,495,642
Prior period error	-	-	-	(313,251)	(313,251)
<u>Net loss for the year</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39,146,115)</u>	<u>(39,146,115)</u>
<u>As at December 31, 2019</u>	<u>142,130,000</u>	<u>71,495,642</u>	<u>23,062,924</u>	<u>(59,048,637)</u>	<u>177,639,929</u>

See accompanying Notes to Financial Statements.

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

		Years Ended December 31,		
	<i>Notes</i>	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	<i>10</i>	16,507,580	244,199	137,220
Amortization	<i>12</i>	25,000	-	-
Interest income	<i>6,21</i>	(16,985)	(16,287)	(32,999)
Finance costs	<i>16</i>	15,317,348	697,858	
		71,427		
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	<i>7</i>	(19,165,104)	(48,042,741)	(42,316,321)
Advances to suppliers	<i>8</i>	57,833,142	(16,675,744)	(12,353,499)
Inventories	<i>9</i>	(17,696,214)		
Prepayments and other current assets		(7,716,548)	60,000	-
Increase (decrease) in current liabilities:				
Accounts payable and other liabilities	<i>13</i>	11,838,571	16,797,736	63,642
Deferred revenue		1,153,412	-	-
Net cash generated from (used in) operations		18,620,835	(58,623,331)	(58,212,799)
<u>Interest received</u>	<i>6,21</i>	<u>16,985</u>	<u>16,287</u>	<u>32,999</u>
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	<i>10</i>	(755,692,470)	(5,927,995)	(1,680,614)
Additions to intangible asset		-	(250,000)	-
Reductions/Additions to construction-in-progress	<i>11</i>	406,705,842	(205,299,451)	(127,845,570)
Increase in other noncurrent liabilities	<i>15</i>	58,773,286	-	-
Net cash used in investing activities		(290,213,343)	(211,477,446)	(129,526,184)
<i>forwarded</i>				<i>Balance</i>

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

		Years Ended December 31,		
	Notes	2019	2018	2017
Forwarded balance				
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 licenses 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 purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

At the end of each reporting period, items of property and equipment measured using the cost model, 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:

- a) There is a change in contractual terms, other than a renewal or extension of the arrangement;
- b) A renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- c) There is a change in the determination of whether fulfillment is dependent on a specified asset; or
- d) 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 reevaluates this designation at every reporting date.

Impairment of Non-financial Assets

The Company determines whether there are indicators of impairment of the Company's nonfinancial 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	50 years
Land Improvements	10 years
Medical equipment	5-10 years
Laboratory equipment	5-10 years
Other hospital and office equipment	5 years
Transportation equipment	5 years
Office equipment, furniture and fixtures	5 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

¹ Due from PhilHealth pertains to reimbursements for hospital expenses and doctors' fees availed by patients who are members of Philippine Health Insurance Corporation.

² 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.

³ Accrued interest receivable represents interest earned on loans receivable from related parties (see Note 14).

⁴ 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	Hospital	Medical	Laboratory
	Land improvements	Building	equipment	equipment
Cost:				
At beginning of year	71,320,076	-	45,000	119,868,185
Additions	-	170,650	-	82,348,421
Reclassification (Note 11)	-	-	515,607,443	114,600,000
(114,600,000)				
Land appraisal	23,062,924	--		
		515,607,443	196,993,421	
At end of year	94,383,000		170,650,268,185	

Accumulated depreciation:

At beginning of year	748			-
Depreciation (Notes 20 & 22)	17,065	4,296,729	8,391,081	210,480
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
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	Office	Other hospital and	Transportation	
	Equipment	office equipment	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
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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:

	Other hospital Office Medical and pharmacy equipment (Note 13) Total	Transportation Equipment Land <u>equipment</u>		
Cost:				
At beginning of year	67,722,626	285,381	-	-
Additions	3,597,450	241,909	45,000	59,949
			71,320,076	
At end of year	71,320,076	527,290	45,000	59,949
		3,635,041	75,587,356	
Accumulated depreciation:				
At beginning of year	130,361	-	-	85,000
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	44,252	54,974	3,387,575
	320,920			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

¹ 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.

² Accrued interest payable refers to accrual of interest expense on loans from bank (see Note 16).

³ 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	Amount of Outstanding			
	2018	2019	2019	Balance
			Transactions	Balance
			Terms	Condition
	60,000,000	(45,000,000)	15,000,000	

Loans receivable

ACE MC – Pateros	40,000,000 (32,000,000)	8,000,000	Interest-bearing, Unsecured, to be collected in unguaranteed, cash (a) not impaired
<u>ACE MC – Quezon</u>	20,000,000 (13,000,000)	7,000,000	Interest-bearing, Unsecured, to be collected in unguaranteed, cash (a) <u>not impaired</u>

Advances from	bearing, to be	Non-interest	Unsecured,
Loans receivable			
ACE MC – Pateros	40,000,000	-	40,000,000
			Interest-bearing, Unsecured, to be collected in unguaranteed, cash (a) not impaired
<u>ACE MC – Quezon</u>	20,000,000	-	20,000,000
			Interest-bearing, Unsecured, to be collected in unguaranteed, cash (a) <u>not impaired</u>
shareholders	<u>105,516,259 (22,280,480)</u>	<u>83,235,779</u>	<u>paid in cash (b) not impaired</u>

Category	2017	2018	2018	Outstanding Amount of Balance Transactions	Outstanding Balance
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	60,000,000	-	60,000,000		
Advances from				Non-interest	Unsecured,
shareholders	66,550,481	38,965,778	105,516,259	bearing, to be	unguaranteed,
(a) Loans receivable				<u>paid in cash (b)</u>	<u>not impaired</u>

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 (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:

		<u>Notes</u> 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:

<u>incurred</u>	<u>date</u>	<u>Year</u>	<u>Expiration</u>	<u>At beginning</u>	<u>At end of</u>	
		<u>of year</u>	<u>Additions</u>	<u>Expired</u>	<u>Claimed</u>	<u>year</u>
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 in managing interest rate risk. Management believes that fluctuations on the interest rates will not have significant effect on the Company's financial performance. **Credit risk**

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

The credit quality of the Company's financial assets 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:

	2019	2018		
	Carrying		Carrying	
Financial assets	Value	Fair Value	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

	2019		2018	
Financial liabilities	Carrying Value	Carrying Fair Value	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

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
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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.