

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**
2. Commission Identification Number. **CS201423451**
3. BIR Tax Identification No. **008-917-666**

Allied Care Experts (ACE) Medical Center – Tacloban, Inc.

4. Exact name of issuer as specified in its charter

Leyte, 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
Barangay 78, Marasbaras, Tacloban City, Leyte Postal Code
6500

8. Issuer's telephone number, including area code
(53) 888-4322 / 0956-461-4352

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 SHARE, P1,000 PAR VALUE

202,860 shs / P705,489,275

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

Yes No

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

12. Indicate by check mark whether the registrant:

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

Yes No

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

Yes No

PART I-FINANCIAL INFORMATION

Item 1. Financial Statements.

The unaudited financial statements of Allied Care Experts (ACE) Medical Center – Tacloban Inc. (the Company) as at and for the nine months ended September 30, 2020 (with comparative figures as at December 31, 2019 (Audited) and for the nine months ended September 30, 2019 (Unaudited) are filed as part of this form 17-Q as Annex A.

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 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.

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

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 increase in equity was 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. Net increase in equity amounted to ₦ 118,817,521 or 67%.

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 increased 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

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]	0.29:1	0.12:1	0.74:1
b. Current ratio - capacity to meet current obligations out of its liquid assets. (current assets / current liabilities)	0.57:1	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)	2.38:1	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)	(0.14):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)	0.70:1	0.91:1	0.82:1
c. Asset to equity ratio - indicator of the overall financial stability of the Company. (total assets / equity)	3.38:1	10.56:1	5.61:1

5. 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
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Discussion and Analysis of Material Events and Uncertainties

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.

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.

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.

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

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

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

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 Company is not a party to any lawsuit or claims arising from the ordinary course of business

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.

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

By:



FERNANDO P. CARLOS
President



NIMFA L. NUEVAS
Treasurer

Date: November 14, 2020

Date: November 14, 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)
<u>ASSETS</u>			
Current Assets			
Cash	4,6	₱ 13,303,575	₱ 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
Non-Current Assets			
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		₱ 1,001,946,725	997,221,205
<u>LIABILITIES AND EQUITY</u>			
Current Liabilities			
Trade and other payables	4,14	₱ 64,625,217	₱ 57,541,629
Notes payable - current	4,16	₱ 67,311,037	₱ 79,250,118
Total Current Liabilities		₱ 131,936,254	136,791,747
Non-current liabilities			
Notes payable - non current	4,16	₱ 550,780,464	₱ 540,780,464
Non-current trade payables	4,15	₱ 22,772,557	₱ 58,773,286
Advances from shareholders	4,22	₱ -	₱ 83,235,779
Total Non-Current Liabilities		₱ 573,553,021	682,789,529
Total Liabilities		₱ 705,489,275	819,581,276
Equity			
Share capital	4,17	₱ 149,460,000	₱ 142,130,000
Share premium	4,17	₱ 224,077,350	₱ 71,495,642
Revaluation surplus	4	₱ 23,062,924	₱ 23,062,924
Retained earnings (Deficits)	4	₱ (100,142,824)	₱ (59,048,637)
Equity, net		₱ 296,457,450	177,639,929
TOTAL LIABILITIES AND EQUITY		₱ 1,001,946,725	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

	Notes	January to September		July to September	
		2020 (Unaudited)	2019 (Unaudited)	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	₱ 120,354,093	₱ 15,816,843	₱ 33,132,166	₱ 15,576,881
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	₱ 40,541,368	₱ 25,736,862	₱ 18,970,246	₱ 9,986,582
LOSS BEFORE TAX		₱ (58,737,825)	₱ (54,711,134)	₱ (7,531,249)	₱ (15,808,689)
INCOME TAX EXPENSE (BENEFIT)	4,23	₱ (17,643,638)	-	₱ (2,275,512)	-
LOSS FOR THE PERIOD		₱ (41,094,187)	₱ (54,711,134)	₱ (5,255,737)	₱ (15,808,689)
COMPREHENSIVE INCOME (LOSS)		₱ -	₱ -	₱ -	₱ -
TOTAL COMPREHENSIVE LOSS		₱ (41,094,187)	₱ (54,711,134)	₱ (5,255,737)	₱ (15,808,689)

(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	4,17	₱ 149,460,000	₱ 124,230,000
SHARE PREMIUM	4,17	224,077,350	-
REVALUATION SURPLUS	4	23,062,924	18,345,424
RETAINED EARNINGS (DEFICITS)	4		
Balance, beginning of the period		(59,048,637)	(19,902,521)
Total comprehensive loss for the period		(41,094,187)	(54,711,134)
Balance, end of the period		(100,142,824)	(74,613,655)
EQUITY, net		₱ 296,457,450	₱ 67,961,769

(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			
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	7,083,588	10,950,411
Non-current trade payables	4,15	(36,000,729)	-
Cash used in pre operation		49,899,450	(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		49,155,966	(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			
Proceeds from issuance of shares	4,17	159,911,708	-
Advances from shareholders	4,22	(83,235,779)	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		34,195,480	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 effectiveness -

- 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
	<hr/> ₱ 13,303,575	<hr/> ₱ 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	<hr/> ₱ 239,921	<hr/> ₱ 214,924
	<hr/> ₱ 22,132,691	<hr/> ₱ 64,812,768
Allowance for credit losses	-	-
	<hr/> ₱ 22,132,691	<hr/> ₱ 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 contract 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
	₱ <u>19,322,281</u>	₱ <u>17,696,214</u>

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
	₱ <u>17,213,937</u>	₱ <u>7,716,548</u>

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.

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	₱ 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
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	₱ 94,383,000	₱ 153,585	₱ 511,310,714	₱ 188,602,340	₱ 3,027,468	₱ 5,057,705	₱ 6,002,067	₱ 28,839,091	₱ 837,375,610
Carrying amounts									
30-Sept-20	₱ 94,383,000	₱ 140,786	₱ 559,758,891	₱ 177,910,664	₱ 2,756,758	₱ 4,716,266	₱ 18,314,944	₱ 50,979,048	₱ 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	₱ 71,320,076	₱ -	₱ -	₱ 45,000	₱ 3,635,041	₱ -	₱ 527,290	₱ 59,948	₱ 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	₱ 71,320,076	₱ -	₱ -	₱ 45,000	₱ 3,387,574	₱ -	₱ 315,196	₱ 54,948	₱ 75,127,794
Carrying amounts									
31-Dec-19	₱ 94,383,000	₱ 153,585	₱ 511,310,714	₱ 188,602,340	₱ 3,027,108	₱ 5,057,705	₱ 6,002,067	₱ 28,839,091	₱ 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	₱ 11,181,200	₱ 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
	₱ 64,625,217	₱ 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 ₱22,772,557 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 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.

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 LBP's prevailing rates on the date of loan release ranging from 6%

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.

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 LBP'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.

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 LBP'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.

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	₱ 618,091,501	₱ 620,030,582

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	₱239,400,000	239,400	₱239,400,000	239,400	₱239,400,000	239,400
Founder's shares	-	-	-	-	-	-
	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	202,860,000	202,860	195,530,000	195,530	192,000,000	192,000
Founder's shares	-	-	-	-	-	-
	600,000	600	600,000	600	600,000	600
	<u>203,460,000</u>	<u>203,460</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	₱149,460,000	149,460	₱142,130,000	142,130	₱124,230,000	124,230

Founders' shares have the exclusive right to vote and be voted for the election of Directors for five (5) years from the date of registration. Thereafter, the holders of Founders' shares shall have the same rights and privileges as holders of common shares.

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 December 31, 2019 amounted to ₱71,495,642.

As of September 30, 2020, the Company issued through public offering additional **Seven thousand three hundred thirty (7,330)** common shares. The related share premium arising from this sale, amounted to ₱152,581,708. Total share premium paid as at September 30, 2020 amounted to ₱224,077,350.

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 (Unaudited)	30-Sept-2019 (Unaudited)	30-Sept-2020 (Unaudited)	30-Sept-2019 (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)
	101,352,665	13,935,694	41,792,400	13,935,694
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)	-
	29,148,437	5,914,897	10,189,168	5,914,897
	₱ 130,501,102	₱ 19,850,591	₱ 51,981,568	₱ 19,850,591

Breakdown of hospital fees are as follows:

	For The Nine Months Ended		For The Three Months Ended	
	30-Sept-2020 (Unaudited)	30-Sept-2019 (Unaudited)	30-Sept-2020 (Unaudited)	30-Sept-2019 (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	-
	₱ 109,644,996	₱ 13,944,499	₱ 45,001,712	₱ 13,944,499

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 (Unaudited)	30-Sept-2019 (Unaudited)	30-Sept-2020 (Unaudited)	30-Sept-2019 (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 (Unaudited)	30-Sept-2019 (Unaudited)	30-Sept-2020 (Unaudited)	30-Sept-2019 (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

NOTE 21 - OTHER INCOME

This account consists of the following:

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

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	(₱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

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 (Unaudited)	30-Sept-2019 (Unaudited)	30-Sept-2020 (Unaudited)	30-Sept-2019 (Unaudited)
	₱ 17,643,638	₱ -	₱ 2,275,512	₱ -
Deferred	₱ 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 (Unaudited)	30-Sept-2019 (Unaudited)	30-Sept-2020 (Unaudited)	30-Sept-2019 (Unaudited)
	₱ (17,621,348)	₱ (16,415,627)	₱ (2,259,375)	₱ (4,742,608)
Income tax at statutory rate	₱ (2,750)	₱ (1,500)	₱ (616)	₱ (1,500)
Tax effects of income subject to final tax				
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.
Notes to Financial Statements

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 (Unaudited)	30-Sept-2019 (Unaudited)	30-Sept-2020 (Unaudited)	30-Sept-2019 (Unaudited)
	₱	₱	₱	₱
Loss before tax	(58,737,825)	(54,718,755)	(7,531,249)	(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	₱ (58,812,127)	₱ -	₱ (7,585,039)	₱ -
Minimum Corporate Income Tax:				
Taxable gross income(loss)		4,624,547		4,864,508
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 in prior years 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:

Date Incurred	Date of Expiration	Amount	Applied	Expired	Balance
30-Sept-2020	2023	₱ 58,812,127	₱ -	₱ -	₱ 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
		₱ 137,814,653	₱ -	₱ -	₱ 137,814,653

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	₱ 63,715,308	₱ -	₱ -	₱ 63,715,308
Notes payable	-	₱ 71,349,699	₱ 782,108,259	₱ 853,457,958
Noncurrent trade payables	-	-	₱ 22,772,557	₱ 22,772,557
	₱ 63,715,308	₱ 71,349,699	₱ 804,880,816	₱ 939,945,823

	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
	₱ 56,960,886	₱ 84,005,125	₱ 942,364,152	₱1,177,856,238

**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	31-Dec-2019
	(Unaudited)	(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.

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						
Loans receivable	2,615,988	-	22,132,691	-	-	22,132,691
	=P 15,248,800	P= 22,132,691				2,615,988
						=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	P 12,632,812	P 19,746,691
Trade and other receivables	22,132,691	64,812,768
Loans receivable	2,615,988	15,000,000
	P 37,381,491	P 60,251,528

Cash excludes cash on hand amounting to P670,763 and P2,115,453 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	₱ 705,489,275	₱ 819,581,276
Equity	296,457,450	177,639,929
Debt-to-Equity Ratio	2.38:1	4.61:1

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><u>=P 37,381,491</u></u>	<u><u>=P-</u></u>	<u><u>=P 37,381,491</u></u>	<u><u>=P-</u></u>
Liabilities for which fair values are disclosed:					
Financial liabilities at amortized cost:					
Trade and other payables	14	=P 63,715,308	P=	P= 63,715,308	=P-
Notes payable	16	618,091,501	-	618,091,501	-
Noncurrent trade payables	15	22,772,557		22,772,557	
Advances from shareholders	22	107,347,109	-	107,347,109	-
		<u><u>=P 811,926,475</u></u>	<u><u>=P-</u></u>	<u><u>=P 811,926,475</u></u>	<u><u>=P-</u></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><u>=P 69,558,442</u></u>	<u><u>=P-</u></u>	<u><u>=P 69,558,442</u></u>	<u><u>=P-</u></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><u>=819,000,533P</u></u>	<u><u>=P-</u></u>	<u><u>=819,000,533P</u></u>	<u><u>=P-</u></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.

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-PCR (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), as adjusted to available for dividend distribution, beginning of the year	(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> <u> </u> <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> <u> </u> <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> <u> </u> <u> </u>
TOTAL RETAINED EARNINGS, END OF YEAR AVAILABLE FOR DIVIDEND DECLARATION	<u>P - nil -</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	131,936,254	136,791,747
Current ratio	0.57:1	1.17:1

Quick Ratio

	30-Sept-2020 (Unaudited)	31-Dec-2019 (Audited)
Cash + Receivables	₱ 38,052,254	₱ 101,674,912
Total current liabilities	131,936,254	136,791,747
Current ratio	0.29:1	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	705,489,275	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	₱ 705,489,275	₱ 819,581,276
Total equity	296,457,450	177,639,929
Debt-to-equity ratio	2.38:1	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	296,457,450	177,639,929
Asset to equity ratio	3.38:1	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
	-0.31:1	-2.76:1

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
	-0.04:1	-0.06:1

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	296,457,450	67,961,769
	-0.14:1	-0.81:1