

# COVER SHEET

for  
**AUDITED FINANCIAL STATEMENTS**

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SEC Registration Number

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**COMPANY NAME**

A	L	L	I	E	D		C	A	R	E		E	X	P	E	R	T	S		M	E	D	I	C	A	L			
C	E	N	T	E	R	-	B	A	C	O	L	O	D		I	N	C	.											

**PRINCIPAL OFFICE** (No. / Street / Barangay / City / Town / Province)

R	M	.	4		G	/	F		M	C		M	E	T	R	O	P	L	E	X		B	L	D	G	.		
B	.	S	.		A	Q	U	I	N	O		D	R	I	V	E	,		B	A	C	O	L	O	D			
C	I	T	Y	,		N	E	G	R	O	S		O	C	C	I	D	E	N	T	A	L						

Form Type

A	F	F	S
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Department requiring the report

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Secondary License Type, If Applicable

N	A		
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**COMPANY INFORMATION**

Company's email Address

acemcbacolod@gmail.com

Company's Telephone Number

(034) 703 - 1637

Mobile Number

09171884699

No. of Stockholders

46

Annual Meeting (Month / Day)

1ST SUNDAY OF APRIL

Fiscal Year (Month / Day)

DECEMBER 31

**CONTACT PERSON INFORMATION**

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

DR. MA. IVY V. MALATA

Email Address

attymbv.endure@gmail.com

Telephone Number/s

(034) 703 - 1637

Mobile Number

09175234802

**CONTACT PERSON'S ADDRESS**

ROOM 4, GROUND FLOOR, MC METROPLEX BUILDING, BS AQUINO DRIVE, BACOLOD CITY, NEGROS OCCIDENTAL

**NOTE 1 :** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

**2 :** All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**


The management of Allied Care Experts Medical Center-Bacolod Inc. is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2020, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

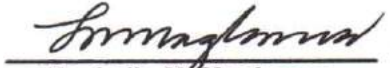
The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Mendoza Querido & Co., the independent auditors appointed by the stockholders, have audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, have expressed its opinion on the fairness of presentation upon completion of such audit.

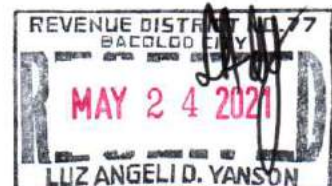


**Ferjenel G. Biron**  
*Chairman and President*



**Ma. Leila M. Magbanua**  
*Corporate Treasurer*

Signed this 16th day of April, 2021





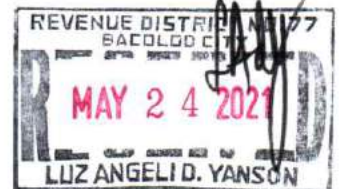
SUBSCRIBED AND SWORN to before me this 03 MAY 2021 with the presentation of the following:

Name	Government ID	Place Issued	Date Issued
Ferjenel G. Biron	TIN 127-685-650-000		11/08/1999
Ma. Leila M. Magbanua	TIN 138-728-295-000		

Doc No. 118  
Page No. 24  
Book No. XXV  
Series of 2021

*ELM*  
**ERNIE E. MAGASPAG**  
NOTARY PUBLIC FOR THE CITY OF LA CARLOTA AND MUNICIPALITIES OF  
PONTEVEDRA, LA CASTELLANA, ISABELA AND MOISES PADILLA  
COMMISSION UNTIL DECEMBER 31, 2021  
PTR. No. 3533453-12/09/20-Negros Occidental  
IBP No. 136325-12/22/20- Negros Occidental  
ROLL OF ATTORNEY'S NO. 45465  
MCLE COMPLIANCE NO. 0001425  
SPACE 8, 2ND LEVEL, MC METROPLEX BUILDING,  
BS AQUINO DRIVE, BACOLOD CITY  
1-C Juan Luna St, Brgy. Robles,  
La Castellana Neg. Occ.





**Mendoza Querido & Co.**

16<sup>th</sup> Floor, The Salcedo Towers  
169 H.V. de la Costa St., Salcedo Village  
Makati City 1227 Philippines

T +63 2 8 887 1888

[www.mqc.com.ph](http://www.mqc.com.ph)

PRC/BOA Accreditation No. 0966

September 22, 2020, valid until

August 22, 2023

SEC Accreditation No. 0966-SEC (Group A)

Issued November 24, 2020

Valid for Financial Periods 2020 to 2024

**INDEPENDENT AUDITORS' REPORT**

The Stockholders and the Board of Directors  
Allied Care Experts Medical Center-Bacolod Inc.  
Rm. 4, Ground Floor, MC Metroplex Bldg.  
BS Aquino Drive, Bacolod City, Negros Occidental

**Report on the Audit of the Financial Statements***Opinion*

We have audited the financial statements of Allied Care Experts Medical Center-Bacolod Inc. (the Company), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and of its financial performance and its cash flows for each of the three years in the period ended December 31, 2020 in accordance with Philippine Financial Reporting Standards (PFRS).

*Basis for Opinion*

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

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

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

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



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

#### *Auditors' Responsibilities for the Audit of the Financial Statements*

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

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

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

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

#### **Report on Other Legal and Regulatory Requirements**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties, license fees and schedules prescribed under existing revenue issuances in Note 21 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

For the Firm: **MENDOZA QUERIDO & CO.**



**RICHARD S. QUERIDO**

Partner

CPA Certificate No. 84807

SEC Accreditation No. 84807-SEC (Group A)

Issued November 24, 2020

Valid for Financial Periods 2020 to 2024

TIN 102-094-633

BIR Accreditation No. 08-002617-002-2019,

January 21, 2019, valid until January 20, 2022

PTR No. 8539444, January 9, 2021, Makati City

April 16, 2021







**Mendoza Querido & Co.**

16<sup>th</sup> Floor, The Salcedo Towers  
169 H.V. de la Costa St., Salcedo Village  
Makati City 1227 Philippines

T +63 2 8 887 1888

[www.mqc.com.ph](http://www.mqc.com.ph)

PRC/BOA Accreditation No. 0966

September 22, 2020, valid until

August 22, 2023

SEC Accreditation No. 0966-SEC (Group A)

Issued November 24, 2020

Valid for Financial Periods 2020 to 2024

**SUPPLEMENTAL WRITTEN STATEMENT OF AUDITORS**

To the Stockholders and the Board of Directors  
Allied Care Experts Medical Center-Bacolod Inc.  
Rm. 4, Ground Floor, MC Metroplex Bldg.  
BS Aquino Drive, Bacolod City, Negros Occidental

We have audited the financial statements of Allied Care Experts Medical Center-Bacolod Inc. for the year ended December 31, 2020, on which we have rendered the attached report dated April 16, 2021.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the said Company has a total number of forty six (46) stockholders owning one hundred (100) or more shares each.

For the Firm: **MENDOZA QUERIDO & CO.**

**RICHARD S. QUERIDO**

Partner

CPA Certificate No. 84807

SEC Accreditation No. 84807-SEC (Group A)

Issued November 24, 2020

Valid for Financial Periods 2020 to 2024

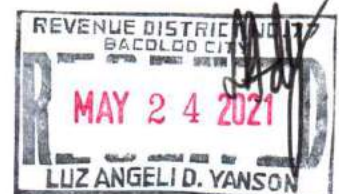
TIN 102-094-633

BIR Accreditation No. 08-002617-002-2019,

January 21, 2019, valid until January 20, 2022

PTR No. 8539444, January 9, 2021, Makati City

April 16, 2021



**ALLIED CARE EXPERTS MEDICAL CENTER-BACOLOD INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2020 AND 2019**  
*(Amounts in Philippine Pesos)*

	2020	2019
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 2, 3, 4 and 5)	P93,666,173	P177,128,990
Receivables (Notes 2, 3, 4, 6 and 15)	40,513,422	175,000
Other current assets (Notes 2, 3 and 7)	8,333,448	15,029,510
Total Current Assets	142,513,043	192,333,500
<b>Noncurrent Assets</b>		
Property and equipment – net (Notes 2, 3 and 8)	128,927,826	80,543,658
Security deposit (Notes 2, 3 and 9)	45,000	45,000
Total Noncurrent Assets	128,972,826	80,588,658
<b>TOTAL ASSETS</b>	<b>P271,485,869</b>	<b>P272,922,158</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Notes 2, 4 and 10)	P17,926,211	P16,747
Deposits for future share subscriptions (Notes 2 and 12)	27,000,000	–
Loans payable (Notes 2, 4, 11, 15 and 18)	–	24,250,000
Total Current Liabilities	44,926,211	24,266,747
<b>Noncurrent Liability</b>		
Advances from shareholders (Notes 2, 4, 15 and 18)	150,246,154	162,120,412
Total Liabilities	195,172,365	186,387,159
<b>Equity</b>		
Share capital (Notes 2, 4 and 12)	96,000,000	96,000,000
Deficit (Notes 2 and 4)	(19,686,496)	(9,465,001)
Total Equity	76,313,504	86,534,999
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P271,485,869</b>	<b>P272,922,158</b>

See accompanying Notes to Financial Statements.





**ALLIED CARE EXPERTS MEDICAL CENTER-BACOLOD INC.**

**STATEMENTS OF COMPREHENSIVE INCOME**

**FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018**

*(Amounts in Philippine Pesos)*

	2020	2019	2018
<b>INTEREST INCOME</b> – net (Notes 2, 5 and 15)	<b>P2,635,791</b>	P5,806,468	P1,700,472
<b>EXPENSES</b> (Notes 2 and 13)	<b>(12,857,286)</b>	(7,413,785)	(7,027,189)
<b>NET LOSS</b>	<b>(P10,221,495)</b>	(P1,607,317)	(P5,326,717)
<b>LOSS PER SHARE</b> (Notes 2 and 17)	<b>(P106.47)</b>	(P16.74)	(P55.49)

*There was no other comprehensive income during the years ended December 31, 2020, 2019 and 2018.*

*See accompanying Notes to Financial Statements.*



**ALLIED CARE EXPERTS MEDICAL CENTER-BACOLOD INC.**

**STATEMENTS OF CHANGES IN EQUITY**

**FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018**

*(Amounts in Philippine Pesos)*

	2020	2019	2018
<b>SHARE CAPITAL</b> (Notes 2, 4 and 12)	<b>P96,000,000</b>	<b>P96,000,000</b>	<b>P96,000,000</b>
<b>DEFICIT</b> (Notes 2 and 4)			
Balance at beginning of year	(9,465,001)	(7,857,684)	(2,530,967)
Net loss	(10,221,495)	(1,607,317)	(5,326,717)
Balance at end of year	(19,686,496)	(9,465,001)	(7,857,684)
	<b>P76,313,504</b>	<b>P86,534,999</b>	<b>P88,142,316</b>

*See accompanying Notes to Financial Statements.*



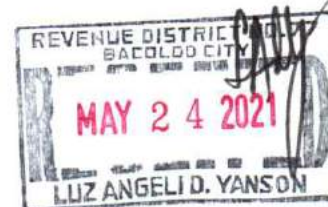


**ALLIED CARE EXPERTS MEDICAL CENTER-BACOLOD INC.****STATEMENTS OF CASH FLOWS**

FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

*(Amounts in Philippine Pesos)*

	2020	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss	(P10,221,495)	(P1,607,317)	(P5,326,717)
Adjustments for:			
Interest income (Notes 5 and 15)	(2,635,791)	(5,806,468)	(1,700,472)
Depreciation (Notes 8 and 13)	130,269	105,826	92,720
Loss before working capital changes	(12,727,017)	(7,307,959)	(6,934,469)
Decrease (increase) in other current assets (Note 7)	(8,191,741)	(9,312,854)	9,152,095
Increase (decrease) in trade and other payables (Note 10)	17,909,464	(955,034)	777,268
Net cash generated from (used for) operations	(3,009,294)	(17,575,847)	2,994,894
Interest received	2,635,791	5,806,468	1,700,472
Net cash provided by (used in) operating activities	(373,503)	(11,769,379)	4,695,366
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments received from (cash provided to) related parties (Note 15)	140,000	19,825,000	(20,000,000)
Payments made to contractors (Note 6)	(40,478,422)	-	-
Additions to property and equipment (Note 8)	(33,626,634)	(95,390)	(80,235,342)
Net cash provided by (used in) investing activities	(73,965,056)	19,729,610	(100,235,342)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from shareholders for future share subscriptions (Note 12)	27,000,000	-	-
Proceeds from (payments of) loans (Note 11)	(24,250,000)	-	12,750,000
Proceeds from (payments of) advances from shareholders (Note 15)	(11,874,258)	43,940,863	38,734,337
Proceeds from subscription of share capital (Note 12)	-	-	65,400,000
Net cash provided by (used in) financing activities	(9,124,258)	43,940,863	116,884,337
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(83,462,817)</b>	<b>51,901,094</b>	<b>21,344,361</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>177,128,990</b>	<b>125,227,896</b>	<b>103,883,535</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>P93,666,173</b>	<b>P177,128,990</b>	<b>P125,227,896</b>



**NONCASH OPERATING AND INVESTING ACTIVITY**

Transfer of other current asset to property and equipment (Note 7)	<b>P14,887,803</b>	P-	P-
Additions to property and equipment (Note 8)	<b>(14,887,803)</b>	-	-
	<b>P-</b>	<b>P-</b>	<b>P-</b>

*See accompanying Notes to Financial Statements.*





# **ALLIED CARE EXPERTS MEDICAL CENTER-BACOLOD INC.**

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## **NOTES TO FINANCIAL STATEMENTS**

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### **1. General Information**

Allied Care Experts Medical Center-Bacolod Inc. (the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on July 4, 2017, with limited life of fifty (50) years from the date of registration primarily to establish, maintain, operate, own and manage hospitals, medical and related healthcare facilities and businesses such as but without restriction to clinical laboratories, diagnostic centers, ambulatory clinics, condo hospitals, scientific research 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 August 22, 2020, the majority of the Board of Directors and the vote of the shareholders owning and representing at least-two thirds of the outstanding share capital approved the amendment of Article I of Articles of Incorporation (AOI) by changing its name from Allied Care Experts Medical Center-Bacolod Inc. to Asia Pacific Medical Center (APMC) – Bacolod Inc. The application for the amended AOI is still pending for submission with SEC as to date.

Its principal place of business is located at Rm. 4, Ground Floor, MC Metroplex Bldg. BS Aquino Drive, Bacolod City, Negros Occidental.

The Company has six (6) and five (5) employees as of December 31, 2020 and 2019, respectively.

The accompanying financial statements as at and for the years ended December 31, 2020 and 2019 were approved and authorized for issue by the Board of Directors on April 16, 2021.

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### **2. Summary of Significant Accounting Policies and Disclosures**

#### Basis of Preparation

The accompanying financial statements of the Company have been prepared on a historical cost basis, except as otherwise stated. Historical costs refer to the amount of cash paid to acquire an asset or, in the case of exchange, the fair value of the consideration given to acquire an asset. The financial statements are presented in Philippine peso, which is the functional and presentation currency under the Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest peso except as otherwise indicated.

#### Statement of Compliance

The accompanying financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS, in general, includes all applicable PFRS, Philippine Accounting Standards (PAS) and Interpretations issued by former Standing Interpretations Committee, the Philippine Interpretations Committee and the International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Philippine Financial Reporting Standards Council and adopted by the Philippine SEC.



#### Changes in Accounting Policies

The Company consistently adopted and applied all accounting policies under PFRS which have been issued and becomes effective except adoption of the following amendments effective beginning January 1, 2020. Adoption of these amendments to PFRS, PAS and Philippine Interpretations did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

- Amendments to PFRS 3, "*Definition of a Business*"

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments are currently not applicable to the Company but will apply on future business combinations of the Company, if any.

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

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments.

The adoption of these amendments does not have any significant impact on the financial statements.

The adoption of the foregoing new and revised PFRS and PAS does not have any material impact on the financial statements. Additional disclosures have been included in the notes to financial statements, as applicable.

#### New Accounting Standards, Amendments to Existing Standards and Interpretations Effective Subsequent to December 31, 2020

The standards, amendments and interpretations which have been issued but not yet effective as at December 31, 2020 are disclosed below. Except as otherwise indicated, the Company does not expect the adoption of the applicable new and amended PFRS to have a significant impact on the financial position or performance.

##### *Effective in 2021*

- PFRS 17, "*Insurance Contracts*"

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adoption for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

PFRS 17 is effective for reporting periods beginning on or before January 1, 2021, with comparative figures required. Early application is permitted.

The amendments are not applicable to the Company since it does not have activities that are predominantly connected with insurance or issue insurance contracts.

- Amendments to PFRS 16, "*Leases*"

COVID-19-Related Rent Concessions (effective June 1, 2020). The amendments permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications.

The Company has short-term lease and accounted it as operation lease applying the exception for short-time lease in accordance with PFRS 16, thus, the amendments will have no impact in the financial statements of the Company.

#### *Effective in 2022*

- Amendments to PFRS 3, "*Reference to the Conceptual Framework*"

The amendments updated the reference to the "*Conceptual Framework*" and an exception to its requirement for an entity to refer to the "*Conceptual Framework*" to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should instead refer to PAS 37, "*Provisions, Contingent Liabilities and Contingent Assets*". This exception is to avoid an unintended consequence of updating the reference. Without the exception, an entity would have recognized some liabilities on the acquisition of a business that it would not recognize in other circumstances. Immediately after the acquisition, the entity would have had to derecognize such liabilities and recognize a gain that did not depict an economic gain.

- Amendments to PAS 16, "*Property, Plant and Equipment - Proceeds before Intended Use*"

The amendments prohibit from deducting the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.



- Amendments to PAS 37, "*Onerous Contracts - Cost of Fulfilling a Contract*"

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

#### *Annual Improvements to PFRSs 2018-2020 Cycle*

The Annual Improvements to PFRSs (2018-2020 cycle) are effective for annual periods beginning 2022 and are not expected to have a material impact on the Company.

- Amendments to PFRS 1, "*Subsidiary as a First-time Adopter*"

The amendment permits a subsidiary that measures the assets and liabilities at the carrying amounts that would be included in the parent's consolidated financial statements, based on the parent's date of transition to PFRSs, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary, to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRSs.

- Amendments to PFRS 9, "*Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*"

The improvements clarify the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

- Amendments to PFRS 16, "*Lease Incentives*"

The amendment removes reimbursement relating to leasehold improvements. PFRS 16 does not contain explicit guidance on how to account for leasehold improvements made by the lessee or when reimbursements made by the lessor in respect of those leasehold improvements can be regarded as lease incentives. Thus, created some confusion on how a lessee should account for such reimbursement by stating that the lessee should apply the appropriate standard and should not account for the reimbursement as a lease incentive. The standard had not clearly explained the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

- Amendments to PAS 41, "*Taxation in Fair Value Measurements*"

The amendment removes the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.



*Effective in 2023*

- Amendments to PFRS 17, "*Insurance Contracts*"

The amendments, which respond to feedback from stakeholders, are designed to:

- Reduce costs by simplifying some requirements in the Standard;
- Make financial performance easier to explain; and
- Ease transition by deferring the effective date of the Standard to 2023 and by providing additional relief to reduce the effort required when applying PFRS 17 for the first time.

The deferral of the effective date by two years, to annual reporting periods beginning on or after January 1, 2023, is intended to allow time for an orderly adoption of the amended PFRS 17 by jurisdictions. This should enable more insurers to implement the new Standard at the same time.

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

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

*Deferred*

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

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the FSRC deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The adoption of these amendments is not expected to have any significant impact on the financial statements since these are not applicable to the Company.

- Deferment of Implementation of International Financial Reporting Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, *Borrowing Cost*) for the Real Estate Industry

In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under par. 35(c) of PFRS 15. IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under PAS 23 considering that these inventories are ready for their intended sale in their current condition.

On February 21, 2020, the Philippine SEC issued MC No. 4, Series of 2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Effective January 2021, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC agenda decision.

The adoption of this amendment is not expected to have any significant impact on the financial statements since the Company is not in a real estate industry.

#### *No Mandatory Effective Date*

- Amendments to PFRS 9, "*Financial Instruments (Hedge Accounting and Amendments to PFRS 9, PFRS 7 and PAS 39)*"

The amendments require the inclusion of general hedge accounting model in the notes disclosure to the financial statements. The amendments allow early adoption of the requirement to present fair value changes due to own credit on liabilities designated as at fair value through profit or loss to be presented in the other comprehensive income (OCI).

These amendments are not applicable to the Company and expected not to have an impact on the financial statements since the Company does not have any financial instruments designated as at fair value through profit or loss.

#### Significant Accounting Policies

##### Current versus Noncurrent Classification

The Company presents assets and liabilities in the statements of financial position based on current or noncurrent classification. An asset is current if:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve (12) months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;



- It is due to be settled within 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as noncurrent.

Deferred income tax assets and liabilities, if any, are classified as noncurrent assets and liabilities.

#### Fair Value Measurement

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

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

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

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

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

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

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

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



### Financial Instruments

Financial instruments is any contract that gives rise to a financial asset of one entity or a financial liability or equity instrument of another entity.

#### *Date of Recognition*

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

#### *"Day 1" Difference*

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

### *Financial Assets*

#### Initial Recognition

Financial assets are recognized initially at fair value, which is the fair value of the consideration given. The initial measurement of financial assets, except for those designated at fair value through profit or loss (FVPL), includes transaction cost.

#### Classification

The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at amortized cost, (b) financial assets at fair value through other comprehensive income (FVOCI) and (c) financial assets at FVPL. The classification of a financial asset at initial recognition largely depends on the Company's business model for managing the asset and its contractual cash flow characteristics.

#### Financial Assets at Amortized Cost

Financial assets are measured at amortized cost if both of the following 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 assets 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 any allowance for impairment. 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. 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.

The Company's cash and cash equivalents and advances to a related party are classified under this category (see Notes 5, 6 and 15).

#### Debt Instruments at FVOCI

For debt instruments that are not designated at FVPL under the fair value option, the financial assets are measured at FVOCI if both of the following conditions are met:

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

After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment gains or 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 classified from equity to profit or loss as a reclassification adjustment.

As at December 31, 2020 and 2019, the Company does not have debt instruments at FVOCI.

#### Equity Instruments at FVOCI

For equity instruments that are not held for trading, the Company may irrevocably designate, at initial recognition, a financial asset to be measured at FVOCI when it meets the definition of equity instrument under PAS 32, "*Financial Instruments: Presentation*". This option is available and made on an instrument by instrument basis.

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. All other 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, instead, these are transferred directly to retained earnings.

As at December 31, 2020 and 2019, the Company does not have equity instruments at FVOCI.

#### Financial Assets at FVPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are classified under this category. Specifically, financial assets at FVPL include financial assets that are (a) held for trading, (b) designated upon initial recognition at FVPL, or (c) mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

This category includes debt instruments whose cash flows, based on the assessment at initial recognition of the assets, are not "solely for payment of principal and interest", and 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.

This category also includes equity instruments which the Company had not irrevocably elected to classify at FVOCI at initial recognition.



After initial recognition, financial assets at FVPL are subsequently measured at fair value. Gains or losses arising from the fair valuation of financial assets at FVPL are recognized in profit or loss.

As at December 31, 2020 and 2019, the Company has no financial assets at FVPL.

#### Reclassification

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

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

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

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

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

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

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

#### Impairment of Financial Assets at Amortized Cost and FVOCI

The Company recognizes an allowance for ECL for all debt instruments not held at FVPL. ECL is 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 to the asset's 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.



For other debt instruments measured at amortized cost and FVOCI, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. The Company also considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

The Company considers a financial asset in default when contractual payments are 30 days past due unless it is demonstrated that the nonpayment was an administrative oversight rather than resulting from financial difficulty of the borrower. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### Derecognition

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*

##### Initial Measurement

Financial liabilities are recognized initially at fair value, which is the fair value of the consideration received. In case of financial liabilities at amortized cost, the initial measurement is net of any directly attributable transaction costs.

##### Classification and Subsequent Measurement

The Company classifies its financial liabilities at initial recognition as either financial liabilities at FVPL or financial liabilities at amortized cost.

#### Financial liabilities at FVPL

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

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

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

#### 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.

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.

Included in this category are the Company's trade and other payables (except government payables), loans payable and advances from shareholders.

#### Derecognition

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.

#### Fair Value Option

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

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

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

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



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

#### Offsetting of Financial 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.

#### Other Current Assets

##### Prepayments

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

##### Input VAT

Input VAT represents value-added tax (VAT) paid to suppliers that can be claimed as credit against the Company's VAT liabilities.

#### Property and Equipment

Property and equipment, except land, are carried at cost less accumulated depreciation and amortization and accumulated provision for any impairment in value, if any.

The initial cost of property and equipment comprises its purchase price and other costs directly attributable in bringing the assets to its working condition and location for its intended use. Expenditures incurred after the property have been put into operation, such as repairs and maintenance, are normally charged to income in the year the costs are incurred. In situations when it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance and the cost of such item can be measured reliably, the expenditures are capitalized as an additional cost of the said property and equipment.

Land is stated at cost less impairment in value, if any.

Depreciation is computed using the straight-line method over the estimated useful life of office equipment which is 3 to 5 years.

The useful life and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property.

Construction in progress represents structures under constructions and is stated at cost (include cost of construction, machinery and equipment under installation and other related costs). Construction in progress is not depreciated until such time as the relevant assets are completed and ready for its intended use.

The carrying values of the property and equipment are reviewed for impairment when events or changes in the circumstances indicate that the carrying values may not be recoverable.



Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization are recognized in profit or loss.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit and loss in the period the asset is derecognized.

#### Security Deposit

Security deposit represents deposit made on lease contracts of office, initially measured at cost less impairment loss, if any, and which are recoverable at the end of lease terms.

#### Impairment of Nonfinancial Assets

Property and equipment, security deposit and other current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit (CGU) is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other fair value indicators. Impairment losses are recognized in the statements of comprehensive income.

Recovery of impairment loss recognized in prior years is recorded on nonfinancial asset when there is an indication that the impairment loss recognized for the asset no longer exists or has decreased. The recovery is recorded in the statements of comprehensive income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent that it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for that asset in prior years.

#### Deposit for Future Share Subscription

Deposit for future share subscription represents the amount received from shareholders that will be applied as payment in exchange for a fixed number of the Company's own equity instruments. It is presented as equity if it meets all the following requirements:

- the unissued authorized share capital of the entity is insufficient to cover the amount of shares indicated in the contract;
- there is BOD approval on the proposed increase authorized share capital (for which a deposit was received by the corporation);
- there is shareholder's approval of said proposed increase; and
- the application for the approval of the proposed increase has been filed with the Philippine SEC.



Deposit for future share subscription is classified as a liability if not all the above requirements have been met.

### Equity

#### *Share Capital*

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

The share capital is classified into founders' share and common share.

#### *Deficit*

Deficit includes all current and prior period results as disclosed in the statements of comprehensive income.

### 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 performs 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 Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent.

#### *Interest Income*

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

### Cost and Expenses

Costs and expenses are recognized in the statements of comprehensive income upon utilization of the service or goods or at the date they are incurred or received.

### Borrowing Costs

Borrowing costs are generally expensed as incurred. Interest and other finance costs incurred during the construction period on borrowings used to finance property development are capitalized to the appropriate asset accounts.

The capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing cost are being incurred. The capitalization of these borrowing costs ceases when substantially all activities necessary to prepare the asset for sale or its intended use are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

### Short-term Employee Benefits

Short-term employee benefits are those benefits expected to be settled wholly before 12 months after the end of the annual reporting period during which employee services are rendered, but do not include termination benefits. Short-term benefits given by the Company to its employees include salaries and wages, social security, health insurance and housing contributions, short-term compensated absences, bonuses and other non-monetary benefits.

## Leases

The Company assesses whether the contract is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Company assesses whether, throughout the period of use, it has the following:

- the contract involves an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The Company has the right to direct the use of the asset of either:
  - a. the Company has the right to operate the asset; or
  - b. the Company designed the asset in a way that predetermines how and for what purpose it will be used.

### *Short-term Leases and Leases of Low-Value Assets*

The Company applies the short-term lease recognition exemption to its short-term leases of office space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

## Related Parties

Parties were considered to be related if one party has the ability, directly or indirectly, to control the other party or exercises significant influence over the other party in making financial and operating decisions. Parties were also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Transactions between related parties are based on terms similar to those offered to non-related parties.

## Income Taxes

### *Current Income Tax*

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting period.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the profit or loss.

### *Deferred Income Tax*

Deferred income tax is provided using the liability method on temporary differences at the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.



Deferred tax liabilities are recognized for all taxable temporary differences except: (1) when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (2) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carry-over (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefit of unused tax credits and unused tax losses can be utilized except: (1) when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (2) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced 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 assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

#### Provisions

Provisions are recognized when the Company has present obligations, legal or constructive, as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursements. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized as interest expense.



#### Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to financial statements when an inflow of economic benefits is probable.

#### Loss Per Share

Basic loss per share is calculated by dividing the net loss (less preferred dividends net of tax, if any) for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year, with retroactive adjustment for any stock dividends or stock splits declared during the year.

Diluted loss per share is computed by dividing net loss by the weighted average number of common stocks outstanding during the year, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year, and adjusted for the effect of dilutive options.

#### Events After the Reporting Period

Post year-end events that provide additional information about the Company's financial position at the end of the reporting period (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

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### **3. Significant Judgments, Accounting Estimates and Assumptions**

The preparation of the financial statements in conformity with PFRS requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities at the reporting date. The uncertainties inherent in these judgments and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future years.

#### Judgments

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

#### *Business Model Assessment*

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



#### *Significant Increase of Credit Risk*

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

#### *Classification of Financial Instruments*

The Company classifies its financial assets and financial liabilities in the following measurement categories i) those to be measured subsequently at fair value (either through OCI or through profit or loss) and ii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or OCI.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

#### *Determination Whether an Arrangement Contains a Lease*

The Company assesses whether an arrangement contains a lease based on PFRS 16, as disclosed in Note 2. On adoption of PFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied PFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under PAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of lease under PFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

The details of these lease agreements are disclosed in Note 14.

#### *Determining the Lease Term of Contracts with Renewal and Termination Options – Company as Lessee*

The Company determines the lease term as the noncancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has lease contract that includes extension and termination options. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Company did not include the renewal period as part of the lease term for lease of its temporary office space even though the Company typically exercises its option to renew this lease because the Company does not have enforceable right to extend the lease beyond the noncancellable period.



#### *Determining the Fair Values of Financial Instruments*

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to this model are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

#### Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed as follows:

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

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

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

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

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

The Company has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Company only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no provision for ECL on other financial assets at amortized cost was recognized in 2020 and 2019. The carrying amounts of other financial assets at amortized cost are as follows:

	2020	2019
Cash in banks	P34,410,333	P49,839,025
Time deposits	59,240,840	77,249,965
Advances to a related party	35,000	175,000
	<b>P93,686,173</b>	<b>P127,263,990</b>



*Assessment for Impairment of Nonfinancial Assets*

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

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

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

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

No impairment loss on nonfinancial assets was recognized for the years ended December 31, 2020 and 2019. The carrying amount of nonfinancial assets are as follows:

	2020	2019
Advances to contractors	<b>P40,478,422</b>	P-
Other current assets	<b>8,333,448</b>	15,029,510
Property and equipment	<b>128,927,826</b>	80,543,658
Security deposit	<b>45,000</b>	45,000
	<b>P177,784,696</b>	P95,618,168

*Estimating Useful Life of Property and Equipment, Except Land*

The estimated useful lives used as basis for depreciating the Company's property and equipment, excluding land, were determined on the basis of management's assessment of the period within which the benefits of these asset items are expected to be realized taking into account actual historical information on the use of such assets.

The carrying amount of property and equipment, except land, amounted to P48,725,324 and P341,156 as of December 31, 2020 and 2019, respectively (see Note 8).

*Recognition of Deferred Tax Assets*

The Company reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred tax assets 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 assets to be utilized.

The management believes that the Company will not be able to realize the NOLCO in the future. The Company provided full valuation allowance on its NOLCO, thus no deferred tax asset was set up in 2020 and 2019.

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#### 4. Financial Risk Management Objectives and Capital Management

##### Financial Risk Management Objectives and Policies

The main purpose of the Company's financial instruments is to fund its operations. The Company's principal financial instruments arising from operations consist of cash and cash equivalents, advances to a related party, trade and other payables (excluding government liabilities), loans payable and advances from shareholders. The main risks from the use of financial instruments are credit and liquidity risk. The Company has minimal exposure on interest rate risk since its loans payable are short-term and bear fixed interest rate.

The Company does not have foreign currency risk because the Company has no monetary assets and liabilities denominated in foreign currency for the years ended December 31, 2020 and 2019.

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

##### Credit Risk

The Company's exposure to credit risk arises from the failure on the part of its counterparty in fulfilling its financial commitments to the Company under the prevailing contractual terms. Financial instruments that potentially subject the Company to credit risk consist primarily of other financial assets at amortized cost.

The carrying amounts of financial assets at amortized costs represent its maximum credit exposure.

##### Other Financial Assets at Amortized Cost

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

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

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

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

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



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

December 31, 2020				
Financial asset at amortized cost				
	12-month ECL	Lifetime ECL – not credit impaired	Lifetime ECL – credit impaired	Total
Cash in banks	P34,410,333	P–	P–	P34,410,333
Time deposits	59,240,840	–	–	59,240,840
Advances to a related party	35,000	–	–	35,000
	<b>P93,686,173</b>	<b>P–</b>	<b>P–</b>	<b>P93,686,173</b>

December 31, 2019				
Financial asset at amortized cost				
	12-month ECL	Lifetime ECL – not credit impaired	Lifetime ECL – credit impaired	Total
Cash in banks	P49,839,025	P–	P–	P49,839,025
Time deposits	77,249,965	–	–	77,249,965
Advances to a related party	175,000	–	–	175,000
	<b>P127,263,990</b>	<b>P–</b>	<b>P–</b>	<b>P127,263,990</b>

**Liquidity Risk**

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

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

**As at December 31, 2020**

	On Demand	Within 1 year	1 to 5 years	More than 5 years	Total
<b>Financial liabilities:</b>					
Trade and other payables*	P–	P17,093,451	P–	P–	P17,093,451
Advances from shareholders	–	–	150,246,154	–	150,246,154
	<b>P–</b>	<b>P17,093,451</b>	<b>P150,246,154</b>	<b>P–</b>	<b>P167,339,605</b>
<b>Financial assets:</b>					
Cash and cash equivalents	P93,666,173	P–	P–	P–	P93,666,173
Advances to a related party	35,000	–	–	–	35,000
	<b>P93,701,173</b>	<b>P–</b>	<b>P–</b>	<b>P–</b>	<b>P93,701,173</b>

\*Excluding government payables amounting to P832,760 as at December 31, 2020.

As at December 31, 2019

	On Demand	Within 1 year	1 to 5 years	More than 5 years	Total
<i>Financial liabilities:</i>					
Loans payable	P-	P24,250,000	P-	P-	P24,250,000
Advances from shareholders	-	-	162,120,412	-	162,120,412
	P-	P24,250,000	P162,120,412	P-	P186,370,412
<i>Financial assets:</i>					
Cash and cash equivalents	P177,128,990	P-	P-	P-	P177,128,990
Advances to a related party	175,000	-	-	-	175,000
	P177,303,990	P-	P-	P-	P177,303,990

\*Excluding government payables amounting to P16,747 as at December 31, 2019.

#### Fair Values of Financial Instruments

The historical cost carrying amounts of the Company's financial assets and financial liabilities are all subject to normal credit terms, and are short-term in nature, and approximate their fair values. Details are as follows:

	2020	2019
<i>Financial assets:</i>		
Cash and cash equivalents	<b>P93,666,173</b>	P177,128,990
Advances to a related party	<b>35,000</b>	175,000
	<b>P93,701,173</b>	P177,303,990
<i>Financial liabilities:</i>		
Loans payable	<b>P-</b>	P24,250,000
Trade and other payables	<b>17,093,451</b>	-
Advances from shareholders	<b>150,246,154</b>	162,120,412
	<b>P167,339,605</b>	P186,370,412

\*Excluding government payables amounting to P832,760 and P16,747 as at December 31, 2020 and 2019.

#### Capital Management

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

The Company manages capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust capital, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the years ended December 31, 2020 and 2019.

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

	2020	2019	2018
Share capital	<b>P96,000,000</b>	P96,000,000	P96,000,000
Deficit	<b>(19,686,496)</b>	(9,465,001)	(7,857,684)
	<b>P76,313,504</b>	P86,534,999	P88,142,316

The Company is not subject to externally-imposed capital requirements.



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## 5. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand	P15,000	P50,040,000
Cash in banks	34,410,333	49,839,025
Time deposits	59,240,840	77,249,965
	<b>P93,666,173</b>	<b>P177,128,990</b>

Cash in banks earn interest at the respective bank deposit rates. Interest income earned from cash in banks amounted to P68,460 and P44,410 as of December 31, 2020 and 2019, respectively.

Time deposits earn interest at the respective bank deposit rates. Interest income earned from time deposits amounted to P1,433,998 and P5,380,597 as of December 31, 2020 and 2019, respectively.

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## 6. Receivables

This account consists of:

	2020	2019
Advances to contractors	P40,478,422	P-
Advances to a related party	35,000	175,000
	<b>P40,513,422</b>	<b>P175,000</b>

The Company believes that receivables are fully recoverable, thus, no allowance for doubtful accounts was provided as at December 31, 2020 and 2019.

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

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## 7. Other Current Assets

This account consists of:

	2020	2019
Input VAT	P8,211,673	P26,957
Prepaid expenses – CIP	-	14,887,803
Prepaid rent (Note 14)	102,775	114,750
Others	19,000	-
	<b>P8,333,448</b>	<b>P15,029,510</b>

Prepaid rent pertains to unamortized portion of its payment of lease with MC Metroplex Holdings, Inc. (see Note 14).

Prepaid expense - CIP accounts are as follows:

Advance deposits – Contractor	P10,864,000
Zoning fee for building permit processing	1,106,956
Prepayments – Project management team	1,084,861
Building permit and certification	819,315
Contracted services – Soil lab and groundbreaking	744,780
Others	267,891
	P14,887,803

Prepayment – Project management team pertains to the salaries paid to construction management team who oversees the planning, design and construction of hospital building.

The above Prepaid expenses – CIP account amounting to P14,887,803 in 2019 was transferred to Construction in progress account (see Note 8).

## 8. Property and Equipment

This account consists of:

	December 31, 2019	Additions	Disposal	December 31, 2020
Cost:				
Land	P80,202,502	P–	P–	P80,202,502
Construction in progress	–	48,341,686	–	48,341,686
Office equipment	562,242	172,751	–	734,993
	80,764,744	48,514,437	–	129,279,181
Accumulated depreciation:				
Office equipment	221,086	130,269	–	351,355
Net book value	P80,543,658			P128,927,826

	December 31, 2018	Additions	Disposal	December 31, 2019
Cost:				
Land	P80,202,502	P–	P–	P80,202,502
Office equipment	466,852	95,390	–	562,242
	80,669,354	95,390	–	80,764,744
Accumulated depreciation:				
Office equipment	115,260	105,826	–	221,086
Net book value	P80,554,094			P80,543,658

Land pertains to a property located in Bacolod City, Negros Occidental with a total area of 10,000 square meters, where its hospital building is being constructed.

Construction in progress pertains to building under construction to be used as hospital building upon completion.



Details of construction in progress account as of December 31, 2020 are as follows:

Contracted services – bored piling works	P28,359,112
Contracted services – architectural design	15,670,103
Zoning fee for building permit processing	1,106,956
Project management team fee	1,084,861
Building permit and certification	819,315
Contracted services – soil lab and groundbreaking	744,780
Contracted services – survey works	151,000
Others	405,559
	<u>P48,341,686</u>

The Company entered into several contracts for the planned construction of its hospital building beginning 2020. A certain contractor which focuses on architectural design of the planned construction of hospital building has a total contract price of P19 million and the Company already paid in advance an amount of P13.6 million, net of VAT and withholding tax.

Other contractor which focuses on the construction of hospital building has a total contract price of P54.6 million and the Company already paid P32 million, net of P3.2 million retention fee as of December 31, 2020. Of the total payments, an advance payment amounting to P3.4 million was recognized as advances to contractors under receivables account (see Note 6).

The Company paid other direct cost attributable to the construction of hospital building such as completion of permits, feasibility study, accommodation fee and bidding expenses which amounted to P405,559 as at December 31, 2020.

The total contractual commitments for the construction of the hospital building with various contractors amounted to P2.202 billion. Meanwhile, the total estimated cost to complete the hospital building amounted to P2.142 billion.

As per construction manager, the estimated percentage of completion of the construction is at 1.45% as of December 31, 2020.

No borrowing costs were incurred and capitalized.

No property and equipment are pledged as security for liabilities.

There were no amount of compensation received from any third parties for items of property and equipment that were impaired, lost or given up.

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## 9. Security Deposit

This account pertains to rent security deposit amounting to P45,000 as at December 31, 2020 and 2019 (see Note 14).

## 10. Trade and Other Payables

This account consists of:

	2020	2019
Accounts payable	P13,917,230	P-
Retention payable	3,176,221	-
Withholding tax payable – expanded	747,104	5,692
SSS/PhilHealth/HDMF payable	42,956	11,055
Withholding tax payable – compensation	42,700	-
	<b>P17,926,211</b>	<b>P16,747</b>

Retention payable refers to the amount withheld by the Company from the contractor's periodic progress billings as provided for in their respective contract. The amount will be released to the contractor, net of deductions, if any, upon full completion and final acceptance by the Company.

Accounts payable pertains to short-term, unsecured, noninterest-bearing payable to other party.

## 11. Loans Payable

This account pertains to a short-term interest bearing and demandable loan from an individual who is a close member of a shareholder's family. The loan bears an interest of five percent (5%) per annum and was primarily used by the Company to support the preliminary financing aspect of the construction of the hospital building.

Loans payable amounted to P24,250,000 as at December 31, 2019. The said indebtedness was paid in January 2020. No interest was paid since the principal amount was paid earlier than what is stipulated in the contract. Thus, interest accrued for years 2017 and 2018 was reversed in 2019.

## 12. Share Capital

This account consists of:

	2020	2019	2018
Authorized share capital			
600 founders' share at P1,000 par value	P600,000	P600,000	P600,000
119,400 common shares at P1,000 par value	119,400,000	119,400,000	119,400,000
	<b>P120,000,000</b>	<b>P120,000,000</b>	<b>P120,000,000</b>
Subscribed			
600 founders' share at P1,000 par value	P600,000	P600,000	P600,000
Less subscription receivable	(120,000)	(120,000)	(120,000)
	<b>480,000</b>	<b>480,000</b>	<b>480,000</b>
19,400 common shares at P1,000 par value	119,400,000	119,400,000	119,400,000
Less subscription receivable	(23,880,000)	(23,880,000)	(23,880,000)
	<b>95,520,000</b>	<b>95,520,000</b>	<b>95,520,000</b>
	<b>P96,000,000</b>	<b>P96,000,000</b>	<b>P96,000,000</b>



The founders' share has the exclusive right to vote and be voted upon in the election of directors for a limited period not to exceed five (5) years.

On August 22, 2020, the majority of the Board of Directors and the vote of the shareholders owning and representing at least two thirds of the outstanding share capital approved the increase in authorized share capital from P120,000,000 divided into 119,400 common shares and 600 founders' shares to P240,000,000 divided into 239,400 common shares and 600 founders' shares which all of it with par value of P1,000 per share.

In view of the above, P27,000,000 was paid-up by the existing shareholders representing 25% payment of the 90% subscribed capital amounting to P108,000,000 of the increase in authorized share capital amounting to P120,000,000.

The application for the increase in authorized capital is pending for submission with SEC as to date.

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### 13. Expenses

This account consists of:

	2020	2019	2018
Meetings and conferences	<b>P6,984,927</b>	P3,679,679	P3,323,400
Capital gains tax	<b>2,396,800</b>	—	—
Salaries and wages	<b>1,728,518</b>	571,193	438,078
Professional fees	<b>542,857</b>	743,950	557,300
Taxes and licenses	<b>428,255</b>	764,254	19,085
Communication, power and water	<b>192,765</b>	209,507	97,394
Rentals (Note 14)	<b>149,009</b>	153,000	155,390
Depreciation (Note 8)	<b>130,269</b>	105,826	92,720
SSS/PHIC/HDMF expense	<b>108,150</b>	60,972	33,427
Transportation	<b>74,984</b>	808,471	938,764
Office supplies	<b>33,325</b>	49,272	72,200
Outside service	<b>13,393</b>	—	—
Representation	<b>8,500</b>	116,505	—
Repairs and maintenance	<b>5,320</b>	18,000	1,300
Interest expense	—	—	784,844
Seminars and trainings	—	—	178,273
Advertising	—	—	137,500
Research and development	—	—	100,000
Bank charge	—	—	7,985
Separation pay	—	—	1,923
Miscellaneous	<b>60,214</b>	133,156	87,606
	<b>P12,857,286</b>	P7,413,785	P7,027,189

Transportation account amounting to P3,323,400 in 2018 was reclassified into meetings and conferences as it covers all transactions that pertain to board meetings.

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#### 14. Lease Agreement

The Company entered into a contract of lease with MC Metroplex Holdings, Inc. where its office space is located, for a period of one (1) year, commencing from October 1, 2018 to September 30, 2019.

In September 2019, the Company renewed its contract of lease with MC Metroplex Holdings, Inc. for a period of one (1) year, commencing from October 1, 2019 to September 30, 2020 and paid the total amount of P146,170, inclusive of VAT and net of withholding tax.

In October 2020, the Company renewed its contract of lease with MC Metroplex Holdings, Inc. for a period of one (1) year, commencing from October 1, 2020 to September 30, 2021 and paid the total amount of P146,170, inclusive of VAT and net of withholding tax.

Due to the lease agreement which is for a period of 1 year and no purchase option, the lease is accounted as short-term and of low value and lease payments are recognized as expense on a straight-line basis over the lease term.

Rent expense charged to operations amounted to P149,009, P153,000 and P155,390 in 2020, 2019 and 2018 (see Note 13).

The Company has a refundable security deposit of P45,000 as of December 31, 2020 and 2019 (see Note 9) and prepaid rent of P102,775 and P114,750 as of December 31, 2020 and 2019, respectively (see Note 7).

At year-end, the Company has an outstanding commitments under noncancellable operating leases that fall due as follows:

	2020	2019
Within 1 year	P102,775	P114,750
Later than 1 year but within 5 years	-	-
	<u>P102,775</u>	<u>P114,750</u>

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#### 15. Related Party Disclosure

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities, which are under common control with the reporting enterprises and its key management personnel, directors, or its shareholders.

In considering each related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Related parties may be individuals or corporate entities.



The following are the details of related party transactions:

	Period	Classification	Terms and conditions	Amount of the Transaction	Outstanding Balance
Shareholders	<b>December 31, 2020</b>	Advances from shareholders	Unsecured, noninterest-bearing, demandable, no term, payable in cash.	<b>(P11,874,258)</b>	<b>P150,246,154</b>
	December 31, 2019			43,940,863	162,120,412
Individual	<b>December 31, 2020</b>	Loans payable (Note 11)	Unsecured, interest-bearing, demandable, payable in cash.	<b>(24,250,000)</b>	-
	December 31, 2019			-	24,250,000
ACEMC - Iloilo	<b>December 31, 2020</b>	Advances to a related party (Note 6)	Unsecured, interest-bearing, no term, collectible in cash.	<b>(140,000)</b>	<b>35,000</b>
	December 31, 2019			50,175,000	175,000

The following are other relevant related party disclosures:

Identification	Relationship	Business Purpose of Arrangement	Commitments
Shareholders	Shareholder	Advances from shareholders in support for the Company's hospital building construction requirements.	No contract
Individual	Other related party	Provided by a related party in support for the preliminary financing aspect of the construction of the hospital building.	No contract
ACEMC - Iloilo	Other related party	Loans provided to other related party for financing purposes.	No contract
ACEMC - Aklan	Other related party	Loans provided to other related party for financing purposes.	No contract

Advances from shareholders are payable upon demand. However, the Company is in the status of financing the construction of its hospital building, thus, settlement of advances is not the priority of the Company.

Loans payable from an individual who is a close member of shareholder's family was paid in January 2020 amounting to P24,250,000. Interest accrued from prior years was reversed in 2019 following the conditions stipulated in the contract (see Note 11).

The Company has advances to Allied Care Experts (ACE) Medical Center - Iloilo (ACEMC - Iloilo), a related party, amounting to P50,000,000 in 2019.

Advances to ACEMC - Iloilo is unsecured and bears an interest of five point eight (5.8) percent and collectible upon availability of funds. This advances was collected on December 27, 2019 amounting to P50,000,000 while the related interest was collected on January 2020 amounting to P966,667.

The Company also has a receivable from ACEMC - Iloilo amounting to P35,000 and P175,000 in 2020 and 2019, respectively, which pertains to the reimbursement of expenses incurred by the latter but paid by the Company.

The Company has advances to ACEMC - Aklan amounting to P20,000,000 which is unsecured and bears an interest of four percent (4%) per annum and is to be recollect in five (5) annual installment.

On August 2, 2019, such advances were fully collected, its principal and interests which amounted to P20,381,461.

Interest income from advances to ACEMC - Aklan amounted to P1,133,333, P381,461 and P750,000 as at December 31, 2020, 2019 and 2018, respectively.

No allowance for doubtful accounts and bad debt expense were recognized in 2020 and 2019.

*Compensation of Key Management Personnel*

The Company has no compensation of key management personnel.

**16. Income Tax**

There is no provision for income tax for 2020, 2019 and 2018 because the Company has not yet started commercial operation.

As at December 31, 2020, the Company has NOLCO before taxable year 2020 which can be carried forward as a deduction for the next three consecutive taxable years immediately following the year of such loss, under certain conditions, as provided under Section 34(D) of the Tax Code. Details are as follows:

Dates Incurred	Amount	Applied/ Expired	Remaining Balance	Expiry Date
December 31, 2019	P6,915,819	P-	P6,915,819	2022
December 31, 2018	5,885,119	-	5,885,119	2021
December 31, 2017	2,589,545	2,589,545	-	2020
	<b>P15,390,483</b>	<b>P2,589,545</b>	<b>P12,800,938</b>	

As at December 31, 2020, the Company has NOLCO in taxable year 2020 which can be carried forward as a deduction for the next five consecutive taxable years immediately following the year of such loss, pursuant to the Bayanihan to Recover As One Act. Details are as follows:

Date Incurred	Amount	Applied/ Expired	Remaining Balance	Expiry Date
December 31, 2020	P11,715,453	P-	P11,715,453	2025

The management believes that the Company will not be able to realize the NOLCO in the future. The Company provided full valuation allowance on its NOLCO, thus, no deferred tax asset was set up.

The following are the computations of regular corporate income tax:

	2020	2019	2018
Loss before income tax	<b>(P10,221,495)</b>	(P1,607,317)	(P5,326,717)
Deduct permanent differences on:			
Nondeductible representation	<b>8,500</b>	116,505	-
Nondeductible interest expense	-	-	392,070
Interest income	<b>(1,502,458)</b>	(5,425,007)	(950,472)
<b>Taxable loss</b>	<b>(P11,715,453)</b>	<b>(P6,915,819)</b>	<b>(P5,885,119)</b>
<b>Tax due at 30%</b>	<b>P-</b>	<b>P-</b>	<b>P-</b>



The reconciliation of the tax computed at statutory tax rate to benefit from income tax follow:

	2020	2019	2018
Tax at applicable statutory income tax rate	<b>(P3,066,449)</b>	(P482,195)	(P1,598,015)
Adjustments for:			
Nondeductible representation	<b>2,550</b>	34,951	-
Nondeductible interest expense	-	-	117,621
Interest income	<b>(450,737)</b>	(1,627,502)	(285,142)
Unrecognized deferred tax asset	<b>3,514,636</b>	2,074,746	1,765,536
	<b>P-</b>	P-	P-

#### 17. Loss Per Share

Basic loss per share is computed as follows:

	2020	2019	2018
Net loss	<b>(P10,221,495)</b>	(P1,607,317)	(P5,326,717)
Weighted average number of shares outstanding	<b>96,000</b>	96,000	96,000
Basic loss per share	<b>(P106.47)</b>	(P16.74)	(P55.49)

There were no common stock equivalents outstanding that would require calculation of diluted earnings per share.

#### 18. Changes in Liabilities Arising from Financing Activities

The following table summarizes the changes in liabilities arising from financing activities:

	2019	Cash flows	Foreign exchange movement	2020
Advances from shareholders	<b>P162,120,412</b>	<b>(P11,874,258)</b>	P-	<b>P150,246,154</b>
Loans payable	<b>24,250,000</b>	<b>(24,250,000)</b>	-	<b>-</b>
	<b>P186,370,412</b>	<b>(P36,124,258)</b>	P-	<b>P150,246,154</b>

	2018	Cash flows	Foreign exchange movement	2019
Advances from shareholders	<b>P118,179,549</b>	<b>P43,940,863</b>	P-	<b>P162,120,412</b>
Loans payable	<b>24,250,000</b>	<b>-</b>	-	<b>24,250,000</b>
	<b>P142,429,549</b>	<b>P43,940,863</b>	P-	<b>P186,370,412</b>

	2017	Cash flows	Foreign exchange movement	2018
Advances from shareholders	P79,445,212	P38,734,337	P-	P118,179,549
Loans payable	11,500,000	12,750,000	-	24,250,000
	P90,945,212	P51,484,337	P-	P142,429,549

#### 19. Impact of Coronavirus of 2019 (COVID-19) Update

The Company has been exposed to the risks brought about by COVID-19, a novel strain of coronavirus, which has rapidly spread worldwide and reached a pandemic magnitude as it continues to affect more and more countries and territories.

On March 16, 2020, the President of the Philippines issued Proclamation No. 929 declaring a state of calamity throughout the Philippines due to COVID-19 which resulted to the imposition of an Enhanced Community Quarantine throughout Luzon starting midnight of March 16, 2020 until May 15, 2020. Bacolod City will be under a Modified General Community Quarantine until April 30, 2021.

The enhanced community quarantine, travel restrictions, temporary closure of different establishments, and social distancing measures imposed by the government exposed the Company's operations to risks that may impact its financial performance.

The construction of Company's hospital building has started in February 2020. However, due to COVID-19 outbreak, delivery of construction supplies was postponed resulting to a delay in the construction of the hospital building. Upon the quarantine, particularly sea travel, was lifted, the contractor continues the construction and catches up with the delay.

The duration and extent of the consequences of COVID-19, as well as the effectivity of the government's response to the pandemic is still unclear. At this time, it is still not possible to reliably estimate the extent of the impact of COVID-19 on the Company's financial position and performance for succeeding periods.

#### 20. Events After the End of the Reporting Period

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.



The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

*Corporate Income Tax (CIT)*

- Starting July 1, 2020, CIT rate for corporations is reduced as follows:
  - a. Reduced CIT rate of 20% shall be applicable to domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million (excluding land on which the business entity's office, plant and equipment are situated).
  - b. Reduced CIT rate of 25% shall be applicable to all other domestic and resident foreign corporations.
- For the period beginning July 1, 2020 until June 30, 2023, minimum corporate income tax rate shall be 1%, instead of 2%.
- Improperly accumulated earnings tax is repealed.
- The option to be taxed at 15% of gross income if allowed by the President subject to certain conditions is repealed.

*Deductions from Gross Income*

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

*VAT Exempt Transactions*

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

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Company would have been subjected to lower regular CIT rate of 25% effective July 1, 2020. However, there is still no significant impact to the Company's financial statements since the Company has not set up deferred tax asset that requires adjustment due to change in tax rate starting July 1, 2020.

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**21. Supplemental Information Required Under Revenue Regulation Nos. 15-2010 and 19-2011**

*Revenue Regulation No. 15-2010*

On November 25, 2010, the BIR issued Revenue Regulation No. 15-2010, which requires certain information on taxes, duties and license fees paid or accrued during the taxable year to be disclosed as part of the notes to financial statements. These supplemental information, which are additions to the disclosures required under PFRS, are presented as follows:

The Company has not yet started commercial operations and did not incur the following taxes:

- a. VAT output tax
- b. Taxes on importation
- c. Excise tax
- d. Withholding tax on compensation
- e. Withholding tax expanded

*VAT Input Tax*

The Company has P8,211,673 in 2020 and P26,957 in 2019.

*Documentary Stamp Tax*

The Company paid documentary stamp tax for shares of stocks amounting to P168,000 in 2020 and none in 2019.

*Taxes and Licenses*

The details of taxes and licenses included in expenses are as follows:

	2020	2019
Real property tax	P241,680	P-
Business permit	17,075	27,677
Registration	500	716,881
Barangay clearance	500	500
Community tax	500	500
Others	-	18,696
	<b>P260,255</b>	<b>P764,254</b>

*Deficiency Tax Assessment*

The Company does not have any deficiency tax assessments with BIR or tax cases outstanding or pending in courts or bodies outside of the BIR as of December 31, 2020 and 2019.



Revenue Regulation No. 19-2011

Revenue Regulation No. 19-2011 was issued to prescribe the new BIR forms that will be used for Income Tax filing covering and starting with December 31, 2011, and to modify Revenue Memorandum Circular No. 57-2011 dated November 25, 2011.

The following are the schedules prescribed under existing revenue issuances applicable to the Company as of December 31, 2020:

*Revenue*

The Company has not yet started commercial operations and did not earn any revenue.

*Cost of Sales*

The Company has not yet started commercial operations and did not incur any cost of sales.

*Non-operating and Taxable Other Income*

The Company has non-operating and taxable interest income from loans amounted to P1,133,333.

*Itemized Deductions*

Details of the Company's itemized deductions for the year are as follows:

	Exempt	RCIT
Meetings and conferences	P-	P6,984,927
Capital gains tax	-	2,396,800
Salaries and wages	-	1,728,518
Professional fees	-	542,857
Taxes and licenses	-	428,255
Communication, power and water	-	192,765
Rentals	-	149,009
Depreciation	-	130,269
SSS/PHIC/HDMF expense	-	108,150
Transportation	-	74,984
Office supplies	-	33,325
Outside service	-	13,393
Repairs and maintenance	-	5,320
Miscellaneous	-	60,214
	P-	P12,848,786

Taxes, fees and charges presented as part of "Expenses" account in the Company's statements of comprehensive income include the following:

	Exempt	RCIT
Real property tax	P-	P241,680
Business permit	-	17,075
Registration	-	500
Barangay clearance	-	500
Community tax	-	500
	P-	P260,255



**Mendoza Querido & Co.**

16<sup>th</sup> Floor, The Salcedo Towers  
169 H.V. de la Costa St., Salcedo Village  
Makati City 1227 Philippines

T +63 2 8 887 1888

[www.mqc.com.ph](http://www.mqc.com.ph)

PRC/BOA Accreditation No. 0966

September 22, 2020, valid until

August 22, 2023

SEC Accreditation No. 0966-SEC (Group A)

Issued November 24, 2020

Valid for Financial Periods 2020 to 2024

**INDEPENDENT AUDITORS' REPORT  
ON SUPPLEMENTARY SCHEDULES**

To the Stockholders and the Board of Directors  
Allied Care Experts Medical Center-Bacolod Inc.  
Rm. 4, Ground Floor, MC Metroplex Bldg.  
BS Aquino Drive, Bacolod City, Negros Occidental

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Allied Care Experts Medical Center-Bacolod Inc. (the Company) as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated April 16, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary schedules required by paragraph 7, Part II of Revised Securities Regulation Code (SRC) Rule 68 (Annex 68-J), Reconciliation of Retained Earnings Available for Dividend Declaration, and Schedule of Financial Soundness Indicators are the responsibility of the Company's management. These schedules are presented for purposes of complying with Revised SRC Rule 68 (2019), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

For the Firm: **MENDOZA QUERIDO & CO.**

**RICHARD S. QUERIDO**

Partner

CPA Certificate No. 84807

SEC Accreditation No. 84807-SEC (Group A)

Issued November 24, 2020

Valid for Financial Periods 2020 to 2024

TIN 102-094-633

BIR Accreditation No. 08-002617-002-2019,

January 21, 2019, valid until January 20, 2022

PTR No. 8539444, January 9, 2021, Makati City

April 16, 2021



**ALLIED CARE EXPERTS MEDICAL CENTER-BACOLOD INC.****Schedule A – Financial Assets****December 31, 2020**

Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amounts of Bonds and Notes	Amount Shown in the Statement of Financial Position	Value based on Market Quotations at End of Reporting Period	Income Received and Accrued
<i>Cash and cash equivalents</i>				
Cash in banks	Not applicable	P34,410,333	Not applicable	P68,460
Time deposits	Not applicable	59,240,840	Not applicable	1,433,998
		<b>P93,651,173</b>		<b>P1,502,458</b>
<i>Advances to related parties</i>	<b>Not applicable</b>	<b>P35,000</b>	<b>Not applicable</b>	<b>P1,133,333</b>

**ALLIED CARE EXPERTS MEDICAL CENTER-BACOLOD INC.****Schedule B – Amounts Receivable from Directors, Officers, Employees, Related Parties,  
and Principal Stockholders  
December 31, 2020**

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at End of Period
ACEMC - Iloilo	P175,000	P-	P140,000	P-	P35,000	P-	P35,000



**ALLIED CARE EXPERTS MEDICAL CENTER-BACOLOD INC.**

**Schedule C – Amounts Receivable from and Payable to Related Parties which are  
Eliminated during the Consolidation of Financial Statements  
December 31, 2020**

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Current	Not Current	Balance at End of Period
Not applicable							

**ALLIED CARE EXPERTS MEDICAL CENTER-BACOLOD INC.****Schedule D – Long-Term Debt  
December 31, 2020**

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount shown under caption "Current portion of long-term debt" in related Statement of Financial Position	Amount shown under caption "Long-Term Debt" in related Statement of Financial Position
Advances from shareholders	P150,246,154	P-	P150,246,154



**ALLIED CARE EXPERTS MEDICAL CENTER-BACOLOD INC.****Schedule E – Indebtedness to Related Parties (Long-Term Loans from Related Companies)  
December 31, 2020**

Name of related party	Balance at Beginning of Period	Balance at End of Period
Loans from other related party	P24,250,000	P–
Shareholders	162,120,412	150,246,154
	<b>P186,370,412</b>	<b>P150,246,154</b>

**ALLIED CARE EXPERTS MEDICAL CENTER-BACOLOD INC.**

**Schedule F – Guarantees of Securities and Other Issues**  
**December 31, 2020**

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Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of issue of each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which Statement is Filed	Nature of Guarantee
		Not applicable		



**ALLIED CARE EXPERTS MEDICAL CENTER-BACOLOD INC.****Schedule G – Capital Stock****December 31, 2020**

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding under related Statement of Financial Position caption	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held By		
				Related Parties	Directors, Officers and Employees	Others
Founder	600	480	–	–	232	248
Common	119,400	95,520	–	–	46,168	49,352
	120,000	96,000	–	–	46,400	49,600

**RECONCILIATION OF RETAINED EARNINGS  
AVAILABLE FOR DIVIDEND DECLARATION**  
As of December 31, 2020

Allied Care Experts Medical Center-Bacolod Inc.  
BS Aquino Drive, Bacolod City, Negros Occidental

Deficit, beginning	(P9,465,001)
Net loss during the period	(10,221,495)
<b>DEFICIT, END</b>	<b>(P19,686,496)</b>

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## SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

Allied Care Experts Medical Center-Bacolod Inc.  
as of December 31, 2020

Financial KPI	Definition	2020	2019
Current ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$	3.17:1	7.93:1
Acid test ratio	$\frac{\text{Current Assets} - \text{Prepayments}}{\text{Current Liabilities}}$	2.99:1	7.31:1
Solvency ratio	$\frac{\text{Net Income} + \text{Depreciation}}{\text{Total Liabilities}}$	NA	NA
Debt-to-equity ratio	$\frac{\text{Total Liabilities}}{\text{Total Equity}}$	2.56:1	2.15:1
Asset-to-equity ratio	$\frac{\text{Total Assets}}{\text{Total Equity}}$	3.56:1	3.15:1
Interest rate coverage ratio	$\frac{\text{Operating EBITDA}}{\text{Net Interest}}$	NA	NA
Return on assets	$\frac{\text{Net Income}}{\text{Average Total Assets}}$	NA	NA
Return on equity	$\frac{\text{Net Income}}{\text{Average Total Equity}}$	NA	NA
Net profit margin	$\frac{\text{Net Income}}{\text{Total Revenue}}$	NA	NA
Operating EBITDA margin	$\frac{\text{Operating EBITDA}}{\text{Net Revenue}}$	NA	NA

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY**  
**FOR FINANCIAL STATEMENTS**

The management of Allied Care Experts Medical Center-Bacolod Inc. is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2020, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders or members.

Mendoza Querido & Co., the independent auditors appointed by the stockholders, have audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, have expressed its opinion on the fairness of presentation upon completion of such audit.



**Ferjenel G. Biron**  
**Chairman and President**



**Ma. Leila M. Magbanua**  
**Corporate Treasurer**

Signed this 14th day of April, 2021





SUBSRIBED AND SWORN to before me this \_\_\_\_\_ with the presentation of the following:

Name	Government ID	Place Issued	Date Issued
Ferjenel G. Biron	TIN 127-685-650-000		11/08/1999
Ma. Leila M. Magbanua	TIN 138-728-295-000		

Doc No.  
Page No.  
Book No.  
Series of 2021



**Mendoza Querido & Co.**

16<sup>th</sup> Floor, The Salcedo Towers  
169 H.V. de la Costa St., Salcedo Village  
Makati City 1227 Philippines

T +63 2 8887 1888

[www.mqc.com.ph](http://www.mqc.com.ph)

PRC/BOA Accreditation No. 0966  
September 22, 2020, valid until  
August 22, 2023

SEC Accreditation No. 0966-SEC (Group A)  
November 24, 2020, valid until  
November 23, 2025

**INDEPENDENT AUDITORS' REPORT  
TO ACCOMPANY INCOME TAX RETURN**

The Stockholders and the Board of Directors  
Allied Care Experts Medical Center-Bacolod Inc.  
Rm. 4, Ground Floor, MC Metroplex Bldg.  
BS Aquino Drive, Bacolod City, Negros Occidental

**Report on the Financial Statements**

The accompanying statement of financial position of Allied Care Experts Medical Center-Bacolod Inc. (the Company) as of December 31, 2020 and 2019, and the related statement of comprehensive income, statement of changes in equity and statement of cash flows for the years then ended, were prepared from the Company books with certain adjustments. These financial statements are subject to any additional adjustments as may be disclosed upon the completion of our audit of said statements, which is currently in progress. Since the audits of the accompanying financial statements have not yet been completed, we are unable to express an opinion on them.

**Report on Bureau of the Internal Revenue Requirement**

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties, license fees and schedules prescribed under existing revenue issuances in Note 21 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In compliance with Revenue Regulation V-20, no partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholder of the Company

**RICHARD S. QUERIDO**

Partner

CPA Certificate No. 84807

SEC Accreditation No. 84807-SEC (Group A),

November 24, 2020, valid until November 23, 2025

Tax Identification No. 102-094-633

BIR Accreditation No. 08-002617-002-2019,

January 21, 2019, valid until January 20, 2022

PTR No. 8539444, January 9, 2021, Makati City

April 14, 2021



**ALLIED CARE EXPERTS MEDICAL CENTER-BACOLOD INC.****STATEMENTS OF FINANCIAL POSITION**

DECEMBER 31, 2020 AND 2019

*(Amounts in Philippine Pesos)*

	2020	2019
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Notes 2, 3, 4 and 5)	<b>P93,666,173</b>	P177,128,990
Receivables (Notes 2, 3, 4, 6 and 15)	<b>40,513,422</b>	175,000
Other current assets (Notes 2, 3 and 7)	<b>8,333,448</b>	15,029,510
<b>Total Current Assets</b>	<b>142,513,043</b>	192,333,500
<b>Noncurrent Assets</b>		
Property and equipment – net (Notes 2, 3 and 8)	<b>128,927,826</b>	80,543,658
Security deposit (Notes 2, 3 and 9)	<b>45,000</b>	45,000
<b>Total Noncurrent Assets</b>	<b>128,972,826</b>	80,588,658
<b>TOTAL ASSETS</b>	<b>P271,485,869</b>	P272,922,158
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Notes 2, 4 and 10)	<b>P17,926,211</b>	P16,747
Loans payable (Notes 2, 4, 11, 15 and 18)	–	24,250,000
<b>Total Current Liabilities</b>	<b>17,926,211</b>	24,266,747
<b>Noncurrent Liability</b>		
Advances from shareholders (Notes 2, 4, 15 and 18)	<b>150,246,154</b>	162,120,412
<b>Total Liabilities</b>	<b>168,172,365</b>	186,387,159
<b>Equity</b>		
Share capital (Notes 2, 4 and 12)	<b>96,000,000</b>	96,000,000
Deposits for future share subscriptions (Notes 2 and 12)	<b>27,000,000</b>	–
Deficit (Notes 2 and 4)	<b>(19,686,496)</b>	(9,465,001)
<b>Total Equity</b>	<b>103,313,504</b>	86,534,999
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P271,485,869</b>	P272,922,158

*See accompanying Notes to Financial Statements.*

**ALLIED CARE EXPERTS MEDICAL CENTER-BACOLOD INC.****STATEMENTS OF COMPREHENSIVE INCOME**

FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

*(Amounts in Philippine Pesos)*

	2020	2019	2018
<b>INTEREST INCOME</b> – net (Notes 2, 5 and 15)	<b>P2,635,791</b>	P5,806,468	P1,700,472
<b>EXPENSES</b> (Notes 2 and 13)	<b>(12,857,286)</b>	(7,413,785)	(7,027,189)
<b>NET LOSS</b>	<b>(P10,221,495)</b>	(P1,607,317)	(P5,326,717)
<b>LOSS PER SHARE</b> (Notes 2 and 17)	<b>(P106.47)</b>	(P16.74)	(P55.49)

*There was no other comprehensive income during the years ended December 31, 2020, 2019 and 2018.**See accompanying Notes to Financial Statements.*



**ALLIED CARE EXPERTS MEDICAL CENTER-BACOLOD INC.****STATEMENTS OF CHANGES IN EQUITY**

FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

*(Amounts in Philippine Pesos)*

	2020	2019	2018
<b>SHARE CAPITAL</b> (Notes 2, 4 and 12)	<b>P96,000,000</b>	P96,000,000	P96,000,000
<b>DEFICIT</b> (Notes 2 and 4)			
Balance at beginning of year	(9,465,001)	(7,857,684)	(2,530,967)
Net loss	(10,221,495)	(1,607,317)	(5,326,717)
Balance at end of year	(19,686,496)	(9,465,001)	(7,857,684)
	<b>P76,313,504</b>	P86,534,999	P88,142,316

*See accompanying Notes to Financial Statements.*

**ALLIED CARE EXPERTS MEDICAL CENTER-BACOLOD INC.****STATEMENTS OF CASH FLOWS**

FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

*(Amounts in Philippine Pesos)*

	2020	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss	(P10,221,495)	(P1,607,317)	(P5,326,717)
Adjustments for:			
Interest income (Notes 5 and 15)	(2,635,791)	(5,806,468)	(1,700,472)
Depreciation (Notes 8 and 13)	130,269	105,826	92,720
Loss before working capital changes	(12,727,017)	(7,307,959)	(6,934,469)
Decrease (increase) in other current assets (Note 7)	(8,191,741)	(9,312,854)	9,152,095
Increase (decrease) in trade and other payables (Note 10)	17,909,464	(955,034)	777,268
Net cash generated from (used for) operations	(3,009,294)	(17,575,847)	2,994,894
Interest received	2,635,791	5,806,468	1,700,472
Net cash provided by (used in) operating activities	(373,503)	(11,769,379)	4,695,366
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Payments received from (cash provided to) related parties (Note 15)	140,000	19,825,000	(20,000,000)
Payments made to contractors (Note 6)	(40,478,422)	–	–
Additions to property and equipment (Note 8)	(33,626,634)	(95,390)	(80,235,342)
Net cash provided by (used in) investing activities	(73,965,056)	19,729,610	(100,235,342)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from shareholders for future share subscriptions (Note 12)	27,000,000	–	–
Proceeds from (payments of) loans (Note 11)	(24,250,000)	–	12,750,000
Proceeds from (payments of) advances from shareholders (Note 15)	(11,874,258)	43,940,863	38,734,337
Proceeds from subscription of share capital (Note 12)	–	–	65,400,000
Net cash provided by (used in) financing activities	(9,124,258)	43,940,863	116,884,337
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(83,462,817)</b>	<b>51,901,094</b>	<b>21,344,361</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>177,128,990</b>	<b>125,227,896</b>	<b>103,883,535</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>P93,666,173</b>	<b>P177,128,990</b>	<b>P125,227,896</b>



**NONCASH OPERATING AND INVESTING ACTIVITY**

Transfer of other current asset to property and equipment (Note 7)	<b>P14,887,803</b>	P-	P-
Additions to property and equipment (Note 8)	<b>(14,887,803)</b>	-	-
	<b>P-</b>	<b>P-</b>	<b>P-</b>

*See accompanying Notes to Financial Statements.*

# **ALLIED CARE EXPERTS MEDICAL CENTER-BACOLOD INC.**

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## **NOTES TO FINANCIAL STATEMENTS**

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### **1. General Information**

Allied Care Experts Medical Center-Bacolod Inc. (the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on July 4, 2017, with limited life of fifty (50) years from the date of registration primarily to establish, maintain, operate, own and manage hospitals, medical and related healthcare facilities and businesses such as but without restriction to clinical laboratories, diagnostic centers, ambulatory clinics, condo hospitals, scientific research 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 August 22, 2020, the majority of the Board of Directors and the vote of the shareholders owning and representing at least-two thirds of the outstanding share capital approved the amendment of Article I of Articles of Incorporation (AOI) by changing its name from Allied Care Experts Medical Center-Bacolod Inc. to Asia Pacific Medical Center (APMC) – Bacolod Inc. The application for the amended AOI is still pending for submission with SEC as to date.

Its principal place of business is located at Rm. 4, Ground Floor, MC Metroplex Bldg. BS Aquino Drive, Bacolod City, Negros Occidental.

The Company has six (6) and five (5) employees as of December 31, 2020 and 2019, respectively.

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### **2. Summary of Significant Accounting Policies and Disclosures**

#### Basis of Preparation

The accompanying financial statements of the Company have been prepared on a historical cost basis, except as otherwise stated. Historical costs refer to the amount of cash paid to acquire an asset or, in the case of exchange, the fair value of the consideration given to acquire an asset. The financial statements are presented in Philippine peso, which is the functional and presentation currency under the Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest peso except as otherwise indicated.

#### Statement of Compliance

The accompanying financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS, in general, includes all applicable PFRS, Philippine Accounting Standards (PAS) and Interpretations issued by former Standing Interpretations Committee, the Philippine Interpretations Committee and the International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Philippine Financial Reporting Standards Council and adopted by the Philippine SEC.



#### Changes in Accounting Policies

The Company consistently adopted and applied all accounting policies under PFRS which have been issued and becomes effective except adoption of the following amendments effective beginning January 1, 2020. Adoption of these amendments to PFRS, PAS and Philippine Interpretations did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

- Amendments to PFRS 3, "*Definition of a Business*"

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments are currently not applicable to the Company but will apply on future business combinations of the Company, if any.

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

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments.

The adoption of these amendments does not have any significant impact on the financial statements.

The adoption of the foregoing new and revised PFRS and PAS does not have any material impact on the financial statements. Additional disclosures have been included in the notes to financial statements, as applicable.

#### New Accounting Standards, Amendments to Existing Standards and Interpretations Effective Subsequent to December 31, 2020

The standards, amendments and interpretations which have been issued but not yet effective as at December 31, 2020 are disclosed below. Except as otherwise indicated, the Company does not expect the adoption of the applicable new and amended PFRS to have a significant impact on the financial position or performance.

#### *Effective in 2021*

- PFRS 17, "*Insurance Contracts*"

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adoption for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

PFRS 17 is effective for reporting periods beginning on or before January 1, 2021, with comparative figures required. Early application is permitted.

The amendments are not applicable to the Company since it does not have activities that are predominantly connected with insurance or issue insurance contracts.

- Amendments to PFRS 16, "*Leases*"

COVID-19-Related Rent Concessions (effective June 1, 2020). The amendments permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications.

The Company has short-term lease and accounted it as operation lease applying the exception for short-time lease in accordance with PFRS 16, thus, the amendments will have no impact in the financial statements of the Company.

#### *Effective in 2022*

- Amendments to PFRS 3, "*Reference to the Conceptual Framework*"

The amendments updated the reference to the "*Conceptual Framework*" and an exception to its requirement for an entity to refer to the "*Conceptual Framework*" to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should instead refer to PAS 37, "*Provisions, Contingent Liabilities and Contingent Assets*". This exception is to avoid an unintended consequence of updating the reference. Without the exception, an entity would have recognized some liabilities on the acquisition of a business that it would not recognize in other circumstances. Immediately after the acquisition, the entity would have had to derecognize such liabilities and recognize a gain that did not depict an economic gain.

- Amendments to PAS 16, "*Property, Plant and Equipment - Proceeds before Intended Use*"

The amendments prohibit from deducting the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.



- Amendments to PAS 37, "*Onerous Contracts - Cost of Fulfilling a Contract*"

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

#### *Annual Improvements to PFRSs 2018-2020 Cycle*

The Annual Improvements to PFRSs (2018-2020 cycle) are effective for annual periods beginning 2022 and are not expected to have a material impact on the Company.

- Amendments to PFRS 1, "*Subsidiary as a First-time Adopter*"

The amendment permits a subsidiary that measures the assets and liabilities at the carrying amounts that would be included in the parent's consolidated financial statements, based on the parent's date of transition to PFRSs, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary, to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRSs.

- Amendments to PFRS 9, "*Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*"

The improvements clarify the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

- Amendments to PFRS 16, "*Lease Incentives*"

The amendment removes reimbursement relating to leasehold improvements. PFRS 16 does not contain explicit guidance on how to account for leasehold improvements made by the lessee or when reimbursements made by the lessor in respect of those leasehold improvements can be regarded as lease incentives. Thus, created some confusion on how a lessee should account for such reimbursement by stating that the lessee should apply the appropriate standard and should not account for the reimbursement as a lease incentive. The standard had not clearly explained the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

- Amendments to PAS 41, "*Taxation in Fair Value Measurements*"

The amendment removes the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.

*Effective in 2023*

- Amendments to PFRS 17, *"Insurance Contracts"*

The amendments, which respond to feedback from stakeholders, are designed to:

- Reduce costs by simplifying some requirements in the Standard;
- Make financial performance easier to explain; and
- Ease transition by deferring the effective date of the Standard to 2023 and by providing additional relief to reduce the effort required when applying PFRS 17 for the first time.

The deferral of the effective date by two years, to annual reporting periods beginning on or after January 1, 2023, is intended to allow time for an orderly adoption of the amended PFRS 17 by jurisdictions. This should enable more insurers to implement the new Standard at the same time.

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

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

*Deferred*

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

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the FSRC deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The adoption of these amendments is not expected to have any significant impact on the financial statements since these are not applicable to the Company.



- Deferment of Implementation of International Financial Reporting Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, *Borrowing Cost*) for the Real Estate Industry

In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under par. 35(c) of PFRS 15. IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under PAS 23 considering that these inventories are ready for their intended sale in their current condition.

On February 21, 2020, the Philippine SEC issued MC No. 4, Series of 2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Effective January 2021, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC agenda decision.

The adoption of this amendment is not expected to have any significant impact on the financial statements since the Company is not in a real estate industry.

#### *No Mandatory Effective Date*

- Amendments to PFRS 9, "*Financial Instruments (Hedge Accounting and Amendments to PFRS 9, PFRS 7 and PAS 39)*"

The amendments require the inclusion of general hedge accounting model in the notes disclosure to the financial statements. The amendments allow early adoption of the requirement to present fair value changes due to own credit on liabilities designated as at fair value through profit or loss to be presented in the other comprehensive income (OCI).

These amendments are not applicable to the Company and expected not to have an impact on the financial statements since the Company does not have any financial instruments designated as at fair value through profit or loss.

#### Significant Accounting Policies

##### Current versus Noncurrent Classification

The Company presents assets and liabilities in the statements of financial position based on current or noncurrent classification. An asset is current if:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve (12) months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;

- It is due to be settled within 12 months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period.

All other liabilities are classified as noncurrent.

Deferred income tax assets and liabilities, if any, are classified as noncurrent assets and liabilities.

#### Fair Value Measurement

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

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

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

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

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

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

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

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



### Financial Instruments

Financial instruments is any contract that gives rise to a financial asset of one entity or a financial liability or equity instrument of another entity.

#### *Date of Recognition*

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

#### *"Day 1" Difference*

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

### *Financial Assets*

#### *Initial Recognition*

Financial assets are recognized initially at fair value, which is the fair value of the consideration given. The initial measurement of financial assets, except for those designated at fair value through profit or loss (FVPL), includes transaction cost.

#### *Classification*

The Company classifies its financial assets at initial recognition under the following categories: (a) financial assets at amortized cost, (b) financial assets at fair value through other comprehensive income (FVOCI) and (c) financial assets at FVPL. The classification of a financial asset at initial recognition largely depends on the Company's business model for managing the asset and its contractual cash flow characteristics.

#### *Financial Assets at Amortized Cost*

Financial assets are measured at amortized cost if both of the following 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 assets 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 any allowance for impairment. 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. 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.

The Company's cash and cash equivalents and advances to a related party are classified under this category (see Notes 5, 6 and 15).

#### Debt Instruments at FVOCI

For debt instruments that are not designated at FVPL under the fair value option, the financial assets are measured at FVOCI if both of the following conditions are met:

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

After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment gains or 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 classified from equity to profit or loss as a reclassification adjustment.

As at December 31, 2020 and 2019, the Company does not have debt instruments at FVOCI.

#### Equity Instruments at FVOCI

For equity instruments that are not held for trading, the Company may irrevocably designate, at initial recognition, a financial asset to be measured at FVOCI when it meets the definition of equity instrument under PAS 32, "*Financial Instruments: Presentation*". This option is available and made on an instrument by instrument basis.

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. All other 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, instead, these are transferred directly to retained earnings.

As at December 31, 2020 and 2019, the Company does not have equity instruments at FVOCI.

#### Financial Assets at FVPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are classified under this category. Specifically, financial assets at FVPL include financial assets that are (a) held for trading, (b) designated upon initial recognition at FVPL, or (c) mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

This category includes debt instruments whose cash flows, based on the assessment at initial recognition of the assets, are not "solely for payment of principal and interest", and 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.

This category also includes equity instruments which the Company had not irrevocably elected to classify at FVOCI at initial recognition.



After initial recognition, financial assets at FVPL are subsequently measured at fair value. Gains or losses arising from the fair valuation of financial assets at FVPL are recognized in profit or loss.

As at December 31, 2020 and 2019, the Company has no financial assets at FVPL.

#### Reclassification

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

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

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

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

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

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

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

#### Impairment of Financial Assets at Amortized Cost and FVOCI

The Company recognizes an allowance for ECL for all debt instruments not held at FVPL. ECL is 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 to the asset's 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.

For other debt instruments measured at amortized cost and FVOCI, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. The Company also considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

The Company considers a financial asset in default when contractual payments are 30 days past due unless it is demonstrated that the nonpayment was an administrative oversight rather than resulting from financial difficulty of the borrower. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

#### Derecognition

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*

##### Initial Measurement

Financial liabilities are recognized initially at fair value, which is the fair value of the consideration received. In case of financial liabilities at amortized cost, the initial measurement is net of any directly attributable transaction costs.

##### Classification and Subsequent Measurement

The Company classifies its financial liabilities at initial recognition as either financial liabilities at FVPL or financial liabilities at amortized cost.



#### Financial liabilities at FVPL

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

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

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

#### 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.

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.

Included in this category are the Company's trade and other payables (except government payables), loans payable and advances from shareholders.

#### Derecognition

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.

#### Fair Value Option

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

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

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

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

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

#### Offsetting of Financial 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.

#### Other Current Assets

##### Prepayments

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

##### Input VAT

Input VAT represents value-added tax (VAT) paid to suppliers that can be claimed as credit against the Company's VAT liabilities.

#### Property and Equipment

Property and equipment, except land, are carried at cost less accumulated depreciation and amortization and accumulated provision for any impairment in value, if any.

The initial cost of property and equipment comprises its purchase price and other costs directly attributable in bringing the assets to its working condition and location for its intended use. Expenditures incurred after the property have been put into operation, such as repairs and maintenance, are normally charged to income in the year the costs are incurred. In situations when it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance and the cost of such item can be measured reliably, the expenditures are capitalized as an additional cost of the said property and equipment.

Land is stated at cost less impairment in value, if any.

Depreciation is computed using the straight-line method over the estimated useful life of office equipment which is 3 to 5 years.

The useful life and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property.

Construction in progress represents structures under constructions and is stated at cost (include cost of construction, machinery and equipment under installation and other related costs). Construction in progress is not depreciated until such time as the relevant assets are completed and ready for its intended use.

The carrying values of the property and equipment are reviewed for impairment when events or changes in the circumstances indicate that the carrying values may not be recoverable.



Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization are recognized in profit or loss.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit and loss in the period the asset is derecognized.

#### Security Deposit

Security deposit represents deposit made on lease contracts of office, initially measured at cost less impairment loss, if any, and which are recoverable at the end of lease terms.

#### Impairment of Nonfinancial Assets

Property and equipment, security deposit and other current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit (CGU) is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less cost to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other fair value indicators. Impairment losses are recognized in the statements of comprehensive income.

Recovery of impairment loss recognized in prior years is recorded on nonfinancial asset when there is an indication that the impairment loss recognized for the asset no longer exists or has decreased. The recovery is recorded in the statements of comprehensive income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent that it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for that asset in prior years.

#### Deposit for Future Share Subscription

Deposit for future share subscription represents the amount received from shareholders that will be applied as payment in exchange for a fixed number of the Company's own equity instruments. It is presented as equity if it meets all the following requirements:

- the unissued authorized share capital of the entity is insufficient to cover the amount of shares indicated in the contract;
- there is BOD approval on the proposed increase authorized share capital (for which a deposit was received by the corporation);
- there is shareholder's approval of said proposed increase; and
- the application for the approval of the proposed increase has been filed with the Philippine SEC.

Deposit for future share subscription is classified as a liability if not all the above requirements have been met.

### Equity

#### *Share Capital*

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

The share capital is classified into founders' share and common share.

#### *Deficit*

Deficit includes all current and prior period results as disclosed in the statements of comprehensive income.

### 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 performs 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 Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent.

#### *Interest Income*

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

### Cost and Expenses

Costs and expenses are recognized in the statements of comprehensive income upon utilization of the service or goods or at the date they are incurred or received.

### Borrowing Costs

Borrowing costs are generally expensed as incurred. Interest and other finance costs incurred during the construction period on borrowings used to finance property development are capitalized to the appropriate asset accounts.

The capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing cost are being incurred. The capitalization of these borrowing costs ceases when substantially all activities necessary to prepare the asset for sale or its intended use are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

### Short-term Employee Benefits

Short-term employee benefits are those benefits expected to be settled wholly before 12 months after the end of the annual reporting period during which employee services are rendered, but do not include termination benefits. Short-term benefits given by the Company to its employees include salaries and wages, social security, health insurance and housing contributions, short-term compensated absences, bonuses and other non-monetary benefits.



## Leases

The Company assesses whether the contract is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Company assesses whether, throughout the period of use, it has the following:

- the contract involves an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The Company has the right to direct the use of the asset of either:
  - a. the Company has the right to operate the asset; or
  - b. the Company designed the asset in a way that predetermines how and for what purpose it will be used.

### *Short-term Leases and Leases of Low-Value Assets*

The Company applies the short-term lease recognition exemption to its short-term leases of office space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

## Related Parties

Parties were considered to be related if one party has the ability, directly or indirectly, to control the other party or exercises significant influence over the other party in making financial and operating decisions. Parties were also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Transactions between related parties are based on terms similar to those offered to non-related parties.

## Income Taxes

### *Current Income Tax*

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting period.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the profit or loss.

### *Deferred Income Tax*

Deferred income tax is provided using the liability method on temporary differences at the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences except: (1) when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (2) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carry-over (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefit of unused tax credits and unused tax losses can be utilized except: (1) when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (2) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced 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 assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

#### Provisions

Provisions are recognized when the Company has present obligations, legal or constructive, as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursements. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized as interest expense.



#### Contingencies

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to financial statements when an inflow of economic benefits is probable.

#### Loss Per Share

Basic loss per share is calculated by dividing the net loss (less preferred dividends net of tax, if any) for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year, with retroactive adjustment for any stock dividends or stock splits declared during the year.

Diluted loss per share is computed by dividing net loss by the weighted average number of common stocks outstanding during the year, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year, and adjusted for the effect of dilutive options.

#### Events After the Reporting Period

Post year-end events that provide additional information about the Company's financial position at the end of the reporting period (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

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### **3. Significant Judgments, Accounting Estimates and Assumptions**

The preparation of the financial statements in conformity with PFRS requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities at the reporting date. The uncertainties inherent in these judgments and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future years.

#### Judgments

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

##### *Business Model Assessment*

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

*Significant Increase of Credit Risk*

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

*Classification of Financial Instruments*

The Company classifies its financial assets and financial liabilities in the following measurement categories i) those to be measured subsequently at fair value (either through OCI or through profit or loss) and ii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or OCI.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

*Determination Whether an Arrangement Contains a Lease*

The Company assesses whether an arrangement contains a lease based on PFRS 16, as disclosed in Note 2. On adoption of PFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied PFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under PAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of lease under PFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

The details of these lease agreements are disclosed in Note 14.

*Determining the Lease Term of Contracts with Renewal and Termination Options – Company as Lessee*

The Company determines the lease term as the noncancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has lease contract that includes extension and termination options. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Company did not include the renewal period as part of the lease term for lease of its temporary office space even though the Company typically exercises its option to renew this lease because the Company does not have enforceable right to extend the lease beyond the noncancellable period.



*Determining the Fair Values of Financial Instruments*

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to this model are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed as follows:

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

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

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

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

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

The Company has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Company only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no provision for ECL on other financial assets at amortized cost was recognized in 2020 and 2019. The carrying amounts of other financial assets at amortized cost are as follows:

	2020	2019
Cash in banks	<b>P34,410,333</b>	P49,839,025
Time deposits	<b>59,240,840</b>	77,249,965
Advances to a related party	<b>35,000</b>	175,000
	<b>P93,686,173</b>	P127,263,990

*Assessment for Impairment of Nonfinancial Assets*

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

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

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

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

No impairment loss on nonfinancial assets was recognized for the years ended December 31, 2020 and 2019. The carrying amount of nonfinancial assets are as follows:

	2020	2019
Advances to contractors	<b>P40,478,422</b>	P-
Other current assets	<b>8,333,448</b>	15,029,510
Property and equipment	<b>128,927,826</b>	80,543,658
Security deposit	<b>45,000</b>	45,000
	<b>P177,784,696</b>	P95,618,168

*Estimating Useful Life of Property and Equipment, Except Land*

The estimated useful lives used as basis for depreciating the Company's property and equipment, excluding land, were determined on the basis of management's assessment of the period within which the benefits of these asset items are expected to be realized taking into account actual historical information on the use of such assets.

The carrying amount of property and equipment, except land, amounted to P48,725,324 and P341,156 as of December 31, 2020 and 2019, respectively (see Note 8).

*Recognition of Deferred Tax Assets*

The Company reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred tax assets 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 assets to be utilized.

The management believes that the Company will not be able to realize the NOLCO in the future. The Company provided full valuation allowance on its NOLCO, thus no deferred tax asset was set up in 2020 and 2019.



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#### 4. Financial Risk Management Objectives and Capital Management

##### Financial Risk Management Objectives and Policies

The main purpose of the Company's financial instruments is to fund its operations. The Company's principal financial instruments arising from operations consist of cash and cash equivalents, advances to a related party, trade and other payables (excluding government liabilities), loans payable and advances from shareholders. The main risks from the use of financial instruments are credit and liquidity risk. The Company has minimal exposure on interest rate risk since its loans payable are short-term and bear fixed interest rate.

The Company does not have foreign currency risk because the Company has no monetary assets and liabilities denominated in foreign currency for the years ended December 31, 2020 and 2019.

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

##### Credit Risk

The Company's exposure to credit risk arises from the failure on the part of its counterparty in fulfilling its financial commitments to the Company under the prevailing contractual terms. Financial instruments that potentially subject the Company to credit risk consist primarily of other financial assets at amortized cost.

The carrying amounts of financial assets at amortized costs represent its maximum credit exposure.

##### Other Financial Assets at Amortized Cost

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

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

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

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

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

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

December 31, 2020				
Financial asset at amortized cost				
	12-month ECL	Lifetime ECL – not credit impaired	Lifetime ECL – credit impaired	Total
Cash in banks	P34,410,333	P–	P–	P34,410,333
Time deposits	59,240,840	–	–	59,240,840
Advances to a related party	35,000	–	–	35,000
	P93,686,173	P–	P–	P93,686,173

December 31, 2019				
Financial asset at amortized cost				
	12-month ECL	Lifetime ECL – not credit impaired	Lifetime ECL – credit impaired	Total
Cash in banks	P49,839,025	P–	P–	P49,839,025
Time deposits	77,249,965	–	–	77,249,965
Advances to a related party	175,000	–	–	175,000
	P127,263,990	P–	P–	P127,263,990

#### Liquidity Risk

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

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

#### As at December 31, 2020

	On Demand	Within 1 year	1 to 5 years	More than 5 years	Total
<b>Financial liabilities:</b>					
Trade and other payables*	P–	P17,093,451	P–	P–	P17,093,451
Advances from shareholders	–	–	150,246,154	–	150,246,154
	P–	P17,093,451	P150,246,154	P–	P167,339,605
<b>Financial assets:</b>					
Cash and cash equivalents	P93,666,173	P–	P–	P–	P93,666,173
Advances to a related party	35,000	–	–	–	35,000
	P93,701,173	P–	P–	P–	P93,701,173

\*Excluding government payables amounting to P832,760 as at December 31, 2020.



As at December 31, 2019

	On Demand	Within 1 year	1 to 5 years	More than 5 years	Total
<i>Financial liabilities:</i>					
Loans payable	P-	P24,250,000	P-	P-	P24,250,000
Advances from shareholders	-	-	162,120,412	-	162,120,412
	P-	P24,250,000	P162,120,412	P-	P186,370,412
<i>Financial assets:</i>					
Cash and cash equivalents	P177,128,990	P-	P-	P-	P177,128,990
Advances to a related party	175,000	-	-	-	175,000
	P177,303,990	P-	P-	P-	P177,303,990

\*Excluding government payables amounting to P16,747 as at December 31, 2019.

#### Fair Values of Financial Instruments

The historical cost carrying amounts of the Company's financial assets and financial liabilities are all subject to normal credit terms, and are short-term in nature, and approximate their fair values. Details are as follows:

	2020	2019
<i>Financial assets:</i>		
Cash and cash equivalents	<b>P93,666,173</b>	P177,128,990
Advances to a related party	<b>35,000</b>	175,000
	<b>P93,701,173</b>	P177,303,990
<i>Financial liabilities:</i>		
Loans payable	P-	P24,250,000
Trade and other payables	<b>17,093,451</b>	-
Advances from shareholders	<b>150,246,154</b>	162,120,412
	<b>P167,339,605</b>	P186,370,412

\*Excluding government payables amounting to P832,760 and P16,747 as at December 31, 2020 and 2019.

#### Capital Management

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

The Company manages capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust capital, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for the years ended December 31, 2020 and 2019.

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

	2020	2019	2018
Share capital	<b>P96,000,000</b>	P96,000,000	P96,000,000
Deficit	<b>(19,686,496)</b>	(9,465,001)	(7,857,684)
	<b>P76,313,504</b>	P86,534,999	P88,142,316

The Company is not subject to externally-imposed capital requirements.

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## 5. Cash and Cash Equivalents

This account consists of:

	2020	2019
Cash on hand	P15,000	P50,040,000
Cash in banks	34,410,333	49,839,025
Time deposits	59,240,840	77,249,965
	<b>P93,666,173</b>	<b>P177,128,990</b>

Cash in banks earn interest at the respective bank deposit rates. Interest income earned from cash in banks amounted to P68,460 and P44,410 as of December 31, 2020 and 2019, respectively.

Time deposits earn interest at the respective bank deposit rates. Interest income earned from time deposits amounted to P1,433,998 and P5,380,597 as of December 31, 2020 and 2019, respectively.

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## 6. Receivables

This account consists of:

	2020	2019
Advances to contractors	P40,478,422	P-
Advances to a related party	35,000	175,000
	<b>P40,513,422</b>	<b>P175,000</b>

The Company believes that receivables are fully recoverable, thus, no allowance for doubtful accounts was provided as at December 31, 2020 and 2019.

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

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## 7. Other Current Assets

This account consists of:

	2020	2019
Input VAT	P8,211,673	P26,957
Prepaid expenses – CIP	-	14,887,803
Prepaid rent (Note 14)	102,775	114,750
Others	19,000	-
	<b>P8,333,448</b>	<b>P15,029,510</b>

Prepaid rent pertains to unamortized portion of its payment of lease with MC Metroplex Holdings, Inc. (see Note 14).



Prepaid expense - CIP accounts are as follows:

Advance deposits – Contractor	P10,864,000
Zoning fee for building permit processing	1,106,956
Prepayments – Project management team	1,084,861
Building permit and certification	819,315
Contracted services – Soil lab and groundbreaking	744,780
Others	267,891
	<u>P14,887,803</u>

Prepayment – Project management team pertains to the salaries paid to construction management team who oversees the planning, design and construction of hospital building.

The above Prepaid expenses – CIP account amounting to P14,887,803 in 2019 was transferred to Construction in progress account (see Note 8).

## 8. Property and Equipment

This account consists of:

	December 31, 2019	Additions	Disposal	December 31, 2020
Cost:				
Land	P80,202,502	P–	P–	<b>P80,202,502</b>
Construction in progress	–	48,341,686	–	<b>48,341,686</b>
Office equipment	562,242	172,751	–	<b>734,993</b>
	<u>80,764,744</u>	<u>48,514,437</u>	<u>–</u>	<u><b>129,279,181</b></u>
Accumulated depreciation:				
Office equipment	221,086	130,269	–	<b>351,355</b>
<b>Net book value</b>	<b>P80,543,658</b>			<b>P128,927,826</b>

	December 31, 2018	Additions	Disposal	December 31, 2019
Cost:				
Land	P80,202,502	P–	P–	P80,202,502
Office equipment	466,852	95,390	–	562,242
	<u>80,669,354</u>	<u>95,390</u>	<u>–</u>	<u>80,764,744</u>
Accumulated depreciation:				
Office equipment	115,260	105,826	–	221,086
<b>Net book value</b>	<b>P80,554,094</b>			<b>P80,543,658</b>

Land pertains to a property located in Bacolod City, Negros Occidental with a total area of 10,000 square meters, where its hospital building is being constructed.

Construction in progress pertains to building under construction to be used as hospital building upon completion.

Details of construction in progress account as of December 31, 2020 are as follows:

Contracted services – bored piling works	P28,359,112
Contracted services – architectural design	15,670,103
Zoning fee for building permit processing	1,106,956
Project management team fee	1,084,861
Building permit and certification	819,315
Contracted services – soil lab and groundbreaking	744,780
Contracted services – survey works	151,000
Others	405,559
	<u>P48,341,686</u>

The Company entered into several contracts for the planned construction of its hospital building beginning 2020. A certain contractor which focuses on architectural design of the planned construction of hospital building has a total contract price of P19 million and the Company already paid in advance an amount of P13.6 million, net of VAT and withholding tax.

Other contractor which focuses on the construction of hospital building has a total contract price of P54.6 million and the Company already paid P32 million, net of P3.2 million retention fee as of December 31, 2020. Of the total payments, an advance payment amounting to P3.4 million was recognized as advances to contractors under receivables account (see Note 6).

The Company paid other direct cost attributable to the construction of hospital building such as completion of permits, feasibility study, accommodation fee and bidding expenses which amounted to P405,559 as at December 31, 2020.

The total contractual commitments for the construction of the hospital building with various contractors amounted to P2.202 billion. Meanwhile, the total estimated cost to complete the hospital building amounted to P2.142 billion.

As per construction manager, the estimated percentage of completion of the construction is at 1.45% as of December 31, 2020.

No borrowing costs were incurred and capitalized.

No property and equipment are pledged as security for liabilities.

There were no amount of compensation received from any third parties for items of property and equipment that were impaired, lost or given up.

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## 9. Security Deposit

This account pertains to rent security deposit amounting to P45,000 as at December 31, 2020 and 2019 (see Note 14).



#### 10. Trade and Other Payables

This account consists of:

	2020	2019
Accounts payable	P13,917,230	P-
Retention payable	3,176,221	-
Withholding tax payable – expanded	747,104	5,692
SSS/PhilHealth/HDMF payable	42,956	11,055
Withholding tax payable – compensation	42,700	-
	<b>P17,926,211</b>	<b>P16,747</b>

Retention payable refers to the amount withheld by the Company from the contractor's periodic progress billings as provided for in their respective contract. The amount will be released to the contractor, net of deductions, if any, upon full completion and final acceptance by the Company.

Accounts payable pertains to short-term, unsecured, noninterest-bearing payable to other party.

#### 11. Loans Payable

This account pertains to a short-term interest bearing and demandable loan from an individual who is a close member of a shareholder's family. The loan bears an interest of five percent (5%) per annum and was primarily used by the Company to support the preliminary financing aspect of the construction of the hospital building.

Loans payable amounted to P24,250,000 as at December 31, 2019. The said indebtedness was paid in January 2020. No interest was paid since the principal amount was paid earlier than what is stipulated in the contract. Thus, interest accrued for years 2017 and 2018 was reversed in 2019.

#### 12. Share Capital

This account consists of:

	2020	2019	2018
Authorized share capital			
600 founders' share at P1,000 par value	P600,000	P600,000	P600,000
119,400 common shares at P1,000 par value	119,400,000	119,400,000	119,400,000
	<b>P120,000,000</b>	<b>P120,000,000</b>	<b>P120,000,000</b>
Subscribed			
600 founders' share at P1,000 par value	P600,000	P600,000	P600,000
Less subscription receivable	(120,000)	(120,000)	(120,000)
	480,000	480,000	480,000
19,400 common shares at P1,000 par value	119,400,000	119,400,000	119,400,000
Less subscription receivable	(23,880,000)	(23,880,000)	(23,880,000)
	95,520,000	95,520,000	95,520,000
	<b>P96,000,000</b>	<b>P96,000,000</b>	<b>P96,000,000</b>

The founders' share has the exclusive right to vote and be voted upon in the election of directors for a limited period not to exceed five (5) years.

On August 22, 2020, the majority of the Board of Directors and the vote of the shareholders owning and representing at least two thirds of the outstanding share capital approved the increase in authorized share capital from P120,000,000 divided into 119,400 common shares and 600 founders' shares to P240,000,000 divided into 239,400 common shares and 600 founders' shares which all of it with par value of P1,000 per share.

In view of the above, P27,000,000 was paid-up by the existing shareholders representing 25% payment of the 90% subscribed capital amounting to P108,000,000 of the increase in authorized share capital amounting to P120,000,000.

The application for the increase in authorized capital is pending for submission with SEC as to date.

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### 13. Expenses

This account consists of:

	2020	2019	2018
Meetings and conferences	<b>P6,666,927</b>	P3,679,679	P3,323,400
Capital gains tax	<b>2,396,800</b>	—	—
Salaries and wages	<b>2,046,518</b>	571,193	438,078
Professional fees	<b>542,857</b>	743,950	557,300
Taxes and licenses	<b>428,255</b>	764,254	19,085
Communication, power and water	<b>192,765</b>	209,507	97,394
Rentals (Note 14)	<b>149,009</b>	153,000	155,390
Depreciation (Note 8)	<b>130,269</b>	105,826	92,720
SSS/PHIC/HDMF expense	<b>108,150</b>	60,972	33,427
Transportation	<b>74,984</b>	808,471	938,764
Office supplies	<b>33,325</b>	49,272	72,200
Outside service	<b>13,393</b>	—	—
Representation	<b>8,500</b>	116,505	—
Repairs and maintenance	<b>5,320</b>	18,000	1,300
Interest expense	—	—	784,844
Seminars and trainings	—	—	178,273
Advertising	—	—	137,500
Research and development	—	—	100,000
Bank charge	—	—	7,985
Separation pay	—	—	1,923
Miscellaneous	<b>60,214</b>	133,156	87,606
	<b>P12,857,286</b>	P7,413,785	P7,027,189

Transportation account amounting to P3,323,400 in 2018 was reclassified into meetings and conferences as it covers all transactions that pertain to board meetings.



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#### 14. Lease Agreement

The Company entered into a contract of lease with MC Metroplex Holdings, Inc. where its office space is located, for a period of one (1) year, commencing from October 1, 2018 to September 30, 2019.

In September 2019, the Company renewed its contract of lease with MC Metroplex Holdings, Inc. for a period of one (1) year, commencing from October 1, 2019 to September 30, 2020 and paid the total amount of P146,170, inclusive of VAT and net of withholding tax.

In October 2020, the Company renewed its contract of lease with MC Metroplex Holdings, Inc. for a period of one (1) year, commencing from October 1, 2020 to September 30, 2021 and paid the total amount of P146,170, inclusive of VAT and net of withholding tax.

Due to the lease agreement which is for a period of 1 year and no purchase option, the lease is accounted as short-term and of low value and lease payments are recognized as expense on a straight-line basis over the lease term.

Rent expense charged to operations amounted to P149,009, P153,000 and P155,390 in 2020, 2019 and 2018 (see Note 13).

The Company has a refundable security deposit of P45,000 as of December 31, 2020 and 2019 (see Note 9) and prepaid rent of P102,775 and P114,750 as of December 31, 2020 and 2019, respectively (see Note 7).

At year-end, the Company has an outstanding commitments under noncancellable operating leases that fall due as follows:

	2020	2019
Within 1 year	P102,775	P114,750
Later than 1 year but within 5 years	-	-
	<u>P102,775</u>	<u>P114,750</u>

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#### 15. Related Party Disclosure

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities, which are under common control with the reporting enterprises and its key management personnel, directors, or its shareholders.

In considering each related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Related parties may be individuals or corporate entities.

The following are the details of related party transactions:

	Period	Classification	Terms and conditions	Amount of the Transaction	Outstanding Balance
Shareholders	<b>December 31, 2020</b>	Advances from shareholders	Unsecured, noninterest-bearing, demandable, no term, payable in cash.	<b>(P11,874,258)</b>	<b>P150,246,154</b>
	December 31, 2019			43,940,863	162,120,412
Individual	<b>December 31, 2020</b>	Loans payable (Note 11)	Unsecured, interest-bearing, demandable, payable in cash.	<b>(24,250,000)</b>	<b>-</b>
	December 31, 2019			-	24,250,000
ACEMC - Iloilo	<b>December 31, 2020</b>	Advances to a related party (Note 6)	Unsecured, interest-bearing, no term, collectible in cash.	<b>(140,000)</b>	<b>35,000</b>
	December 31, 2019			50,175,000	175,000

The following are other relevant related party disclosures:

Identification	Relationship	Business Purpose of Arrangement	Commitments
Shareholders	Shareholder	Advances from shareholders in support for the Company's hospital building construction requirements.	No contract
Individual	Other related party	Provided by a related party in support for the preliminary financing aspect of the construction of the hospital building.	No contract
ACEMC - Iloilo	Other related party	Loans provided to other related party for financing purposes.	No contract
ACEMC - Aklan	Other related party	Loans provided to other related party for financing purposes.	No contract

Advances from shareholders are payable upon demand. However, the Company is in the status of financing the construction of its hospital building, thus, settlement of advances is not the priority of the Company.

Loans payable from an individual who is a close member of shareholder's family was paid in January 2020 amounting to P24,250,000. Interest accrued from prior years was reversed in 2019 following the conditions stipulated in the contract (see Note 11).

The Company has advances to Allied Care Experts (ACE) Medical Center - Iloilo (ACEMC - Iloilo), a related party, amounting to P50,000,000 in 2019.

Advances to ACEMC - Iloilo is unsecured and bears an interest of five point eight (5.8) percent and collectible upon availability of funds. This advances was collected on December 27, 2019 amounting to P50,000,000 while the related interest was collected on January 2020 amounting to P966,667.

The Company also has a receivable from ACEMC - Iloilo amounting to P35,000 and P175,000 in 2020 and 2019, respectively, which pertains to the reimbursement of expenses incurred by the latter but paid by the Company.

The Company has advances to ACEMC - Aklan amounting to P20,000,000 which is unsecured and bears an interest of four percent (4%) per annum and is to be recollect in five (5) annual installment.



On August 2, 2019, such advances were fully collected, its principal and interests which amounted to P20,381,461.

Interest income from advances to ACEMC - Aklan amounted to P1,133,333, P381,461 and P750,000 as at December 31, 2020, 2019 and 2018, respectively.

No allowance for doubtful accounts and bad debt expense were recognized in 2020 and 2019.

*Compensation of Key Management Personnel*

The Company has no compensation of key management personnel.

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**16. Income Tax**

There is no provision for income tax for 2020, 2019 and 2018 because the Company has not yet started commercial operation.

As at December 31, 2020, the Company has NOLCO before taxable year 2020 which can be carried forward as a deduction for the next three consecutive taxable years immediately following the year of such loss, under certain conditions, as provided under Section 34(D) of the Tax Code. Details are as follows:

Dates Incurred	Amount	Applied/ Expired	Remaining Balance	Expiry Date
December 31, 2019	P6,915,819	P-	P6,915,819	2022
December 31, 2018	5,885,119	-	5,885,119	2021
December 31, 2017	2,589,545	2,589,545	-	2020
	<b>P15,390,483</b>	<b>P2,589,545</b>	<b>P12,800,938</b>	

As at December 31, 2020, the Company has NOLCO in taxable year 2020 which can be carried forward as a deduction for the next five consecutive taxable years immediately following the year of such loss, pursuant to the Bayanihan to Recover As One Act. Details are as follows:

Date Incurred	Amount	Applied/ Expired	Remaining Balance	Expiry Date
December 31, 2020	P11,715,453	P-	P11,715,453	2025

The management believes that the Company will not be able to realize the NOLCO in the future. The Company provided full valuation allowance on its NOLCO, thus, no deferred tax asset was set up.

The following are the computations of regular corporate income tax:

	2020	2019	2018
Loss before income tax	(P10,221,495)	(P1,607,317)	(P5,326,717)
Deduct permanent differences on:			
Nondeductible representation	8,500	116,505	-
Nondeductible interest expense	-	-	392,070
Interest income	(1,502,458)	(5,425,007)	(950,472)
<b>Taxable loss</b>	<b>(P11,715,453)</b>	<b>(P6,915,819)</b>	<b>(P5,885,119)</b>
Tax due at 30%	P-	P-	P-

The reconciliation of the tax computed at statutory tax rate to benefit from income tax follow:

	2020	2019	2018
Tax at applicable statutory income tax rate	(P3,066,449)	(P482,195)	(P1,598,015)
Adjustments for:			
Nondeductible representation	2,550	34,951	-
Nondeductible interest expense	-	-	117,621
Interest income	(450,737)	(1,627,502)	(285,142)
Unrecognized deferred tax asset	3,514,636	2,074,746	1,765,536
	P-	P-	P-

#### 17. Loss Per Share

Basic loss per share is computed as follows:

	2020	2019	2018
Net loss	(P10,221,495)	(P1,607,317)	(P5,326,717)
Weighted average number of shares outstanding	96,000	96,000	96,000
Basic loss per share	(P106.47)	(P16.74)	(P55.49)

There were no common stock equivalents outstanding that would require calculation of diluted earnings per share.

#### 18. Changes in Liabilities Arising from Financing Activities

The following table summarizes the changes in liabilities arising from financing activities:

	2019	Cash flows	Foreign exchange movement	2020
Advances from shareholders	P162,120,412	(P11,874,258)	P-	P150,246,154
Loans payable	24,250,000	(24,250,000)	-	-
	P186,370,412	(P36,124,258)	P-	P150,246,154

	2018	Cash flows	Foreign exchange movement	2019
Advances from shareholders	P118,179,549	P43,940,863	P-	P162,120,412
Loans payable	24,250,000	-	-	24,250,000
	P142,429,549	P43,940,863	P-	P186,370,412



	2017	Cash flows	Foreign exchange movement	2018
Advances from shareholders	P79,445,212	P38,734,337	P-	P118,179,549
Loans payable	11,500,000	12,750,000	-	24,250,000
	P90,945,212	P51,484,337	P-	P142,429,549

#### 19. Impact of Coronavirus of 2019 (COVID-19) Update

The Company has been exposed to the risks brought about by COVID-19, a novel strain of coronavirus, which has rapidly spread worldwide and reached a pandemic magnitude as it continues to affect more and more countries and territories.

On March 16, 2020, the President of the Philippines issued Proclamation No. 929 declaring a state of calamity throughout the Philippines due to COVID-19 which resulted to the imposition of an Enhanced Community Quarantine throughout Luzon starting midnight of March 16, 2020 until May 15, 2020. Bacolod City will be under a Modified General Community Quarantine until April 30, 2021.

The enhanced community quarantine, travel restrictions, temporary closure of different establishments, and social distancing measures imposed by the government exposed the Company's operations to risks that may impact its financial performance.

The construction of Company's hospital building has started in February 2020. However, due to COVID-19 outbreak, delivery of construction supplies was postponed resulting to a delay in the construction of the hospital building. Upon the quarantine, particularly sea travel, was lifted, the contractor continues the construction and catches up with the delay.

The duration and extent of the consequences of COVID-19, as well as the effectivity of the government's response to the pandemic is still unclear. At this time, it is still not possible to reliably estimate the extent of the impact of COVID-19 on the Company's financial position and performance for succeeding periods.

#### 20. Events After the End of the Reporting Period

President Rodrigo Duterte signed into law on March 26, 2021 the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

*Corporate Income Tax (CIT)*

- Starting July 1, 2020, CIT rate for corporations is reduced as follows:
  - a. Reduced CIT rate of 20% shall be applicable to domestic corporations with net taxable income not exceeding P5 million and with total assets not exceeding P100 million (excluding land on which the business entity's office, plant and equipment are situated).
  - b. Reduced CIT rate of 25% shall be applicable to all other domestic and resident foreign corporations.
- For the period beginning July 1, 2020 until June 30, 2023, minimum corporate income tax rate shall be 1%, instead of 2%.
- Improperly accumulated earnings tax is repealed.
- The option to be taxed at 15% of gross income if allowed by the President subject to certain conditions is repealed.

*Deductions from Gross Income*

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

*VAT Exempt Transactions*

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

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.



Applying the provisions of the CREATE Act, the Company would have been subjected to lower regular CIT rate of 25% effective July 1, 2020. However, there is still no significant impact to the Company's financial statements since the Company has not set up deferred tax asset that requires adjustment due to change in tax rate starting July 1, 2020.

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**21. Supplemental Information Required Under Revenue Regulation Nos. 15-2010 and 19-2011**

Revenue Regulation No. 15-2010

On November 25, 2010, the BIR issued Revenue Regulation No. 15-2010, which requires certain information on taxes, duties and license fees paid or accrued during the taxable year to be disclosed as part of the notes to financial statements. These supplemental information, which are additions to the disclosures required under PFRS, are presented as follows:

The Company has not yet started commercial operations and did not incur the following taxes:

- a. *VAT output tax*
- b. *Taxes on importation*
- c. *Excise tax*
- d. *Withholding tax on compensation*
- e. *Withholding tax expanded*

*VAT Input Tax*

The Company has P8,211,673 in 2020 and P26,957 in 2019.

*Documentary Stamp Tax*

The Company paid documentary stamp tax for shares of stocks amounting to P168,000 in 2020 and none in 2019.

*Taxes and Licenses*

The details of taxes and licenses included in expenses are as follows:

	<b>2020</b>	<b>2019</b>
Real property tax	<b>P241,680</b>	P-
Business permit	<b>17,075</b>	27,677
Registration	<b>500</b>	716,881
Barangay clearance	<b>500</b>	500
Community tax	<b>500</b>	500
Others	-	18,696
	<b>P260,255</b>	<b>P764,254</b>

*Deficiency Tax Assessment*

The Company does not have any deficiency tax assessments with BIR or tax cases outstanding or pending in courts or bodies outside of the BIR as of December 31, 2020 and 2019.

Revenue Regulation No. 19-2011

Revenue Regulation No. 19-2011 was issued to prescribe the new BIR forms that will be used for Income Tax filing covering and starting with December 31, 2011, and to modify Revenue Memorandum Circular No. 57-2011 dated November 25, 2011.

The following are the schedules prescribed under existing revenue issuances applicable to the Company as of December 31, 2020:

*Revenue*

The Company has not yet started commercial operations and did not earn any revenue.

*Cost of Sales*

The Company has not yet started commercial operations and did not incur any cost of sales.

*Non-operating and Taxable Other Income*

The Company has non-operating and taxable interest income from loans amounted to P1,133,333.

*Itemized Deductions*

Details of the Company's itemized deductions for the year are as follows:

	Exempt	RCIT
Meetings and conferences	P-	P6,666,927
Capital gains tax	-	2,396,800
Salaries and wages	-	2,046,518
Professional fees	-	542,857
Taxes and licenses	-	428,255
Communication, power and water	-	192,765
Rentals	-	149,009
Depreciation	-	130,269
SSS/PHIC/HDMF expense	-	108,150
Transportation	-	74,984
Office supplies	-	33,325
Outside service	-	13,393
Repairs and maintenance	-	5,320
Miscellaneous	-	60,214
	P-	P12,848,786

Taxes, fees and charges presented as part of "Expenses" account in the Company's statements of comprehensive income include the following:

	Exempt	RCIT
Real property tax	P-	P241,680
Business permit	-	17,075
Registration	-	500
Barangay clearance	-	500
Community tax	-	500
	P-	P260,255