

SEC Number : CS201404018

File Number : \_\_\_\_\_

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

\_\_\_\_\_  
(Company's Full Name)

0368 CPG East Avenue corner Bioco Street, Mansasa  
District,  
Tagbilaran City Bohol 6300

\_\_\_\_\_  
(Company's Address)

008-723-682-000

\_\_\_\_\_  
(TIN  
Number)

(038)412-8888

\_\_\_\_\_  
(Telephone Number)

-

\_\_\_\_\_  
(Fax Number)

**SEC FORM 20-IS**  
**DEFINITIVE INFORMATION STATEMENT**

\_\_\_\_\_  
Form  
Type

Each Active Secondary License Type and File Name: NONE

## NOTICE OF ANNUAL STOCKHOLDERS' MEETING

DEAR STOCKHOLDERS:

Please be informed that the Annual Stockholders' Meeting of Allied Care Experts (ACE) Medical Center- Bohol, Inc. ("ACEMC-Bohol") will be held on December 16, 2022 at 8:00 o'clock in the morning, via Zoom Webinar, in light of the COVID pandemic.

For the conduct of the Webinar, please register on or before December 8, 2022, through the following link:

[https://us06web.zoom.us/webinar/register/WN\\_GBYwjUMgTxWvuMxNmn6sZQ](https://us06web.zoom.us/webinar/register/WN_GBYwjUMgTxWvuMxNmn6sZQ)

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

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

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

The agenda:

- I. Call to Order
- II. **Invocation**
- III. Determination of Quorum
- IV. Welcome Message
- V. Reading and Approval of the Minutes of the Y2021 Annual Stockholders' Meeting
- VI. Audited Financial Report 2021
- VII. President's Report
- VIII. Ratification of the Acts and Proceedings of the Board of Directors, Officers, and Management of the Corporation
- IX. Election of the Board of Directors for Year 2022-2023
- X. Other Matters
- XI. Adjournment

Only stockholders of record at the close of business on November 26, 2022, Wednesday, shall be entitled to notice of and to vote at the meeting. If you cannot personally attend the meeting, you may opt to send your proxy to attend in your behalf. Kindly submit your duly executed proxy form with the undersigned, via email, at [acemcbohol.sec@gmail.com](mailto:acemcbohol.sec@gmail.com) [acemcbohol.sec@gmail.com](mailto:acemcbohol.sec@gmail.com) not later than 5:00 p.m. on December 15, 2022, but preferably, on December 8, 2022, to enable your proxy to register in the Zoom Webinar. Attached is a sample proxy form for your reference. [NOTE: Management is not soliciting proxies.]

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

You may contact the undersigned via email at [acemcbohol.sec@gmail.com](mailto:acemcbohol.sec@gmail.com) or through mobile number 0938-4136179 if you have inquiries/concerns regarding the meeting.

Very truly yours,



**IMELDA G. JUMANGIT**  
Corporate Secretary

**PROXY**

The undersigned, being a stockholder of Allied Care Experts (ACE) Medical Center-Bohol Inc. (the "Stockholder"), do hereby appoint and empower \_\_\_\_\_, as proxy to act and vote in the Stockholder's name and stead, at the Annual Stockholders' Meeting of Allied Care Experts (ACEMC-Bohol) Medical Center-Bohol Inc., to be held on December 16, 2022 at 8:00 am via Zoom Webinar.

IN WITNESS WHEREOF, I have hereunto set my hand this \_\_\_\_ day of \_\_\_\_\_, 2022.

\_\_\_\_\_  
(Signature over Printed Name of Stockholder)

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

1. Check the appropriate box:

- Preliminary Information Statement  
 Definitive Information Statement

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

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

4. SEC Identification Number: CS201404018

5. BIR Tax Identification Code: 008-723-682-000

6. Address of Principal Office: Postal Code:  
**0368 CPG East Avenue corner Bioco Street, Mansasa District, Tagbilaran City Bohol 6300**

7. Registrant's telephone number, including area code: (038) 412 8888

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

Date : **December 16, 2022**  
Time : **8:00 a. m.**  
Place : **0368 CPG East Avenue corner Bioco Street, Mansasa District, Tagbilaran City Bohol**  
**Via Zoom Webinar**  
[https://us06web.zoom.us/webinar/register/WN\\_GBYwjUMgTxWvuMxNmn6sZQ](https://us06web.zoom.us/webinar/register/WN_GBYwjUMgTxWvuMxNmn6sZQ)

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **November 22, 2022**

10. In case of Proxy Solicitations: NOT APPLICABLE

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

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

Title of Each Class	Number of Shares of Common Stock Outstanding
Founder's Shares	600
Common Shares	160,020

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

Yes \_\_\_\_\_ No x

**PART I**

**INFORMATION REQUIRED IN INFORMATION STATEMENT**

**A. GENERAL INFORMATION**

**Date, time and place of meeting of security holders.**

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

Date : **December 16, 2022**

Time : **8:00 a. m.**

Place : **0368 CPG East Avenue corner Bioco Street, Mansasa District,  
Tagbilaran City Bohol  
Via Zoom Webinar**

([https://us06web.zoom.us/webinar/register/WN\\_GBYwjUMgTxWvuMxNmn6sZQ](https://us06web.zoom.us/webinar/register/WN_GBYwjUMgTxWvuMxNmn6sZQ))

Complete Mailing Address of Principal Office of Registrant:

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

**0368 CPG East Avenue corner Bioco Street, Mansasa District, Tagbilaran City Bohol**

The approximate date on which the information statement is first to be sent and given to security holders shall be November 22, 2022.

**Dissenter's Right of Appraisal**

There are no matters or proposed corporate actions included in the Agenda of the meeting which may give rise to a possible exercise by security holders of their appraisal right. Generally, however, under Section 80, Title X of the Revised Corporation Code of the Philippines, the stockholders of the Corporation have the right of appraisal under the following instances:

a. In case an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those outstanding shares of any class, or of extending or shortening the term of corporate existence;

b. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in this Code;

c. In case of merger or consolidation and;

d. In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

Under Section 81, Title X of the Revised Corporation Code, the dissenting stockholder who votes against a proposed corporate action may exercise the right of appraisal by making a written demand on the corporation for the payment of the fair value of shares held within thirty (30) days from the date on which the vote was taken; Provided, That failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented the corporation shall pay the stockholder, upon surrender of the certificate or certificates of stock representing the stockholder's shares, the fair value thereof as of the day before the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If, within sixty (60) days from the approval of the corporate action by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be the stockholder, another by the corporation, and the third by the two (2) thus chosen. The findings of the majority of the appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made; Provided, That no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment: provided further, That upon payment by the corporation of the agreed price, the stockholder shall forthwith transfer the shares to the corporation.

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

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

**B. CONTROL AND COMPENSATION INFORMATION**

**Voting Securities and Principal Holders Thereof**

(a) Class of Voting Shares as of October 31, 2022:

	Shares Outstanding	No. of Vote Each Share Is Entitled
<b>Common Shares:</b>		
<b>Filipino</b>	<b>160,020 shares</b>	<b>One (1) vote per share</b>
<b>Foreign</b>	<b>0</b>	<b>One (1) vote per share</b>
<b>Total</b>	<b>160,020 shares</b>	

(b) Record Date:

All stockholders of record as of November 22, 2022, are entitled to notice of and to vote at the Annual Stockholders' Meeting.

(c) Manner of voting:

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

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

(1) Security Ownership of Certain Record and Beneficial Owners (of more than 5%) as of October 31, 2022

The persons known to the registrant to be directly or indirectly the record or beneficial owner of more than 5% of the registrant's voting securities as of October 31, 2022, are as follows:

Title of Class	Name, Address of record owner and Relationship	Name of Beneficial Owner and Relationship with Record	Citizenship	No. of Shares	Percent
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	<b>with Issuer</b>	<b>Owner</b>		<b>Held</b>	
Common	Amado Manuel C. Enriquez Jr. 73 West Avenue, Quezon City	Amado Manuel C. Enriquez Jr. is both the record and beneficial owner of the shares.	Filipino	29,480 [Direct]	18.20%
Common	Marietta T. Samoy 71 Crimson Leaf Ayala Sonera Sothvale Village, Las Pinas City	Marietta T. Samoy is both the record and beneficial owner of the shares.	Filipino	12,500	7.75%
Common	Roberto M. De Leon 12 Roxas Street, North Xavierville, Loyola Heights, Quezon City	Roberto M. De Leon is both the record and beneficial owner of the shares.	Filipino	10,000	6.20%

(2) Security Ownership of Directors and Management as of October 31, 2022:

<b>(1) Title of Class</b>	<b>(2) Name of Beneficial Owner</b>	<b>Position</b>	<b>(3) Amount and Nature of Beneficial Ownership</b>	<b>(4) Citizenship</b>	<b>(5) Percentage (%) of Class</b>
	<b>Board of Directors:</b>				
Common Founder	Amado Manuel C. Enriquez, Jr.	Director / Chairman	C- 29,380 F-100 [Direct]	Filipino	18.35%
Common Founder	Ronald L. Ramiro	Director / President	C-4,980 F-20 [Direct]	Filipino	3.11%
Common Founder	Marietta T. Samoy	Director / Vice-President	C-12,450F-50 [Direct]	Filipino	7.78%
Common Founder	Imelda G. Jumangit	Director / Corporate Secretary	C-2,490F-10 [Direct]	Filipino	1.56%
Common Founder	Geanie Cerna-Lopez	Director / Asst Corporate Secretary	C-2,490F-10 [Direct]	Filipino	1.56%
Common Founder	Backy D. Bacareza	Director / Corporate Treasurer	C-2,490F-10 [Direct]	Filipino	1.56%
Common Founder	Michael Edward R. Enriquez	Director / Asst Corporate Treasurer	C-2,490F-10 [Direct]	Filipino	1.56%
Common Founder	Jane R. Ramiro	Director	C-4,980F-20 [Direct]	Filipino	3.11%
Common Founder	Generoso M. Orillaza	Director	C-2,490F-10 [Direct]	Filipino	1.56%
Common Founder	Miguel Antonio R. Enriquez	Director	C-2,490F-10 [Direct]	Filipino	1.56%
Common Founder	John Jerlyn G. Cruz	Director	C-2,490F-10 [Direct]	Filipino	1.56%
Common Founder	Roberto M. De Leon	Director	C-9,960F-40	Filipino	6.23%

			[Direct]		
Common Founder	Joyce C. Castillo	Independent Director	C-2,490F-10 [Direct]	Filipino	1.56%
Common Founder	Isagani Jodl G. De Los Santos Jr.	Independent Director	C-2,490F-10 Direct	Filipino	1.56%
Common Founder	Ria Teresita P. Maslog	Independent Director	C-2,490F-10 [Direct]	Filipino	1.56%
Total for Directors			86,980		54.18%

<b>Executive Officers:</b>					
Common Founder	Ronald L. Ramiro	President	C-4,980 F-20 [Direct]	Filipino	3.11%
Common Founder	Marietta T. Samoy	Vice- President	C-12,450 F-50	Filipino	7.78%
Common Founder	Imelda G. Jumangit	Corporate Secretary	C-2,490F-10 [Direct]	Filipino	1.56%
Common Founder	Geanie Cerna-Lopez	Asst Corporate Secretary	C-2,490F-10 [Direct]	Filipino	1.56%
Common Founder	Backy D. Bacareza	Corporate Treasurer	C-2,490F-10 [Direct]	Filipino	1.56%
Common Founder	Michael Edward R. Enriquez	Asst Corporate Treasurer	C-2,490F-10 [Direct]	Filipino	1.56%
Total for Officers					-
Common Shares	Directors and Exec. Officers as a Group		27,500		17.13%

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

(4) The Company is not aware of any voting trust agreement/s or similar agreement/s which may result in a change in control of the Company.

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

## **Directors and Executive Officers**

### **(a) Directors/Nominees and Executive Officers**

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

1. Backy D. Bacareza
2. John Jerlyn G. Cruz
3. Roberto M. De Leon
4. Amado Manuel C. Enriquez, Jr.
5. Michael Edward R. Enriquez
6. Miguel Antonio R. Enriquez
7. Imelda G. Jumangit

8. Generoso M. Orillaza
9. Ronald L. Ramiro
10. Jane R. Ramiro
11. Geanie Cerna-Lopez
12. Marietta T. Samoy
13. Joyce C. Castillo – Independent Director
14. Ria Teresita P. Maslog – Independent Director
15. Isagani Jodl G. De Los Santos, Jr.– Independent Director

**Nominees for Election as Members of the Board of Directors**

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

1. Ma. Ferminita J. Bertulfo
2. Geanie Cerna-Lopez
3. Roberto M. De Leon
4. Amado Manuel C. Enriquez, Jr.
5. Michael Edward R. Enriquez
6. Miguel Antonio R. Enriquez
7. Felix P. Nolasco
8. Isidro Permites
9. Ronald L. Ramiro
10. Jane R. Ramiro
11. Amelia P. Valdez
12. Marietta T. Samoy
13. Felicismo De Castro – Independent Director
14. Maria Corazon Entero-Lim – Independent Director
15. Alice R. Ladaga.– Independent Director

The Company has complied with the guidelines on the nomination and election of independent directors as set forth in Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code. The independent directors, Felicismo De Castro, Maria Corazon Entero-Lim and Alice R. Ladaga were nominated by Herbert N. Relampagos, Generoso M. Orillaza, and Ma. Cecilia Angela E. Lopez, respectively. The nominees are not related to their respective nominating stockholder and were pre-screened by the Nominations Committee composed of Marietta T. Samoy (Chairman), Isagani Jodl G. De Los Santos, Jane R. Ramiro, Marbert John T. Cardino, and Alice R. Ladaga.

The Company’s key executive officers as of October 31, 2022, are as follows:

Ronald L. Ramiro	- President
Marietta T. Samoy	- Vice-President
Backy D. Bacareza	- Corporate Treasurer
Imelda G. Jumangit	- Corporate Secretary
Geanie Cerna-Lopez	- Assistant Corporate Secretary
Michael Edward R. Enriquez	- Assistant Corporate Treasurer

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

Please refer to attached Annex “A” (pages 23 to 26) for the summary of qualifications of the current Directors/Nominees and Executive Officers.

**Significant Employees**

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

### Family Relationships

Except for Dr. Amado Manuel Enriquez, Jr., Michael Edward Enriquez and Miguel Antonio Enriquez, who are father and sons; Dr. Ronald L. Ramiro and Dr. Jane R. Ramiro, who are husband and wife, and their children Dr. Stephanie R. Ramiro, Dr. Valerie R. Ramiro, Mr. Reginald R. Ramiro and Mr. Braunwald R. Ramiro; Dr. Herlando D. Bertulfo, Jr. and Dr. Ma. Ferminita J. Bertulfo, who are husband and wife; Dr. Geanie Cerna- Lopez and Mr. Felino A. Cerna who are siblings; Dr. John Jerlyn G. Cruz and Dr. Maita C. Cruz, who are husband and wife; Dr. Felicisimo D. De Castro and Dr. Maria Gloria De Castro, who are husband and wife; Dr. Felix O. Nolasco and Dr. Eulenia Nolasco, who are husband and wife; Engr. Generoso M. Orillaza and Dr. Marissa Orillaza, who are husband and wife; Dr. Isidro D. Permites, Jr. and Dr. Jane Elanor L. Permites, who are husband and wife, there are no other family relationships up to the fourth civil degree either by consanguinity or affinity among directors, executive officers, persons nominated or chosen by the Company to become directors, or executive officers, any security holder of certain record, beneficial owner or management.

### Certain Relationships and Related Transactions

The Company, in the normal course of business, has entered into transactions with related parties principally consisting of:

<b>2021</b>					
<b>Nature of Relationship</b>	<b>Nature of Transaction</b>	<b>Amount (current transaction)</b>	<b>Outstanding balance</b>	<b>Terms</b>	<b>Conditions</b>
<b>Advances from Major Shareholders</b>	<b>Advances Payment</b>	<b>- (35,830,790)</b>	<b>₱ 2,319,062</b>	<b>(2)</b>	<b>(3)</b>
<b>2020</b>					
<b>Nature of Relationship</b>	<b>Nature of Transaction</b>	<b>Amount (current transaction)</b>	<b>Outstanding balance</b>	<b>Terms</b>	<b>Conditions</b>
<b>Advances from Major Shareholders</b>	<b>Advances Payment</b>	<b>₱ 11,631,157 (681,231)</b>	<b>₱ 38,149,852</b>	<b>(2)</b>	<b>(3)</b>
<b>2019</b>					
<b>Nature of Relationship</b>	<b>Nature of Transaction</b>	<b>Amount (current transaction)</b>	<b>Outstanding balance</b>	<b>Terms</b>	<b>Conditions</b>
<b>Advances from Major Shareholders</b>	<b>Payment</b>	<b>₱ (30,025,694)</b>	<b>₱ 27,199,926</b>	<b>(2)</b>	<b>(3)</b>
<b>Loans receivable- ACE Medical Center- Valenzuela, Inc.</b>	<b>Collection</b>	<b>(25,200,000)</b>	<b>₱ -</b>	<b>(1)</b>	<b>(3)</b>
<b>2018</b>					
<b>Nature of Relationship</b>	<b>Nature of Transaction</b>	<b>Amount (current transaction)</b>	<b>Outstanding balance</b>	<b>Terms</b>	<b>Conditions</b>

**Advances from  
Major  
Shareholders**

**Advances**

**₱ 26,571,488**

**57,225,620**

**(2)**

**(3)**

<b>Loans receivable- ACE Medical Center- Valenzuela, Inc.</b>	<b>Collection</b>	<b>(1,800,000)</b>	<b>₱ 25,200,000</b>	<b>(1)</b>	<b>(3)</b>
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*Terms and Conditions:*

- (1) *Interest bearing, collectible in cash*
- (2) *Non-interest bearing, no scheduled repayment terms*
- (3) *Unsecured*

(a) Loans Receivable

In November 16, 2015, the Company granted a loan to its affiliate, Allied Care Experts (ACE) Medical Center – Valenzuela Inc., amounting to Php30,000,000 with a 6% interest rate per annum and principal repayments until 2025. In February 2019, the affiliate fully paid the remaining balance of Php25,200,000.

Interest earned from the loan receivable amounted to Php123,830, Php1,585,825 and Php1,563,252 for the years ended December 31, 2019, 2018 and 2017, respectively, were offset against the borrowing costs capitalized to construction-in-progress (see Note 11).

(b) Advances from shareholders

In the special meeting of the Board held last March 26, 2017, the directors and shareholders were mandated and empowered to contribute resources and make cash advances to the Company for the development of its medical structures and appurtenances.

In view of this, the shareholders advanced monies in support of the Company’s hospital building construction requirements. These advances are non-interest bearing and to be paid subject to availability of funds and/or the Board may decide to convert said advances to equity in the distant future. The Company, however, reserves the right to defer settlement in favor of prioritizing payments relative to hospital construction. The Company started paying off its advances from shareholders.)

**Involvement in Certain Legal Proceedings**

As of October 31, 2022, the following Directors or Executive Officers have been involved in the following legal proceedings in their capacity as directors/officers of Allied Care Experts (ACE) Medical Center-Cebu Inc., during the last five (5) years that are material to an evaluation of their ability or integrity to act as such:

1. Amado Manuel C. Enriquez, Jr.
2. Geanie Cerna-Lopez
3. Marietta T. Samoy
4. Generoso M. Orillaza

**Civil Case No. R-CEB-18-01248-CV, Branch XI, Cebu City (Complaint for Declaration of Sale in Installment as Subscription Contract, Declaration of Rights or Pre-Emption, and for Attorney’s Fees)** - Dax Matthew M. Quijano, Rosemarie P. Quijano, Eric Y. Cheung, Girlie Cheung, Candice Joy A. Sia vs. ACE Medical Center-Cebu, Inc., Geanie Cerna-Lopez, Velma T. Chan, Luisito R. Co, Maita Cruz, Roberto M. De Leon, Amado Manuel C. Enriquez Jr., Floram C. Limotlimot, Roland Mark M. Gigataras, Joy C. Luna, Nicolas S. Molon, Felix P. Nolasco, Generoso M. Orillaza, Ronald L. Ramiro, Marietta T. Samoy and Evangeline Y. Zozobrado

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

The Defendants (based in Cebu) have already filed their Answer to the Complaint. However, the complaint for Manila based Doctors are yet to be served.

The Defendants filed a Motion to Dismiss the Complaint for lack of interest of the plaintiffs to prosecute the case last August 5, 2020. On July 14, 2021, a mediation conference was conducted, however, there was no amicable settlement reached. The case was set for another mediation conference on July 29, 2021.

**Civil Case No. R-CEB-18-00601-CV, Branch XI, Cebu City (Complaint for Issuance of Certificate of Stock, Declaration of Sale in Installment as Subscription Contract, Declaration of Rights or Pre-Emption, and for Attorney's Fees ) – Ferdinand P. Kionisala vs. Allied Care Experts (ACE) Medical Center-Cebu, Inc., Geanie Cerna-Lopez, Velma T. Chan, Luisito R. Co, Maita Cruz, Roberto M. De Leon, Amado Manuel C. Enriquez, Jr., Floram C. Limotlimot, Roland Mark M. Gigataras, Joy C. Luna, Nicolas S. Molon, Felix P. Nolasco, Generoso M. Orillaza, Ronald S. Ramiro, Marietta T. Samoy, and Evangeline Y. Zozobrado**

On February 5, 2018, complainant Ferdinand P. Kionisala filed a civil complaint against the Hospital and its Directors (as stated above) praying the Court to direct the defendants ACE Medical Center Cebu and its President and Corporate Secretary to issue the plaintiff's Certificate of Stock and declare the sale in installment as subscription contract, to allow him to exercise pre-emptive rights to the increase in capital approved by the Board on November 12, 2016.

The Defendants (based in Cebu) have already filed their Answer to the Complaint and Dr. Kionisala has filed a Motion for Partial Summary Judgment, but the same was opposed by the defendants on May 15, 2018. The Court has not yet ruled on the plaintiff's Motion for Partial Summary Judgment of May 2, 2018. Unless the Court resolves the Motion for Summary Judgment by the plaintiff, the case will not move on.

The Defendants filed a Motion to Dismiss the case for failure of the plaintiff to prosecute for lack of interest. A Mediation Conference was conducted last June 16, 2021, however, no amicable settlement reached. Thus, the pre-trial set on August 13, 2021 shall proceed.

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

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

Respondents received the Court Order on 11 December 2018 and filed their Comment to the Petition last January 7, 2019; the Plaintiffs also filed their reply. On November 25, 2020 at 8:30AM, a Judicial Dispute Resolution was conducted by RTC Branch 12, Cebu City via video conference hearing. Both parties did not come into an agreement. The Petitioners demanded PHP 600,000.00 from the Respondents. The case was scheduled for Pre-Trial on June 11, 2021, however, counsel for the petitioners did not appear. Pre-trial date has yet to be set again by the court.

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

**(b) Compensation of Directors and Executive Officers**

**SUMMARY COMPENSATION TABLE**

(a)	(b)	(c)	(d)	(e)
<b>Name &amp; Principal Position</b>	<b>Year</b>	<b>Salary</b>	<b>Bonus</b>	<b>Other Compensation</b>

				<b>n</b>
<b>A. President</b>	2021	75,000	0	0
<b>B. Vice-President</b>	2021	75,000	0	0
<b>C. Corporate Treasurer</b>	2021	50,000	0	0
<b>D. Corporate Secretary</b>	2021	50,000	0	0
<b>E. Assistant Corporate Secretary</b>	2021	50,000	0	0
<b>F. Assistant Corporate Treasurer</b>	2021	50,000	0	0
<b>G. Aggregate For the Above-Named CEO &amp; Officers</b>	<b>2022-Estim.</b>	350,000	0	0
	<b>2021</b>	350,000	0	0
	<b>2020</b>	0	0	0
<b>H. Aggregate For the Officers And Directors As A Group</b>	<b>2022-Estim.</b>	350,000	0	0
	<b>2021</b>	350,000	0	0
	<b>2020</b>	0	0	0

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

The Board of Directors, in its meeting on March 14, 2021, has approved the compensation of the following officers:

Chairman	- P75,000.00
President	- P75,000.00
Vice President	- P75,000.00
Corporate Secretary	- P50,000.00
Treasurer	- P50,000.00
Asst. Corporate Secretary	- P50,000.00
Asst. Treasurer	- P50,000.00

- b. The Company has a registered, non-contributory retirement plan. All regular employees are covered from the President down to rank and file.
- c. The Company has no existing options, warrants or rights to purchase any securities.

**(c) Independent Public Accountants**

The Company's external auditor is the auditing firm of Perez, Sese, Villa & Co. for a fee of P350,000.00 (exclusive of VAT and out-of-pocket expenses).

- a. The Audit committee evaluates proposals based on the quality of service, commitment for deadline and fees. The committee may require a presentation from each proponent to clarify some issues.
- b. Perez, Sese, Villa & Co., represented by its engagement partner, Ms. Ma. Alma C. Sese, is the external auditors of the Company for the most recently completed year 2020. Pursuant to SRC Rule 68 (3) (b) (iv) of the Amended Implementing Rules and Regulations of the Securities Regulation Code (SRC) (re: rotation of external auditors), the Company has not engaged Ms. Sese for more than five years.
- c. Representatives of Perez, Sese, Villa & Co. are expected to be present during the stockholders' meeting. The representatives will have the opportunity to make statements if they desire to do so and will be available to respond to appropriate questions from the security holders.
- d. During the most recent fiscal year or any subsequent interim period, the independent auditor has not resigned nor was dismissed or has declined to stand for reappointment after the completion of the current audit.
- e. The aggregate annual external audit fees billed for each of the last fiscal year for the audit of the registrant's annual financial statements or services that are normally provided by the external auditor are as follows:

For the Year 2021	- P203,200.00 (billed, accrued and paid in 2022)
For the Year 2020	- P317,500.00 (billed, accrued and paid in 2021)

For the Year 2019 - P 239,680.00 (billed, accrued and paid in 2020)  
For the Year 2018 - P 283,360.00 (billed and paid in 2019)

The above audit fees are inclusive of the following: (a) audit, other assurance and related services by the External Auditor that are reasonably related to (a) the performance of the audit or review of the Company's financial; and (b) All Other Fees, including estimated out of pocket expenses accrued by the Company as of December 2021.

### **C. OTHER MATTERS**

#### **Action with Respect to Reports**

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

Minutes of the December 20, 2021 Annual Stockholders' Meeting. The Minutes cover the following items:

- I. Call to Order.
- II. Invocation.
- III. Determination of Quorum.
- IV. Welcome Message.
- V. Reading and Approval of the Minutes of the Annual Stockholders' Meeting held on December 28, 2020.
- VI. Presentation and Approval of Year 2020 Audited Financial Statements
- VII. President's Report
- VIII. Ratification of Acts and Proceedings of the Board of Directors, Officers and Management of the Corporation.
- IX. Election of Directors for the Year 2021-2022
- X. Appointment Of External Auditor For The Year 2021
- XI. Other Matters
- XII. Adjournment

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

- i. Audited Financial Statements for the year ending 31 December 2020.

#### **Other Proposed Actions**

1. Ratification of all corporate acts and resolutions during the past year of the Board, Officers and Management. These acts are covered by resolutions duly adopted in the usual course of business such as opening of bank accounts and designation of authorized signatories for various transactions, etc.
2. Election of Directors for Y2022-2023
3. Appointment of External Auditor for fiscal year ending 31 December 2022

#### **Amendment of Charter, By-Laws and other Documents**

There is no action to be taken with respect to the Company's charter, by-laws and other documents.

#### **Voting Procedures**

Except on the election of directors, an affirmative vote by the stockholders owning at least a majority of the outstanding capital stock shall be sufficient to approve matters requiring stockholder's action. The holder of a majority interest of all outstanding stock of the Company entitled to vote at the meeting, in person or by proxy, shall constitute a quorum for the transaction of business. The holders of common stocks are entitled to one vote per share, but in connection with the cumulative voting feature applicable to the election of directors, each stockholder is entitled to as many votes as shall equal the number of shares held by such person at the close of business on the record date, multiplied by the number of directors to be elected. A stockholder may cast all of such votes for a single nominee or may apportion such votes among any two or more nominees. The shares

shall be voted/cast by secret balloting and/or raising of hands. Stockholders shall be entitled to vote either in person or by proxy.

*Method of Counting Votes*

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

**Compliance with Section 49 of the Revised Corporation Code**

Voting was done through the online poll that was launched during the annual stockholders meeting. The tabulation of the votes was done by the Board of Canvassers based on the votes received thru the online poll.

The stockholders were given the opportunity to ask their questions through the chatroom during the meeting. There were no questions raised by the stockholders.

The following matters were taken up:

Call to Order.

II. Invocation.

III. Determination of Quorum.

IV. Welcome Message.

V. Reading and Approval of the Minutes of the Annual Stockholders' Meeting held on December 28, 2020.

VI. Presentation and Approval of Year 2020 Audited Financial Statements

VII. President's Report

VIII. Ratification of Acts and Proceedings of the Board of Directors, Officers and Management of the Corporation.

IX. Election of Directors for the Year 2021-2022

X. Appointment Of External Auditor For The Year 2021

XI. Other Matters

XII. Adjournment

Except for the election of officers, all the matters taken up were unanimously approved by the stockholders present during the meeting. There were only 15 nominees for the 15 board seats to be elected; the votes were tabulated as follows:

Name of Nominee	Number of Votes
1. Backy D. Bacareza	37,350
2. John Jerlyn G. Cruz	37,350
3. Roberto M. De Leon	150,000
4. Amado Manuel C. Enriquez, Jr.	440,700
5. Michael Edward R. Enriquez	37,350
6. Miguel Antonio R. Enriquez	37,350
7. Imelda G. Jumangit	37,350
8. Generoso M. Orillaza	37,350
9. Ronald L. Ramiro	74,700
10. Jane R. Ramiro	74,700
11. Geanie Cerna-Lopez	37,350
12. Marietta T. Samoy	186,750
13. Joyce C. Castillo	37,350
14. Ria Teresita P. Maslog	37,350

The details of the discussions, resolutions approved and the voting tabulation for each of the items in the agenda for the annual meeting last year are included in the minutes of the meeting to be presented to the stockholders for approval in the forthcoming annual meeting.

Except on the election of directors, an affirmative vote by the stockholders owning at least a majority of the outstanding capital stock shall be sufficient to approve matters requiring the stockholder's action. The holder of a majority interest of all outstanding stock of the Company entitled to vote at the meeting, in person or by proxy, shall constitute a quorum for the transaction of business. The holders of common stocks are entitled to one vote per share, but in connection with the cumulative voting feature applicable to the election of directors, each stockholder is entitled to as many votes as shall equal the number of shares held by such person at the close of business on the record date, multiplied by the number of directors to be elected. A stockholder may cast all of such votes for a single nominee or may apportion such votes among any two or more nominees. The shares shall be voted/cast by secret balloting and/or raising of hands. Stockholders shall be entitled to vote either in person or by proxy.

Below is the Board Performance Appraisal Report for the year 2021:

### PERFORMANCE ASSESSMENT FOR THE BOARD OF DIRECTORS

(January 1, 2021- December 31, 2021)

Good Corporate Governance Principles and Practices	Rating
1. The Board is composed of competent, hardworking members that foster the long-term success of the corporation and sustain its competitiveness and growth.	5
2. The Board is headed by a competent and qualified chairperson.	5
3. The Board practices diversity which avoids group think and ensures that optimal decision-making is achieved.	4
4. The Board members act on a fully-informed basis, in good faith, with due diligence and care, and in the best interest of the company and the shareholders and all other stakeholders	5
5. The Board oversees the development of and approves the company's business and strategy and monitor its implementation, in order to sustain the company's long-term viability and strength	5
6. The Board ensures an effective succession planning program for directors, key officers and Management to ensure the continuous and consistent growth of the company.	4
7. The Board aligns the remuneration of key officers and board members with the long-term interest of the company.	5
8. The Board has adopted a formal nomination and election policy which provides for the procedures on how the Board accepts nominations.	5
9. The Board ensures the integrity of related party transactions and other unusual transactions, particularly those which pass certain threshold materiality. The Board reviews and approves material RPTs to guarantee fairness and transparency of the transactions.	5
10. The Board has an internal control system in place and a mechanism to monitor and manage potential/actual conflicts of interests of board members, management and shareholders.	4
11. Board has organized board committees to support the effective performance of the board functions, particularly, with respect to audit, risk management, compliance and other key corporate governance concerns, such as nomination and remuneration.	5
12. The Board endeavors to exercise an objective and	5

independent judgment on all corporate affairs.	
13. The Board has at least 2 independent directors, or at least 20% of the members of the Board, whichever is higher.	4
14. The Board regularly carries out evaluations to assess its performance as a body, and whether it possesses the right mix of backgrounds and competencies.	4
15. The Board applies high ethical standards, taking into account the interests of all stakeholders.	5
16. The Board has established corporate disclosure policies and procedures that are practical and in accordance with generally accepted best practices and regulatory expectations.	5

Except for per diem (P10,000.00/board meeting and P5,000.00 per committee meeting) for each director, there are no bonuses, profit sharing, or other compensation plans, contract, or arrangement in which any director, nominee for election as a director, or executive officer of the registrant will participate.

The Board of Directors, in its meeting on March 14, 2021, has approved the compensation of the following officers:

Chairman	- P75,000.00
President	- P75,000.00
Vice President	- P75,000.00

Corporate Secretary	- P50,000.00
Treasurer	- P50,000.00
Asst. Corporate Secretary	- P50,000.00
Asst. Treasurer	- P50,000.00

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Tagbilaran on **November 21, 2022**.

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

By:



**IMELDA G. JUMANGIT, MD**  
*Corporate Secretary*

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

*Allied Care Experts (ACE) Medical Center-Bohol Inc.*  
*0368 CPG East Avenue corner AS Bioco Street, Mansasa District,*  
*Tagbilaran City, Bohol 6300*

*Attention: Dr. Imelda Jumangit*  
*Corporate Secretary*

## ANNEX "A"

### INCUMBENT BOARD OF DIRECTORS/NOMINEES:

1. AMADO MANUEL C. ENRIQUEZ, JR., MD – Chairman, 70 years old, Filipino (Thoracic and Cardiovascular Surgeon)

Dr. Amado C. Enriquez, Jr., is the Founder of ACE Group of Hospitals and the Founding Chairman of the board of ACEMC-BOHOL and Chairman of its Executive Committee. He is also the founding President of Tagaytay Hospital Systems, Inc. and served the same position since its inception in 2004. He has served or is currently serving the following positions: founding Director of Manila East Medical Center in Taytay, Rizal since it was incorporated in 2001; founding Director of United Hospital Builders Inc. / Parañaque Doctors Hospital in Parañaque City since 2003 when it was incorporated; Chairman of the Board (2005-2006) of Sta. Rosa Hospital and Medical Center in Sta Rosa, Laguna and a Member of its Board of Directors (2006-2007); and Founder- Chairman, and CEO of Alaminos Medical Center Foundation, Inc. (2001 to present). He is likewise a stockholder of Calamba Doctors Hospital in Laguna; Metrosouth Medical Center in Molino, Cavite; Medical Center Imus in Imus, Cavite and Polymedic Medical Center in Mandaluyong City.

He is currently an active Cardiovascular-Thoracic Consultant Surgeon in St. Lukes' Medical Center, Philippine Orthopedic Center and UP-PGH, Manila East Medical Center, Taytay, Rizal, and Paranaque Doctors Hospital in Better Living, Paranaque City, Calamba Doctors Hospital, Sta. Teresita General Hospital in Quezon City and the De Los Santos Medical Center.

Dr. Enriquez is also active in socio-civic medical organizations as follows: he served various positions in the Rotary International, District 3820 as its Past President, RC Alaminos, 2000-01; Assistant Governor of D3820 RY2002-03; Assistant Governor of D3820 RY 2003-04; Chairman of the Medical Mission since RY 2001 up to RY 2007; and Chairman, World Community Service RY 2004-05; Chairman, Medical Mission, and Vitamin-A, RY 2006-07. He is a Fellow and Member since 1985 of the Philippine Society of Vascular Surgery. Dr. Enriquez is also its Vice-President since 2005. He is likewise a member of the following organizations: Asian Vascular Society, Philippine Medical Society where he is a Lifetime Member and the Philippine Rotary for Avoidable Blindness, Inc. where he is the Founding Vice-President since 2003.

Dr. Enriquez obtained his Doctor of Medicine as a College Scholar in 1978 from the University of the Philippines and finished his Medical Internship from UP – PGH in 1979. He completed his Manila Group Residency Training also "Sobresaliente" Honors Under Scholarship (Becario) Program during the entire from the Universidad de Navarra, Clinica Universitaria, Depto.Cirugia Cardiovascular y Toracica in Pamplona, from July 1979-June 1984. He also obtained his Post Graduate Degree from the Becario de la Universidad de Navarra,Pamplona, Post Graduate School of Medicine,Spain from 1982 to 1983. He was a Faculty Lecturer in Post Graduate School.College of Medicine, University of Navarre in 1983 and affiliated with Royal Liverpool Children's Hospital,Cardiothoracic Unit, Liverpool, UK from January to March 1985 and with the John Radcliffe General Hospital, Cardiothoracic Unit, Oxford University, UK (as British Medical Council Scholar from March to July 1981.He was a Fellow at the "Licenciatura en Colegio de Medicos de Navarra, Espana", also at Broadgreen Hospital, Cardiothoracic Unit, Liverpool, UK from June 1984 to March 1985 and a member of the Heart-Lung Transplant team at the Harefield Hospital Cardiothoracic Division in Middlesex, UK from April to June 1985.He was Assistant Clinical Professor at the University of the Philippines, College of Medicine and Consultant Surgeon at the Department of Cardiovascular-Thoracic Surgery of UP-PGH from 1985 to 1990.

Dr. Enriquez also wrote several research publications which he co-authored with various individuals as follows: Revacularization Coronaria y Carotides Simultaneas, A. Enriquez, A. Martin Trenor and J.A. Casillas. Revista de Medicina de la Universidad de Navarra,25: 41-46.1981; Nuestra Experiencia con La Valvula de Duramadre (Durafic) en Patologia Mital y/o Aortica., A. Enriquez, R. Arcas, R. Llorens, J. Herreros, and A. de la Fuente. I Congreso de la Sociedad Catalana de Cirugia Cardiacas. Barcelona, Junio 1981; Communication Interventricular en Lactantes de Bajo Peso. Resultados de Deferentes Tecnicas Quirurgicas. A. Enriquez et al. I Congreso de La Sociedad Catalana de Cirugia Cardiacas. Barcelona, Junio, 1981; La Cirugia Coronaria en Espana.ano 1981A. Enriquez, J. A. Casillas, R.Llorens, J. Herreros, C. Barriosos. VI National Congress of the

Spanish Society of Cardiovascular Surgery. Torremolinos, Malaga. May 27-29, 1982; Evolucion a Largo Plazo-8 anos- de la Protosis de Bjork (Mital y Aortica). A. Enriquez, R. Llorens, C. Barriosos, J.R. Sanchez, J. Herreros. VI National Congress of the Spanish Society of Cardiovascular Surgery. Torremolinos, Malaga. May 27-29, 1982; Evolucion a Largo Plazo-8 anos- de la Sustitucion Valvula Mitral con la Protosis de Starr-Edwards, Modelo 6320. A. Enriquez, R. Sanchez, C. Barriosos, R. Arcas. IX Congreso Hispano-Portugues de Cardiologia, Santiago de Compostela. Septiembre 27-Octubre 01, 1982; Evolucion a Largo Plazo-8 anos- de la Protosis de Las Protosis de Bjork-Shiley Aislada en Posicion Aortica. A. Enriquez, J. Herreros, R. Llorens R. Arcas IX Congreso Hispano-Portugues de Cardiologia, Santiago de Compostela. Septiembre 27-Octubre 01, 1982; Aortico-Left Ventricular Tunnel: A Case Report and Review of the Literature. A. Enriquez, R. Llorens, R. Arcas, J. Herreros, A. de la Fuente. Texas Heart Institute Journal, 9: 169, 1982; Necrosis of the Anterior Tibial Compartment. A. Enriquez, J.M. Serra, R. Llorens. Journal of Angiology, May, 1983; Estudio Comparativo a Largo Plazo Entre La Protosis de Starr-Edwards y La de Bjork en Posicion Mitral Aislada. A. Enriquez, C. Barriosos, J. Herreros, R. Llorens. IX Congreso Hispano-Portugues de Cardiologia, Santiago de Compostela. Septiembre 27- Octubre 01, 1982; and Tratamiento Quirurgicos de los Defectos de Cojines Endocardicos. A. Enriquez, R. Arcas, J. Casillas, J. Herreros. IX Congreso Hispano-Portugues de Cardiologia, Santiago de Compostela. Septiembre 27- Octubre 01.

He also has a number of researches which he is still working on as follows: Cerebral Vasoconstriction Effect of Cigarette Smoke Studied by Doppler Ultrasonography; Carotid Vasoconstriction due to Cigarette Smoke: Assessment by a New Doppler Index; Anuerysm of Axillary Artery in Betchet's Syndrome; A Comparative Study on Mustard, Senning and Arcas Surgical Techniques in Tetralogy of Fallot; Patch or No Patch in Surgical Repair of Tetralogy of Fallot; Left Atrial Myxoma. A Case Report and Review of Literatures; and Hyperoxygen Test in Diagnosis of Total Anomalous Pulmonary Venous Drainage, Infradiaphragmatic Type.

## 2. RONALD L. RAMIRO, MD, MHA - President, 66 years old, Filipino (General Surgery)

A native of Tagbilaran City, Bohol, Dr. Ramiro, is the Founding President, Member of the Board of ACEMC-BOHOL. He obtained his medical degree at the Cebu Institute of Medicine after graduating from Bachelor of Science in General Sciences in Silliman University, Dumaguete, Negros Occidental. He had his Post-Graduate Internship training at Southern Island Hospital (presently Vicente Sotto Memorial Medical Center) in Cebu City and his 6-month Rural Health Physician Practice in the nearby town Albuquerque, Bohol. After passing the Philippine Medical Commission Medical Licensure Board Examination in 1982, Dr. Ramiro then proceeded to train in General Surgery in Chong Hua Hospital where after his 2nd year, he was highly recommended to finish his 5-year residency training at Cebu Doctors' Hospital, becoming the chief Fellow then.

Upon his return to Bohol in 1990, Dr. Ramiro then became the Medical Director of the Ramiro Community Hospital, at the same time, the Chairman of the Department of Surgery. He established the operating room complex of the hospital, brought in skills and training of nurses especially in the OR. Upon his return to the hospital, since there was no trained ultrasonographer at that time, Dr. Ramiro further trained in it to serve the need of the locality. He lead the expansion and construction of the Ramiro Community Hospital to expand to a 4-storey building with 100-bed capacity, raising up its level today as the "best healthcare institution" in the island.

Continuing education was extended to all Boholanos, training nurses and allied health services on Basic and Advanced Life Support after obtaining the Trainers' workshop. To further his knowledge on hospital management, Dr. Ramiro is presently working on his thesis in Masters in Hospital Administration on green hospital technology. One of best services given to the people of Bohol by Dr. Ramiro was doing Cleft Lip-Palate surgeries on indigents as young as infancy, having done more than 3000 cases since 1990. This initially helped by the Menonites who would walk through the mountains to look for children afflicted with the condition until SMILE Philippines took over the processing. Dr. Ramiro is the only accredited surgeon in the island.

Dr. Ramiro became the President of the Bohol Medical Society (BMS) in 1997 and is a Life Member of both the BMS and Philippine Medical Association. He was likewise awarded Most Outstanding Physician by both institutions. Together with his spouse, the structure of the Bohol Medical Society Building was started. Up to the present, he has been the chairman of its physical plant until it was finished and used for its purpose.

3. MARIETTA T. SAMOY, MD, FPOGS, FPSUOG, MHA – Vice President, 65 years old, Filipino (Obstetrics, Gynecology and OB Ultrasound)

Dr. Marietta Samoy is a Founder and a Member of the Board of Directors of ACEMC-BOHOL, currently holding the position of Vice-President of the corporation. She is a seasoned obstetrician-gynecologist practicing in Las Pinas, Muntinlupa and Paranaque. She is a founder of several hospitals in Metro Manila, namely, Las Pinas City Medical Center, Paranaque Doctors Hospital, Medical Center Muntinlupa, Metrosouth Medical Center, Unihealth Paranaque Hospital and Medical Center, and Diliman Doctors Hospital. Other hospitals which are on construction status wherein she is also a founder are Allied Care Experts (ACE) Medical Center-Valenzuela, Allied Care Experts (ACE) Medical Center-Baliwag, Allied Care Experts (ACE) Medical Center- Quezon City and Allied Care Experts (ACE) Medical Center-Pateros. In these hospitals, she has been elected and appointed to different positions as President, Chairman, Administrator, Medical Director, Head of Business Office, Treasurer, Personnel Director, Head of Pharmacy, head of the OBGyne Department.

Dr. Samoy graduated from Perpetual Help Binan, Laguna in 1987.

4. IMELDA G. JUMANGIT, MD, FPCP, **FPCCP** – Corporate Secretary, 57 years old, Filipino (Internal Medicine –Pulmonology)

Dr. Jumangit is a Founder and Member of ACEMC-BOHOL and is its Corporate Secretary. She earned her medical degree at Cebu Doctors' College of Medicine in 1991 then had her residency training in Internal Medicine at Cebu Doctors' Hospital. She is a Fellow of the Phil. College of Physicians and Phil. College of Chest Physicians. She graduated in Cebu Doctors' College of Medicine, had her residency training in Internal Medicine at Cebu Doctors' Hospital and had her Fellowship training in Pulmonary Medicine at the Lung Center of the Philippines.

5. GEANIE CERNA-LOPEZ, MD, FPOGS, FPSUOG, MHSA – Assistant Corporate Secretary, 69 years old, Filipino (Obstetrics, Gynecology and OB Ultrasound)

Dra. Geanie Cerna-Lopez is a Founder and Member of ACEMC-BOHOL and is its Assistant Corporate Secretary, She holds clinics in Manila at Asian Hospital and Medical Center, Medical Center Muntinlupa, Las Pinas City Medical Center and Paranaque Doctors Hospital and Unihealth Paranaque Hospital and Medical Center. She has been affiliated with the following organizations for the past several years: Fellow, Philippine OB- Gyne Society; Fellow, Philippine Society of OB-Gyne Ultrasound, Masters in Hospital Administration in Ateneo Professional School, Life Member, Philippine Medical Association; Philippine Hospital Association, Cebu Institute of Medicine Medical Alumni Association. She has held several positions in different hospitals wherein she is a founder, namely, Chairman, President, Medical Director, Hospital Administrator, Department Head, Chief of Clinics, Personnel Director. In 1996, she was the president of the Las Pinas Medical Society. She was also an associate professor in the College of Medicine of the University of Perpetual Help, Las Pinas City.

6. BACKY D. BACAREZA, MD, FPCP, FPSN – Corporate Treasurer, 46 years old, Filipino (Internal Medicine – Nephrology)

Dr. Bacareza is a Founder and Member the board of directors of ACEMC-BOHOL and is its Corporate Treasurer, is a nephrologist, obtained her medical degree in the Cebu Doctors' University, then proceeded to have her residency training in Internal Medicine in The Medical City Manila where she likewise took her Fellowship training in Nephrology. She is a Fellow of the Philippine College of Physicians and Fellow of the Phil. Society of Nephrology. She is a consultant in the Department of Internal Medicine in different hospitals in the city.

7. MICHAEL EDWARD R. ENRIQUEZ, MD – Assistant Corporate Treasurer, 35 years old, Filipino (General Medicine)

Dr. Michael Edward Enriquez is a Founder and Member of the board of directors of ACEMC-BOHOL, and is its Assistant Corporate Treasurer. Dr. Enriquez graduated from University of Maryland, USA in the year 2010. He went to medical school at the University of Santo Tomas and graduated in the year 2017. He is also currently

affiliated with the ACE Group of Hospitals. He was the Corporate Treasurer and ACE Medical Center-Valenzuela, Business Office Head of Unihealth Paranaque Medical Center, Board of Director of ACE Medical Center-Baliwag, Board of Director of ACE Medical Center-Malolos, Board of Director of ACE Medical Center-Sta. Maria, Bulacan, Board of Director of ACE Medical Center-SJDM and Board of Director of ACE Medical Center-Sariaya. He is presently the Board of Director of ACE Medical Center-Quezon City, Board of Director of ACE Medical Center-Pateros and Board of Director of ACE Medical Center-Baypointe. He was awarded as an Outstanding intern in Emergency Medicine by the Philippine General Hospital in 2018.

8. GENEROSO M. ORILLAZA, CE – Director, 66 years old, Filipino (Civil Engineer)

Engr. Generoso M. Orillaza, one of the Founders and a Member of the Board Directors of ACEMC-BOHOL. He is also the Chairman of its Construction Committee. He is currently active with the following institutions: Project Manager and Chairman of the Construction Committee of United Hospital Builders (where he is also a Founder) and Sta. Rosa Hospital Systems, Inc., Chairman of the Construction Committee of the Tagaytay Hospital Systems Inc. (where he is also a Founder), Part- Owner, Lab Manager –Histopath Section of the Medical Center Muntinlupa, Part-Owner, Consultant Lab Operations of the United Diagnostic Lab, Inc.; Part- Owner Lab Manager of the Lo Cezar Polyclinic and Lab; and Technical Consultant of the First Magna Corporation.

Engr. Orillaza worked with various companies in different capacities as follows: Technical Consultant of the LBS Construction and Development Corporation; Operations Manager at the First Magna Corporation; Principal Engineer and Head-Technical Services Division of the Philippine National Construction Corporation; and Senior Engineer of the Construction & Development Corporation of the Philippines among others. He likewise attended several trainings and seminars as follows: Construction Project Management conducted by the Ateneo Graduate School of Business; Course on PERT/CPM conducted by the material Engineering Center and the UP Engineering Research and Development Foundation, Inc.; and Structural Analysis and Design of Multi-Storey Reinforced Concrete Building conducted by CDCP.

He completed his BS in Civil Engineering in 1977 at the Far Eastern University and passed the Civil Engineering Licensure Exams in May 1978. Engr. Orillaza is a member of the Philippine Institute of Civil Engineers Quezon City Chapter.

9. JANE REGNER-RAMIRO, MD, FPCP, FPCC, FPSE, MHA – Director, 66 years old, Filipino (Internal Medicine – Adult Cardiology - Echocardiography)

Born in La Carlota, Negros Occidental. Dr. Ramiro is a Founder and Member of the board of directors of ACEMC-Bohol and is currently the Medical Director. She got her medical degree at the Cebu Institute of Medicine. She had her residency training in Internal Medicine at Cebu Doctors Hospital, the Chief Resident on her senior year. She then proceeded with her fellowship training in Adult Cardiology at the Heart Institute, St. Luke's Medical Center and was awarded the most outstanding Fellow in Training in Adult Cardiology by the Philippine Heart Association. She further underwent Clinical Research Fellowship training in Echocardiography in the same institution.

10. MIGUEL ANTONIO R. ENRIQUEZ, DMD – Director, 34 years old, Filipino (General Dentistry)

Dr. Miguel Antonio Enriquez is one of the Founders and a Member of the Board Directors of ACEMC-BOHOL. He graduated Dentistry from CEU Manila and took up his Master's Degree in Hospital Administration at the University of Makati. He is currently affiliated with the ACE Group of Hospitals and is the Hospital Administrator of ACE Medical Center-Valenzuela, Vice-President of ACE Medical Center-Quezon City and Vice-President of ACE Medical Center-Pateros.

11. JOHN JERLYN G. CRUZ, MD, FPAFP, FPCOM, MBA, MHA - Director, 52 years old, Filipino (Occupational Health and Safety Practitioner)

Dr. Cruz graduated from Pamantasan ng Lungsod ng Maynila, College of Medicine Intramuros, Manila in April 1995 Doctor of Medicine. He had his Residency Specialty training in Family and Community Medicine in January 1997 – May 2000 at the Pamantasan ng Lungsod ng Maynila College of Medicine and had a further training in Occupational Health and Safety Course conducted at the University of the Philippines – College of Public Health in November 1997.

Currently, Dr. Cruz is one of the Founders of ACEMC-BOHOL and currently holds the position of Assistant Secretary for the Manila group, a Director in Carmona Hospital and Medical Center, Board of Director – Global Medical Center of Laguna, Board of Director – OSHNet Region IV-A CALABARZON. He is the Chair of the Center for Occupational and Environmental Health Occupational and Environmental Health Section of the University of Perpetual Help – DJGT Medical Center - Binan, Laguna. Dr. Cruz is likewise the Head of the Occupational and Industrial Medical Services of Carmona Hospital and Medical Center Inc. - Carmona, Cavite and Global Medical Center of Laguna. He is also the Head of the Membership and Training Committee of the Philippine College of Occupational Medicine, Laguna Chapter; and, the Co-Chair of the Occupational Health, Safety and Environment Department and Occupational and Industrial Medicine Department of Allied Care Experts Medical Center - Valenzuela.

12. ROBERTO M. DE LEON, MD, FPCS, FPALES - 70 years old, Filipino (General Surgery and Laparoscopic Surgery)

Dr. Roberto M. de Leon is one of the Founders of ACEMC-BOHOL and a Member of its Board of Directors. He is presently affiliated with the following medical institutions as Active Consultant: Delos Santos Medical Center, Quezon City; James L. Gordon Memorial Medical Center, Olongapo City and Sta. Teresita General Hospital, Quezon City. He is also a Visiting Consultant at the Capitol Medical Center, Quezon City.

Dr. De Leon earned his Doctor of Medicine at the University of Santo Tomas (UST) in 1977 and Post-Graduate Internship Training at the Ospital ng Maynila in 1978. He completed various training programs as follows: Family Medicine at the U.S. naval Regional Medical Center; General Surgery at the Veterans Memorial Medical Center; Laparoscopic & Endoscopic Surgery in Metropolitan Laparoscopic & Endoscopic Institute, Parsippany, New Jersey U.S.A.; Cosmetic Surgery Otsuka Academy of Cosmetic Plastic Surgery, Tokyo, Japan; and Rotating Preceptorship Program in Bariatric Surgery in San Diego California U.S.A. Dr. de Leon is also a member of various medical organizations as follows: Diplomate, Phil. Board of Surgery; Fellow, Phil. Society of General Surgeons; Fellow, Phil. College of Surgeons; Fellow, International College of Surgeons, Fellow, Phil. Society of Laparoscopic Surgeons; Fellow, Phil. Society of Oncology, Fellow, Phil. Academy of Aesthetic Surgery, Member, American Academy of Aesthetic & Restorative Surgery; Member, Phil. Society of Gastroenterology; Associate Member, American Society of Bariatric Surgery; and Lifetime Member, Phil. Medical Association.

13. JOYCE C. CASTILLO, MD, FPDS – Independent Director, 44 years old, Filipino (Dermatologist)

Dr. Castillo is a dermatologist presently practicing in Tagbilaran City, Bohol. She is an affiliate with NU.U Asia Dermatology, Laser and Plastic Surgery clinic in Fort Bonifacio, Taguig and Immunoboosters - The Medical Clinic in Makati City. She is an active member of the Philippine Dermatological Society she graduated from the University of the Philippines-Diliman and finished her Degree of Medicine at the St. Luke's College of Medicine-- William H. Quasha Memorial. She also completed her Post-Graduate Internship from the same institution. She had her Dermatology Residency Training Program at the Makati Center. She had further training under the International Mentorship Program of the International Society of Dermatology at the Ludwig-Maximillan University in Munich, Germany.

14. ISAGANI JODL G. DE LOS SANTOS, JR., MD, MHA – Independent Director, 54 years old, Filipino (Neurosurgery)

Dr. De Los Santos a Filipino, born in 1968 in Cebu City, He finished his primary and secondary education at Sacred Heart School for boys college. Dr. De Los Santos is a neurosurgeon trained in Vicente Sotto Memorial Medical Center. He obtained his medical degree in Gullas College of Medicine and completed his internship at Chong Hua Hospital. He also completed his most outstanding intern and with the leadership award of that year as president. He went into residency training in General Surgery of Department of General Surgery in Vicente Sotto Memorial Medical Center. He then proceeded and completed his residency training in Neurosurgery of the Department

of Neurological Surgery of the same institution. He also holds a degree in Master in Hospital Administration from Cebu Doctors University, he finished his doctor's degree in Organizational Development and Transformation from the same institution

15. RIA TERESITA P. MASLOG, MD, FPPS – Independent Director, 53 years old, Filipino (Pediatrics)

Dr. Maslog, after getting the degree of Bachelor of Science in Biology at the University of the Philippines-Cebu. She is a General Pediatrician, graduated from the University of the Philippines-Cebu. She finished her Degree of Medicine at the University of Visayas Gullas College of Medicine in 1993. She then has her post-Graduate internship at Chong Hua Hospital where she likewise had her Residency Training in Pediatrics. She is a Diplomate and Fellow of the Philippine Pediatric Society

16. Felix P. Nolasco - Director, MD, FPSO-HNS, FPCP, 70 years old (Surgery)

Dr. Felix P. Nolasco, born in 1952 is one of the founder and member of the board of directors of ACEMC-Bohol. Dr. Nolasco graduated from the UP College of Medicine in 1978 and UP-PGH Medical Center in 1979. He completed ENT-HNS Preceptorship with the Royal Naval Hospital, Royal Marsden Hospital, and Southampton General Hospital I in England in 1989. He finished fellowship in Maxillofacial Trauma-Plastic Surgery in Wayne State University in Detroit, Michigan, USA, and Preceptorship in Oral and Maxillofacial Surgery in Royal Melbourne Hospital in Australia in 1996.

17. Ma. Ferminita J. Bertulfo, MD, FPPS – Director, 58 years old, (Pediatrics)

A native of Antequera, Bohol, Dr. Bertulfo is a Founder and Member of ACEMC-BOHOL. She obtained her medical degree in Matias H. Aznar Memorial (MHAM)-SWU College of Medicine in 1991. She had her residency training in Pediatrics at the Gov. Celestino Gallares Memorial Hospital (GCGMH) in Tagbilaran City, Bohol. She passed the specialty board for Diplomate of Philippine Pediatric Society (PPS). Currently she is an active member of the Bohol Child Health Advocates, PMA and BMS. She is also a consultant of the Department of Pediatrics at RCH, TCH, MMGH-Bohol, BFC, HNUMC. Since June 2013 up to present, Dr. Bertulfo is taking her Masters in Hospital Administration at Cebu Doctors' Hospital.

18. Isidro Permites, MD, DPBS, FPSO, MHA – Director, 50 years old (Surgery)

Dr. Permites is one of the Founders of ACEMC-BOHOL. He got his education and training, graduating as Class Salutatorian and receiving his MD from Mindanao State University College of Medicine and completing his general surgery residency training in Gov. C. Gallares Memorial Hospital, Tagbilaran City and receiving his Surgical Oncology fellowship training in St. Luke's Medical Center in Quezon City with clinical rotation in Memorial Sloan Kettering Cancer Center in New York has prepared him for the challenges of caring patients with cancer. He has been honored in the past as the most outstanding Clinical Clerk and as the Most Outstanding Intern, as a Chief Resident and Chief Fellow. He is a member of the Philippine Medical Society, a fellow of the Philippine Society of Oncology, a lifetime member of the Gideon's International in the Philippines. He is also a co-owner of two franchise of Generika Drugstore. He has been a Visiting consultant on the following hospitals: Ramiro Community Hospital, Surgical oncology Division of Vicente Sotto Memorial Medical Center, Adventist Medical Center, Surgery Department of Northern Mindanao Medical Center, Misamis Oriental Provincial Hospital, Mercy Community Hospital, Pagadian City Medical Center, Dr. Uy Hospital and Gregorio T. Lluch Memorial Hospital.

He is active in research as an adviser in Graduate School in Computer Studies of Mindanao State University–Iligan Institute of Technology focused on using digital technology in Medicine. His current papers include: Detection of Micro Calcifications in Mammography Using Computer Imaging and AI (Artificial Intelligence) – Based Methods, and A study of Design and Evaluation of Hospital information System (HIS) Clinical User interface for Doctors and Nurses. His past works are: Surgical Site Infection-a microbiologic profile won a top award; Multi-institutional Survey on the Knowledge and Practice of Filipino Surgeons in Total Mesorectal Excision was conducted on key hospitals nationwide. His undergraduate thesis was one of the entries of the Search for Ten Outstanding Young Scientist of The Philippines.

19. Amelia P. Valdez, MD, FPPS – Director, 59 years old (Pediatrics)

Born in Cortes, Bohol, Dr. Valdez is one of the Founders of ACEMC-BOHOL. She obtained her medical degree at Cebu Doctors' College of Medicine in 1991 after graduating from Bachelor of Science in Biology in the same institution. She then proceeded with residency training in Pediatrics at Cebu Doctors' Hospital.

Dr. Valdez is Life Member of PMA and BMS, being one of its past secretaries. She is a Diplomate and Fellow in Philippine Pediatric Society, a member of Bohol Child Health Advocates, and an active consultant of the Department of Pediatrics at RCH, TCH, MMGH-Bohol, BFC, HNUMC. Currently, Dr. Valdez is also taking her Masters in Hospital Administration at Cebu Doctors' Hospital.

20. Alice R. Ladaga, MD, MHAd Independent Director, 62 years old, (Obstetrics and Gynecology)

Dr. Ladaga, obtained her medical degree at the Cebu Institute of Medicine in 1986 after her Bachelor of Science in Medical Technology at the Cebu Velez College. She was trained in Obstetrics and Gynecology at the Vicente Sotto Memorial Medical Center. Presently, she is an active consultant of the Department of Obstetrics & Gynecology at RCH, TCH, MMGH-Bohol, HNUMC and BFC. She is a member of the Phil. Obstetrics and Gynecological Society, PMA, BMS, Phil. Society of Family Physicians and Bohol Medical Options Group, Inc. (BMOG). She had her Masters of Hospital Administration at Cebu Doctors' University.

21. Felicisimo D. De Castro, MD - Independent Director, 68 years old (Ophthalmology)

Dr. Felicisimo De Castro, Filipino, born in 1954 is one of the founders of ACEMC-Bohol. His active affiliations are as follows: Consultant in Ophthalmology at the Eyre Referral Center/Glaucoma Research Foundation/Summit Refractive Surgery Center; Consultant in Ophthalmology/Conductive Keratoplasty at the Quezon City Eye Center and Private Practice in Ophthalmology at the Olongapo Eye Clinic.

Dr. De Castro finished both his Pre-medicine and Doctor of Medicine at the University of the Philippines. He has passed the Philippine Board of Ophthalmology Diplomate Examinations in 1987.

22. Maria Corazon E. Lim, MD, MHAd - Independent Director, 59 years old (Internal Medicine\_Rheumatology)

A native of Loay, Bohol, Dr. Lim is one of the Founders of ACEMC-BOHOL. She graduated in MHAM-SWU College of Medicine after taking her Bachelor of Science in Medical Technology in the same institution. She then had her residency training in Internal Medicine at the GCGMH. She is an active consultant of the Department of Internal Medicine at RCH, TCH, MMGH-Bohol, HNUMC and BFC. She is a member of the Phil. Rheumatology Association, PMA& past president of BMS. She took her Masters of Hospital Administration at Cebu Doctors' University.

## **ANNEX "B"**

## MANAGEMENT REPORT

### A. Independent Auditor

During the two most recent fiscal years or any subsequent interim period, the Company's independent accountant, Perez Sese Villa and CPAs Company, has not resigned, nor was dismissed or otherwise ceased performing services for the Company; there were no disagreements with the said independent accountant on any matter of accounting and financial disclosure.

### B. Description of Business

Allied Care Experts (ACE) Medical Center-Bohol, Inc. is a stock corporation duly organized under the laws of the Republic of the Philippines on March 6, 2014. It was established to maintain, operate, own, and manage hospitals, medical and related healthcare facilities and business such as, but without restriction to clinical laboratories, diagnostic centers, ambulatory clinics, condo hospitals, scientific research and other allied undertakings and services which shall provide medical, surgical, nursing therapeutic, paramedic, or similar care, provided that purely professional, medical or surgical services shall be performed by duly qualified physicians or surgeons who may or may not be connected with the hospitals and whose services shall be freely and individually contracted by the patients.

Allied Care Experts (ACE) Medical Center – Bohol, Inc. belongs to an industry which caters to the need of the public and medical practitioners for hospital facilities. Over a five (5) kilometer radius, competitors to the east, west and north of ACE Medical Center - Bohol include the following:

- 1) *Gov. Celestino Gallares Memorial Hospital*  
Level 3, Government Hospital with 526 bed capacity  
Address: 0053 Miguel Parras Street, Tagbilaran City, Bohol
- 2) *Ramiro Community Hospital*  
Level 2, Private hospital with 110 bed capacity  
Address: 63 Gallares Street, Tagbilaran City, Bohol
- 3) *Holy Name University Medical Center*  
Level 2, Private hospital with 50 bed capacity.  
Address: 462 J.A. Clarin Street, Tagbilaran City, Bohol
- 4) *Borja Family Hospital*  
Level 2, Private hospital with 40 beds capacity.  
Address: 19 Gallares Street, Tagbilaran City, Bohol
- 5) *Tagbilaran Community Hospital*  
Level 2, Private hospital with 48-bed capacity.  
Address: 49 Miguel Parras Street, Tagbilaran City, Bohol
- 6) *Medical Mission Group Hospital and Health Services Cooperative*  
Level 2 Private hospital with 50 beds capacity.  
Address: Binayran Road, Tagbilaran City, Bohol
- 7) *Bohol Doctors' Hospital*

Level 1, Private hospital with 25-bed capacity.  
Address: Bool, Tagbilaran City, Bohol

- 8) *Tagbilaran Puericulture Center & Maternity House Inc.*  
Level 1 private hospital with 20 bed capacity  
Address: J.A. Clarin Street, 6300 Tagbilaran City, Bohol

The Company's major suppliers are: International Elevator & Equipment, Inc. for the supply and installation of four (4) units of Mitsubishi Bed Elevator. A contract has been executed for the supply X-ray equipment package with Shimadzu Philippines Corporation. This covers several equipment such as: X-ray High Voltage Generator, X-ray Table, X-ray Tube support assembly, Bucky unit, Canon Digital Radiography and other accessories. A contract has been executed for the supply specialized imaging equipment package with Siemens Healthcare Inc. This covers several equipment such as: Digital MRI, Digital CT Scan, Digital Mammogram, and other accessories. The Company is not dependent on any single supplier.

ACE Medical Center-Bohol, Inc. has secured the necessary permits to construct the Hospital. This includes Building Permit, Mechanical, Electrical, Plumbing, and Fire permit, as well as Business permit and BIR registration. Other permits may be required later for its operation and shall be complied with by the Company.

ACE Medical Center Bohol has secured permits and licenses from national and local government entities particularly the License to Operate (LTO) from the DOH, Environmental Compliance Certificate and Hazardous Waste Permit from DENR. The Building Permit and Occupancy Permit is issued by the Tagbilaran City - Office of the Building Official and Business Permit from BPLO of Tagbilaran City.

The DOH LTO Inspection Team conducted an ocular inspection last December 11, 2018 of the facilities of the Hospital, and was found to be compliant with the standards of the Department prior to issuance of the Level 2 General Hospital.

The LTO was issued in January 10, 2019, followed by the Certificate of Membership with the Philippine Hospital Association and ultimately the Certificate of Accreditation by PHIC as Level 2 General hospital.

The Company is not involved in any legal proceedings.

## C. Securities of the Registrant

### Market Price, Dividend and Related Stockholder Matters

The securities of Allied Care Experts (ACE) Medical Center-Bohol Inc. are marketed through its organic salaried employees who serve as salesmen. The high and low sales prices by quarter for the last three (3) years are as follows:

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	2020	2021	2020	2021	2020	2021	2020	2021
Market Price								
High	-----	350T	200T	350T	250T	350T	350T	350T
Low	-----	350T	150T	350T	200T	350T	300T	350T

The price as of October 31, 2022 (latest practicable trading date) is P 350,000.00.

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

There are approximately 1,102 holders of common shares of the Company as of October 31, 2022. Please refer to Annex "C" page 42 for the list of top 20 stockholders as of October 31, 2022.

No dividends were declared in 2019, 2020 and 2021.

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

#### **D. Management's Discussion and Analysis or Plan of Operation**

For the 3<sup>rd</sup> Quarter (As of September 30)

The following table shows the consolidated financial highlights (unaudited) of the Company for the nine months then ended September 30, 2022:

	<b>2022</b>	<b>2021</b>
<b>Income Statement Data</b>		
Revenue	P 299,463	P 382,050
Other Income	17,153	10,780
Cost of Sales and Services	(204,977)	(217,856)
General and Administrative Expenses	(96,207)	(57,656)
Operating Income (Loss)	(22,968)	77,689
<b>Net Income (Loss)</b>	<b>(17,235)</b>	<b>77,331</b>

The revenue for the nine months ended September 30, 2022 is lower by 21.62 % from the 2021 revenue of P382.05M, this was due to decrease in hospital fees and sale of medicine which can be associated with the decreasing cases of covid-19 2022.

Other income for the nine months ended September 30, 2022 was higher by 59.11% as compared with the September 30, 2022 other income of P10,780,381. This was due to donation received by the Company.

Cost of sales and services for the nine months ended September 30, 2021 was lower by 5.91% as compared with the September 30, 2021 cost of sales and services of P217.86M. This was directly associated with the decrease in revenue. The major component of the cost of sales and services are professional fees, medical supplies, depreciation expense, employee's salaries and wages, light and water and outside services.

The 66.86% increase in operating expenses for the nine months ended September 30, 2022 compared with the nine months ended September 30, 2021 was primarily due to increase in most of the operating expenses as the Company progress in its operation since it opened in 2019.

Finance cost decreased by P1,229,657, this was due to decreased in loan payable due to payment.

Income tax benefit increased by 426.94%. This was due net loss incurred by the Company in 2022 compared to 2021.

Net loss from operation for the nine months ended September 30, 2022 amounts to P(17,235,495), a significant decrease from the P78,776,789 net income in September 30, 2021. This was basically due to the decrease in revenue in 2022 coupled with increase in operating expenses.

*Material Change in Operating Results*

<p><b>a. Revenue decreased by 21.62%</b> Due to decrease in hospital fees and sale of medicine which can be associated with the decreasing cases of covid-19 2022.</p>
<p><b>b. Cost of Sales decreased by 5.91%</b> This was directly associated with the decrease in revenue of the Company. The major component of the cost of sales and services are professional fees, medical supplies, depreciation expense, employee's salaries and wages, light and water and outside services.</p>
<p><b>c. Operating Expenses increased by 66.86%</b> This was primarily due to increase in most of the operating expenses as the Company progress in its operation since it opened in 2019.</p>
<p><b>d. Other income increased by 59.11%</b> This primarily due to increase in dietary income and donation received by the Company.</p>
<p><b>e. Finance cost decreased by 3.1%</b> Due to the decreased of loans payable.</p>
<p><b>c. Income tax benefit increased by 426.94%</b> This was due net loss incurred by the Company in 2022 compared to 2021.</p>
<p><b>d. Net income decreased by 121.88%</b> This was due net loss incurred by the Company in 2022 compared to 2021. This was basically due to the decrease in revenue in 2022 coupled with increase in operating expenses.</p>

**FINANCIAL CONDITION**

	September 30, 2022		December 31, 2021		Horizontal Analysis		Vertical
	Analysis (Unaudited)	(Audited)	Inc(Dec)	%age	September 30, 2022	December 31, 2021	
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash	₱ 67,078,647	₱ 61,198,741	₱ 5,879,906	9.61%	6%	5%	
Trade and other receivables	98,138,665	110,427,395	(12,288,730)	- 11.13%	8%	9%	
Inventories	51,791,482	38,938,714	12,852,768	33.01%	4%	3%	
Advances to suppliers and contracto	14,872,553	10,010,693	4,861,860	48.57%	1%	1%	
Prepayments and other current ass	22,411,458	9,364,707	13,046,751	139.32%	2%	1%	
<b>Total Current Assets</b>	<b>254,292,805</b>	<b>229,940,250</b>	<b>24,352,555</b>	<b>10.59%</b>	<b>21%</b>	<b>19%</b>	
<b>Non-current Assets</b>							

Property and equipment	920,563,287	943,668,144	(23,104,857)	-2.45%	77%	79%
Intangible asset	3,824,931	3,959,724	(134,793)	-3.40%	0%	0%
Deferred tax asset	21,428,477	14,580,393	6,848,084	46.97%	2%	1%
<b>Total Non-Current Assets</b>	<b>945,816,695</b>	<b>962,208,261</b>	<b>(16,391,566)</b>	<b>-1.70%</b>	<b>79%</b>	<b>81%</b>
<b>Total Assets</b>	<b>₱ 1,200,109,500</b>	<b>₱ 1,192,148,511</b>	<b>₱ 7,960,989</b>	<b>0.67%</b>	<b>100%</b>	<b>100%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Trade and other payables	₱ 90,872,590	₱ 86,025,659	₱ 4,846,931	5.63%	8%	7%
Advances from shareholders	29,353,531	2,319,062	27,034,469	1165.75%	2%	0%
Loans payable - current	73,249,174	35,959,888	37,289,286	103.70%	6%	3%
<b>Total Current Liabilities</b>	<b>193,475,295</b>	<b>124,304,609</b>	<b>69,170,686</b>	<b>55.65%</b>	<b>16%</b>	<b>10%</b>
<b>Non-Current Liabilities</b>						
Loans payable - non current	665,055,610	729,439,812	(64,384,202)	-8.83%	55%	61%
<b>Total Liabilities</b>	<b>858,530,905</b>	<b>853,744,421</b>	<b>4,786,484</b>	<b>0.56%</b>	<b>72%</b>	<b>72%</b>
<b>Equity</b>						
Share capital	161,260,000	160,620,000	640,000	0.40%	13%	13%
Share premium	259,490,000	239,720,000	19,770,000	8.25%	22%	20%
Accumulated deficits	(79,171,405)	(61,935,910)	(17,235,495)	27.83%	-7%	-5%
<b>Equity, Net</b>	<b>341,578,595</b>	<b>338,404,090</b>	<b>3,174,505</b>	<b>0.94%</b>	<b>28%</b>	<b>28%</b>
<b>Total Liabilities and Equity</b>	<b>₱ 1,200,109,500</b>	<b>₱ 1,192,148,511</b>	<b>₱ 7,960,989</b>	<b>0.67%</b>	<b>100%</b>	<b>100%</b>

#### **Financial Condition (September 30, 2022 compared to December 31, 2021)**

As of September 30, 2022, the assets of the Company amount to ₱1,200,109,500 .67% or ₱7,960,989 higher than the December 31, 2021 balance of ₱1,192,148,511. The increase was primarily brought about by the increased in cash, inventories, prepayments and other current asset, and deferred tax asset, the increase was partly negated by the decrease in trade receivable.

Cash increased by ₱5,879,906 due to the proceeds from issuance of shares and advances from shareholders and cash from operation. This is negated by the cash used for the acquisition of property and equipment and payment of loans.

Trade and other receivables decreased by ₱12,288,730 due to increase in collection for the nine months ending September 30, 2022 and decrease as well in revenue in 2022.

The increase in inventories by ₱12,852,768 is due to purchase of medical, laboratory food, drugs and medicines as at third quarter of 2022 which is expected to be consumed in subsequent quarter.

Advances from suppliers increase by ₱4,861,860 this was due to advance payment to suppliers for

medical equipment and medical supplies.

The increase in prepayments and other current assets by ₱13,046,751 was due to increase in prepaid income tax, prepaid taxes and input VAT was partly negated by the recognition of the expired portion of prepaid insurance and prepaid supplies.

Property and equipment decrease by 2.45% or ₱23,104,857 the decrease pertains to depreciation charges for the nine months ending September 30, 2022 of ₱40,196,888. This was negated by the additions made of medical equipment, hospital/office furniture and fixtures and engineering tools and kitchen equipment acquired during the period.

Intangible asset decreased by ₱134,793, this pertains to amortization charges for the period.

Deferred tax asset increased by ₱6,848,084 due to the recognition of DTA on NOLCO, MCIT and additional credit losses for the nine months ended September 30, 2022.

Trade and other payables increased by ₱4,846,931 due to significant increase in accrued expenses and payables to government, this was partly negated by the decrease in trade and retention payable.

Total advances from shareholders for the nine months ended September 30, 2022 amounted to ₱27,034,469. The increase was due to additional advances received from the shareholders.

As of September 30, 2022, the Company paid ₱27,094,916 on its loans payable from Land Bank of the Philippines resulting to 3.54% decrease on Loans payable.

The net increase in equity of ₱3,174,505 was primarily due to issuance of shares. This is negated by the negative result of operation for the first three quarters of 2022.

#### ***Financial Condition (September 30, 2021 compared to December 31, 2020)***

Total assets increased from ₱1.096M to ₱1.193M. The increase was primarily due to the increase in Advances to suppliers and Prepayments and other currents assets which was negated by the decrease in Trade and other receivables and Property and Equipment.

Cash increased by ₱35,181,225 due to increase in receipts/collection, additional share capital and additional share premium and additional advances from shareholders.

The increase in receivables by 163% was due to COVID and regular claims to PHILHEALTH and Promissory Notes from Patients.

The decrease in inventories by ₱3,615,896 was due to the adjustment of safety stock.

The increase in prepayments and other currents assets by ₱9,470,480 was due to the unused hospital and office supplies and input VAT attributable to exempt sales to be expensed at the end of the fiscal year.

Property and equipment decreased by 3% this was because the depreciation in 2021 is higher than the additions. There was no movement in other non-current assets from 2021 to 2020. Notes payable represents interest-bearing loan from Banks and financial institution in support of the construction of the Company's hospital building and purchase of additional medical equipment.

The increase in advances from shareholders amounting to ₱11.5M was due to additions of advances from shareholders.

The ₱19M increase in the total equity is primarily due to sale of shares and issuance of additional shares at a premium. This was partly negated by the negative result of operation for the nine months ended September 30, 2021.

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

Total assets increased from ₱1,082M to ₱1,096M. The increase was primarily due to the increase in Advances to suppliers and Prepayments and other currents assets which was negated by the decrease in Trade and other receivables and Property and Equipment.

Cash increased by ₱3,328,502 due to increase in additional share capital and additional share premium and additional advances from shareholders.

The decrease in receivables by 11% was due to the collection of reimbursements for hospital expenses and doctors' fees availed by patients who are members of Philippine Health Insurance Corporation.

The increase in inventories by ₱7,053,537 was due to the drugs and medicines for sale.

The increase in prepayments and other current assets by ₱772,936 was due to the unused hospital and office supplies.

Property and equipment decreased by 0.41% or ₱3,974,101 this was because the depreciation in 2020 is higher than the additions.

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

Deferred tax asset increased by ₱2,388,457 as the Company started to recognize DTA on NOLCO only in 2020.

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

Notes payable represents interest-bearing loan from Banks and financial institution in support of the construction of the Company's hospital building and purchase of additional medical equipment. This decreased by ₱24.6M in 2020.

The increase in advances from shareholders amounting to ₱11.5M was due to additions of advances from shareholders.

The ₱104.8M increase in the total equity is primarily due to sale of shares and issuance of additional shares at a premium. This was partly negated by the negative result of operation for the nine months ended September 30, 2020.

#### *Material Changes in Financial Condition*

<p><b>a. Cash increased by P5.88M</b></p>
<p>Due to the proceeds from issuance of shares and advances from shareholders and cash from operation. This is negated by the cash used for the acquisition of property and equipment and payment of loans.</p>
<p><b>b. Trade and other receivables decreased by P12.29M</b></p>
<p>Due to increase in collection for the nine months ending September 30, 2022 and decrease as well in revenue in 2022.</p>
<p><b>c. Advances to suppliers increased by P4.86M</b></p>
<p>Due to advance payment to suppliers for medical equipment and supplies.</p>
<p><b>d. Inventories increased by P12.85M</b></p>
<p>Due to purchase of medical, laboratory food, drugs and medicines as at third quarter of 2022 which is expected to be consumed in subsequent quarter.</p>
<p><b>e. Prepayments decreased by P13.05M</b></p>
<p>Due to increase in prepaid income tax, prepaid taxes and input VAT was partly negated by the recognition of the expired portion of prepaid insurance and prepaid supplies.</p>

<p><b>f. Property and equipment decreased by P23.04M</b> The decrease pertains to depreciation charges for the nine months ending September 30, 2022 of ₱40,196,888. This was negated by the additions made of medical equipment, hospital/office furniture and fixtures and engineering tools and kitchen equipment acquired during the period.</p>
<p><b>g. Deferred tax asset increased by P1.32M</b> due to the recognition of DTA on NOLCO, MCIT and additional credit losses for the nine months ended September 30, 2022.</p>
<p><b>h. Trade and other payables increased by P4.85M</b> Due to significant increase in accrued expenses and payables to government, this was partly negated by the decrease in trade and retention payable.</p>
<p><b>i. Advances from shareholders increased by ₱27.03M</b> Due to additional advances received from the shareholders.</p>
<p><b>j. Loans payable decreased by P27.09M</b> The Company paid ₱27,094,916 on its loans payable from Land Bank of the Philippines resulting to 3.54% decrease on Loans payable.</p>
<p><b>k. Equity increased by P3.17M</b> Primarily due to issuance of shares. This is negated by the negative result of operation for the first three quarters of 2022.</p>

## **THE COMPANY'S KEY PERFORMANCE INDICATORS**

	<b>Sept. 30, 2022</b>	<b>Sept. 30, 2021</b>
<b>1. Liquidity</b>		
<p><b>a. Quick ratio</b> - capacity to cover its short-term obligations using only its most liquid assets.</p>	0.854:1	1.821:1
[(cash + A/R) / current liabilities]		
<p><b>b. Current ratio</b> - capacity to meet current obligations out of its liquid assets. (current assets / current liabilities)</p>	1.314:1	1.850:1
<b>2. Solvency</b>		
<p><b>a. Debt to equity ratio</b> - indicator of which group has the greater representation in the assets of the Company. (total liabilities / equity)</p>	2.513:1	2.523:1

<p><b>3. Profitability</b></p> <p><b>a. Net profit margin</b> - ability to generate surplus for stockholder (net income / sales)</p> <p><b>b. Return on equity</b> - ability to generate returns on investment of stockholders. (net income / average equity)</p>	<p>(0.058):1</p> <p>(0.063):1</p>	<p>0.206:1</p> <p>0.290:1</p>
<p><b>4. Leverage</b></p> <p><b>a. Debt to total asset ratio</b> - the proportion of total assets financed by creditors. (total debt / total assets)</p> <p><b>b. Asset to equity ratio</b> - indicator of the overall financial stability of the Company. (total assets / equity)</p>	<p>0.715:1</p> <p>3.513:1</p>	<p>0.716:1</p> <p>3.523:1</p>
<p><b>5. Interest Rate Coverage Ratio</b></p> <p><b>a. Interest rate coverage ratio</b> - measure of the company's ability to meet its interest payments (earnings before interest and taxes / interest expense)</p> <p>Remarks: The Company was able to meet its interest payments. The negative result was due to loss from pre-operations.</p>	<p>0.402:1</p>	<p>(2.960):1</p>

## **DISCUSSION AND ANALYSIS OF MATERIAL EVENTS AND UNCERTAINTIES**

There were no material events that would trigger direct or indirect contingent financial obligation that would materially affect the company's operation, including any default or acceleration of obligation.

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

There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way. The crucial period of the Covid-19 pandemic has already passed; thus, the Covid-19 patients has materially decreased, which has impact on the income of the hospital.

The Company continues to spend for regular capital expenditures during the quarter as disclosed in Note 11 of the unaudited interim financial statements.

There were no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing

operations. The crucial period of the Covid-19 pandemic has already passed; thus, the Covid-19 patients has materially decreased, which has impact on the income of the hospital.

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

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

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

For the Full Fiscal Years

**DECEMBER 31, 2021, DECEMBER 31, 2020 AND DECEMBER 31, 2019**

The following table shows the consolidated financial highlights of the Company for the years then ended December 31, 2021, 2020 and 2019:

	<i>As of December 31 (In Thousands)</i>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Income Statement Data</b>			
Revenue	P 488,884	P 277,090	P 123,739
Other Income	13,565	6,482	4,712
Cost of Sales and Services	(295,695)	(217,978)	(124,293)
General and Administrative Expenses	(101,196)	(60,946)	(36,429)
Operating Loss	105,558	4,648	(32,271)
<b>Net Loss</b>	<b>54,537</b>	<b>(P22,869)</b>	<b>(P52,349)</b>

The income derived from hospital fees and sales of drugs and medicine and income from cafeteria and other miscellaneous are enough to cover the cost and operating expenses for the year 2021 resulting to profit of P54M which is 338% higher than December 31, 2020.

**DECEMBER 31, 2021 COMPARED TO DECEMBER 31, 2020**

*Changes in Operating Results*

Revenue in 2021 is higher than in 2020 by 76%. This is due to the increase of patient census and the surge of COVID cases in 2021.

Cost of sales and services in 2021 is higher by 36% than in 2020. This was primarily due to the significant increase in supplies used, salaries and wages and reader's fees.

Other income for the year 2021 increase by 109% as compared with the year 2020. This is due to the receipt of Subsidy from the DOH known as SRA.

Expenses during December 31, 2021 are higher compared to December 31, 2020 expenses by 66%. This was primarily due to significant increase in depreciation, salaries and wages, meetings and conferences, credit losses, outside services, janitorial, cleaning and maintenance, commission expense, SSS/PHIC/HDMF contribution, deficiency tax, fines and penalties and miscellaneous which was partly negated by decrease in utilities, insurance, representation and entertainment, and training and development.

The operation of 2021 resulted to a profit which is 338% higher than 2020.

#### *Financial Condition*

Total assets increased from ₱1,117M to ₱1,192M. The increase was primarily due to the increase in cash, trade and other receivables, inventories, advances to suppliers and deferred tax assets.

Cash increased by ₱23.6M primarily due to the proceeds from hospital receipts, issuance of shares, loans and advances from shareholders. This is negated by the cash used in operating and investing activities and payment of loans.

Trade and other receivables increased by ₱79.6M primarily due uncollected revenue from PhilHealth, receivables from patients and reimbursements from HMO and DSWD.

Inventories increased by ₱3.3M primarily due to increase in medical, dental and laboratory supplies, drugs and medicines inventory for sale and food supplies negated by the decrease in general hospital maintenance supplies, kitchenwares, tablewares and other utensils.

Advances to suppliers decreased by ₱15.2M. The decrease was due to the completion of 6th floor and the delivery of medical and hospital equipment.

Prepayments and other current assets increased by ₱7.1M. This was brought by the significant increase in Prepaid Tax (Exempt portion of Input Tax not deducted against payable output tax).

Property and equipment decreased by ₱30.7M. This was primarily due to the depreciation for the period amounting to ₱52M net of the additional cost of hospital building and acquisition of medical equipment, transportation equipment, hospital/office furniture and fixtures and engineering tools and kitchen equipment.

Deferred tax asset increased by ₱3.7M due to the recognition of DTA from MCIT, NOLCO and expected credit loss in 2021.

Total liabilities decreased by ₱58M. The decrease was primarily due to the payment of trade and other payable and loans payable.

Trade and other payables decreased by ₱5.7M. This decrease was mainly due to the settlement of liabilities to suppliers of goods and services negated by the significant increase in the accrued expenses.

Loans payable represents interest-bearing loan from Banks and financial institution in support of the construction of the Company's hospital building, acquisition of hospital and medical equipment and furniture and fixtures and

permanent working capital requirement of the hospital operation. As of December 31, 2021, the Company paid ₱16.87M of its loans payable.

The decrease in advances from shareholders amounting to ₱35.8M was due to payment of advances.

The ₱133M increase in the total equity is primarily due to issuance of shares and positive result of operation.

## **DECEMBER 31, 2020 COMPARED TO DECEMBER 31, 2019**

### *Changes in Operating Results*

Revenue in 2020 is higher than in 2019 by 124%. This is due to the full operation of the Company in 2020 unlike in 2019 which only started in March.

Cost of sales and services in 2020 is higher by 68% than in 2019 since the hospital operated in full in 2020 unlike in 2019 which only started in March.

Other income for the year 2020 increase by 38% as compared with the year 2019. This is due to the full operation of the hospital including cafeteria in 2020 unlike in 2019 which only started in March.

Expenses during December 31, 2020 are higher compared to December 31, 2019 expenses by 90%. This was primarily due to significant increase in depreciation, salaries and wages, meetings and conferences, credit losses, utilities, outside services, janitorial, cleaning and maintenance, commission expense, SSS/PHIC/HDMF contribution, deficiency tax, representation and entertainment, fines and penalties and miscellaneous which was partly negated by decrease in training and development, mailing/postage/courier and rentals.

Finance cost increased by 81% primarily due to the 97% recognition of interest as expense in 2020 unlike in 2019 wherein 22% the interest was capitalized as part of the building. In addition, there were additional loans released in the last quarter of 2019 where payment of interest started in 2020 or in the latter part of 2019 and due to the changes in interest rate since the rates are subject to quarterly repricing.

Loss for the year ended December 31, 2020 is lower than December 31, 2019 by 56%. This was because the income derived from the operations can cover the cost of sales and operating expenses.

### *Financial Condition*

Total assets increased from ₱1,082M to ₱1,117M. The increase was primarily due to the increase in cash, trade and other receivables, inventories, advances to suppliers and deferred tax assets.

Cash increased by ₱9.3M primarily due to the proceeds from issuance of shares, loans and advances from shareholders. This is negated by the cash used in operating and investing activities and payment of loans.

Trade and other receivables increased by ₱4.9M primarily due uncollected revenue from PhilHealth, receivables from patients and reimbursements from HMO and DSWD.

Inventories increased by ₱13.3M primarily due to increase in medical, dental and laboratory supplies, drugs and medicines inventory for sale and food supplies negated by the decrease in general hospital maintenance supplies, kitchenwares, tablewares and other utensils.

Advances to suppliers increased by ₱2.9M. The increase was due to the accumulated payment for medical and hospital equipment and construction materials for the 6th and 7th floors which are still on the finishing stages of construction.

Prepayments and other current assets decreased by ₱1.9M. This was brought by the significant decrease in prepaid insurance, prepaid supplies and prepaid income tax.

Property and equipment decreased by ₱4.5M. This was primarily due to the depreciation for the period amounting to ₱48.3M net of the additional cost of hospital building and acquisition of medical equipment, transportation equipment, hospital/office furniture and fixtures and engineering tools and kitchen equipment.

Deferred tax asset increased by ₱10.7M due to the recognition of DTA from MCIT, NOLCO and expected credit loss in 2020.

Total liabilities decreased by ₱61.4M. The decrease was primarily due to the payment of trade and other payable and loans payable. This was partly negated by the additional advances from shareholders.

Trade and other payables decreased by ₱61.5M. This decrease was mainly due to the settlement of liabilities to suppliers of goods and services negated by the significant increase in the accrued expenses.

Loans payable represents interest-bearing loan from Banks and financial institution in support of the construction of the Company's hospital building, acquisition of hospital and medical equipment and furniture and fixtures and permanent working capital requirement of the hospital operation. As of December 31, 2020, the Company paid ₱23.8M of its loans payable negated by ₱13M additional loan release resulting to a net decrease in loans payable of ₱10.8M.

The increase in advances from shareholders amounting to ₱10.9M was due to addition of advances from shareholders.

The ₱95.9M increase in the total equity is primarily due to issuance of shares. This was partly negated by the negative result of operation for the year.

*Material Changes in Financial Condition*

<b>From January 1, 2021 to December 31, 2021</b>	<b>From January 1, 2020 to December 31, 2020</b>	<b>From January 1, 2019 to December 31, 2019</b>
<b>a. Cash increased by ₱23M</b> primarily due to the proceeds from issuance of shares, loans and advances from shareholders. This is negated by the cash used in operating and investing activities and payment of loans.	<b>a. Cash increased by ₱9.3M</b> primarily due to the proceeds from issuance of shares, loans and advances from shareholders. This is negated by the cash used in operating and investing activities and payment of loans.	<b>a. Cash increased by ₱3.5M</b> primarily due to increase in additional share capital and additional share premium in 2019.
<b>b. Advances to suppliers decreased by ₱15M</b> due completion of 6th floors and delivery of hospital and medical equipment.	<b>b. Advances to suppliers increased by ₱2.9M</b> due to the accumulated payment for medical and hospital equipment and construction materials for the 6th and 7th floors which are still on the finishing stages of construction.	<b>b. Advances to suppliers increased by ₱5.7M</b> due to the accumulated payment for medical and hospital equipment and construction materials for the 6th and 7th floors which are still on the finishing stages of

		construction.
		<b>c. Loans receivable decreased by ₱25.2M.</b> due to the collection of loan balances from its affiliates
<b>c. Trade and other receivables increased by ₱79.6M</b> primarily due uncollected revenue from PhilHealth, receivables from patients and reimbursements from HMO and DSWD.	<b>c. Trade and other receivables increased by ₱4.9M</b> primarily due uncollected revenue from PhilHealth, receivables from patients and reimbursements from HMO and DSWD.	<b>d. Trade and other receivables increased by ₱27M</b> primarily related to the commencement of commercial operations of the Company which resulted to recognition of receivables from reimbursements for hospital fees and services availed by patients who are member of PhilHealth and receivables from patients and reimbursements from DSWD availed by patients
<b>d. Inventories increased by ₱3.2M</b> primarily due to increase in medical, dental and laboratory supplies, drugs and medicines inventory for sale and food supplies negated by the decrease in general hospital maintenance supplies, kitchenwares, tablewares and other utensils.	<b>d. Inventories increased by ₱13.3M</b> primarily due to increase in medical, dental and laboratory supplies, drugs and medicines inventory for sale and food supplies negated by the decrease in general hospital maintenance supplies, kitchenwares, tablewares and other utensils.	<b>e. Inventories increased by ₱21M</b> primarily related to the commencement of commercial operations of the Company in 2019
<b>e. Prepayments and other current assets increased by ₱1.9M</b> brought by the significant increase in prepaid tax	<b>e. Prepayments and other current assets decreased by ₱1.9M</b> brought by the significant decrease in prepaid insurance, prepaid supplies and prepaid income tax.	<b>f. Prepayments and other current assets increased by ₱3.2M</b> due to increase prepaid supplies and prepaid income tax
<b>f. Property and equipment decreased by ₱30.7M</b> primarily due to the depreciation for the period amounting to ₱48.3M net of the additional cost of hospital building and acquisition of medical equipment, transportation equipment, hospital/office furniture and fixtures and engineering tools and kitchen equipment.	<b>f. Property and equipment decreased by ₱4.5M</b> primarily due to the depreciation for the period amounting to ₱48.3M net of the additional cost of hospital building and acquisition of medical equipment, transportation equipment, hospital/office furniture and fixtures and engineering tools and kitchen equipment.	<b>g. Property and equipment increased by ₱690M</b> primarily due to reclassification of building from Construction in progress and additional medical equipment and office equipment and furniture negated by significant increase in depreciation
		<b>h. Construction in progress decreased by ₱578M</b> because of the management's

		decision to reclassify the account under property and equipment despite that the 6th and 7th floors are still into its finishing stage since the Company already started to commence its start-up operations in 2019
<b>g. Deferred tax asset increased by ₱3.6M</b> due to the recognition of DTA from MCIT, NOLCO and expected credit loss in 2020.	<b>g. Deferred tax asset increased by ₱10.7M</b> due to the recognition of DTA from MCIT, NOLCO and expected credit loss in 2020.	<b>i. Deferred tax asset increased by ₱.1M</b> started to recognize DTA from MCIT in 2019.
<b>h. Trade payable and other payables decreased by ₱5.7M</b> mainly due to the settlement of liabilities to suppliers of goods and services negated by the significant increase in the accrued expenses.	<b>h. Trade payable and other payables decreased by ₱61.5M</b> mainly due to the settlement of liabilities to suppliers of goods and services negated by the significant increase in the accrued expenses.	<b>j. Trade payable and other payables increased by ₱17M</b> significant increase in the unpaid purchases of goods and services as of December 31, 2019 related to the day-to-day operation of the Company negated by the significant decrease in the payable to suppliers and contractors
<b>i. Loans payable decreased by ₱16.87M</b> the Company paid ₱16.87M of its loans payable	<b>i. Loans payable decreased by ₱10.8M</b> the Company paid ₱23.8M of its loans payable negated by ₱13M additional loan release resulting to a net decrease in loans payable of ₱10.8M	<b>k. Loans payable increased by ₱129M</b> due to additional loans availed in 2019
<b>j. Advances from shareholders decreased by ₱35M</b>  Shareholders advances were used for additional share subscription	<b>j. Advances from shareholders increased by ₱10.9M</b>  due to addition of advances from shareholders.	<b>l. Advances from shareholders decreased by ₱30M</b>  due to payment of advances from shareholders
<b>k. Equity increased by ₱133.4M</b> primarily due to issuance of shares and positive result of operation.	<b>k. Equity increased by ₱95.9M</b> primarily due to issuance of shares. This was partly negated by the negative result of operation for the year.	<b>m. Equity increased by ₱82.8M</b> due to the additional paid in capital arising from the issuance of shares negated by the negative result of operation for the year

*Material Changes in Operating Results*

<b>2021 vs. 2020</b>	<b>2020 vs. 2019</b>	<b>2019 vs. 2018</b>
<b>a. Income increased by 76%</b>	<b>a. Income increased by 124%</b>	<b>a. Income increased by 404789%</b>

Due to increase in patient census	due to the full operation of the Company in 2020.	due to the commencement of the Company's commercial operations in 2019 and started earning revenues from hospital fees and sales of drugs and medicines and income from cafeteria and other miscellaneous income
<b>b. Cost of sales and services increased by 36%</b> primarily due to increase in related revenue	<b>b. Cost of sales and services increased by 68%</b> primarily due to increase in related revenue since the hospital operated in full in 2020	<b>b. Cost of sales and services increased by 100%</b> due to the commencement of the Company's commercial operations in 2019
<b>c. Other income increased by 109%</b> due to COVID-19 Special Risk Allowance (SRA) received from the DOH in 2021	<b>c. Other income increased by 38%</b> due to the full operation of the hospital including cafeteria in 2020	<b>c. Other income increased by 14753%</b> due to the commencement of the Company's commercial operations in 2019
<b>d. Expenses increased by 66%</b> due to significant increase in depreciation, salaries and wages, meetings and conferences, credit losses, outside services, janitorial, cleaning and maintenance, commission expense, SSS/PHIC/HDMF contribution, deficiency tax, fines and penalties and miscellaneous which was partly negated by decrease in utilities, insurance, representation and entertainment, and training and development.	<b>d. Expenses increased by 90%</b> due to significant increase in depreciation, salaries and wages, meetings and conferences, credit losses, utilities, outside services, janitorial, cleaning and maintenance, commission expense, SSS/PHIC/HDMF contribution, deficiency tax, representation and entertainment, fines and penalties and miscellaneous which was partly negated by decrease in training and development, mailing/postage/courier and rentals.	<b>d. Expenses increased by 53%</b> due to significant increase in depreciation, salaries and wages, board meeting and meals, security services, office supplies, insurance, outside services, uniforms, advertising, rentals and miscellaneous expenses which is partly negated by the significant decrease in taxes and licenses, communication, light and water, professional fees, handling fees and fines and penalties.
<b>e. Finance Cost increase 46%</b>  Primarily because principal payment in 2021 is lesser than the interest due payment	<b>e. Finance Cost increase 81%</b> due to the 97% recognition of interest as expense in 2020 unlike in 2019 wherein 22% the interest was capitalized as part of the building. In addition, there were additional loans released in the last quarter of 2019 where payment of interest started in 2020 or in the latter part of 2019 and due to the changes in interest rate since the rates are subject to quarterly repricing.	<b>e. Finance Cost increase 267%</b> primarily because of the additional loans availed in 2019 for the purchase of equipment and working capital requirement. Interest on these loans is not capitalized and were charge to expense.

<b>f. Loss for the year decreased by 338%</b>	<b>f. Loss for the year decreased by 56%</b>	<b>d. Loss for the year increased by 59%</b>
because 2021 results to a positive operation	because the income derived from the operations can cover the cost of sales and operating expenses.	due to more operating expenses incurred in 2019 even though the Company is fully operational, the income derived from the operations is pretty much lower than the increase in total expenses.

### Key Performance Indicators

	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
<b>1. Liquidity</b> <b>Quick ratio</b> - capacity to cover its short-term obligations using only its most liquid assets. [(cash / current liabilities) <b>Current ratio</b> - capacity to meet current obligations out of its liquid assets. (current assets / current liabilities)	1.694:1	0.553:1	0.336:1
<b>2. Solvency</b> <b>Debt to equity ratio</b> - indicator of which group has the greater representation in the assets of the Company. (total liabilities / equity)	2.523:1	4.45:1	8.93:1
<b>3. Profitability</b> <b>Net profit margin</b> - ability to generate surplus for stockholder (net income / sales) Remarks: The ratio is not applicable in 2018 since the Company is still at pre-operating stage. <b>Return on equity</b> - ability to generate returns on investment of stockholders. (net income / equity) <b>Return on Assets</b> - an indicator of how profitable a company is relative to its total assets.	0.112:1	(0.083):1	(0.423):1
<b>4. Leverage</b> <b>a. Asset to equity ratio</b> - indicator of the overall financial stability of the Company. (total assets / equity)	3.523:1	5.45:1	9.93:1
<b>5. Interest rate coverage ratio</b> - measure of the company's ability to meet its interest payments (Earnings before interest and taxes / interest expense)	1.987:1	0.128:1	(1.607):1

Remarks: The Company was able to meet its interest payments. The negative result was due to operating loss in 2019 and pre-operating loss in 2018.			
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There are no known trends, events or uncertainties that have material impact on liquidity except for COVID 19. As the battle against the spread of COVID-19 continues, monitoring and tracking system have been put in place; businesses have resumed skeletal work. Movement restrictions to and from the city are loosening up and people can now enter the City with minimum requirements. Borders now allow more and more vehicles and people in the city allowing more patients to visit hospitals for medical services. Because of this, there was a gradual increase in census for inpatients as well for outpatients. The census also increased for all medical ancillaries thus contributing to gradual increase in the hospital revenue in 2021. This coming 4th Quarter, the management is optimistic to expect more in-patient and OPD patients and more census for all medical ancillaries leading to a more increase and steady hospital revenue along with strategies on online social media advertisements and hopefully telemedicine as a prospect for next year. Nevertheless, Management still continues to pursue intensive collection efforts to reduce accounts receivables and improve cash management.

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

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

The Company continues to spend for capital expenditures in relation to the construction of the hospital building and acquisition of medical, hospital and transportation equipment and hospital furniture and fixtures.

The financial condition or results of operations of the Company are not affected by any seasonal change. The Company is not involved in legal proceedings, tax and/or regulatory assessments.

#### *Financial Risks*

- a. Interest Rate Risk – The Company's interest rate risk is limited to its cash in banks and notes payable.
- b. Foreign Currency Risk – The Company's exposure to the risk for changes in foreign exchange rates is limited to its cash in bank in United States (US) dollars generated from operation of the Company
- c. Credit Risk – The Company limits its exposure to credit risks by depositing its cash only with reputable banks with high quality external credit ratings. The Company has no significant concentrations of credit risk on its accounts and other receivables. Management believes there is no indicators of impairment on the Company's receivables.
- d. Liquidity Risk – As part of the Company's overall liquidity management, the Company maintains sufficient levels of cash to meet building construction requirements. The Company avails fund from related parties and from shareholders when needed. Excess cash are invested to short-term investments such as time deposits which can be used for emergency expenses.

The Company has no investments in foreign securities.

#### **A. Certain Relationships and Related Transactions**

The Company, in the normal course of business, has entered into transactions with related parties principally consisting of:

<b>2021</b>					
<b>Nature of Relationship</b>	<b>Nature of Transaction</b>	<b>Amount (current transaction)</b>	<b>Outstanding balance</b>	<b>Terms</b>	<b>Conditions</b>
Advances from Major Shareholders	Advances Payment	- (35,830,790)	₱ 2,319,062	(2)	(3)
<b>2020</b>					
<b>Nature of Relationship</b>	<b>Nature of Transaction</b>	<b>Amount (current transaction)</b>	<b>Outstanding balance</b>	<b>Terms</b>	<b>Conditions</b>
Advances from Major Shareholders	Advances Payment	₱ 11,631,157 (681,231)	₱ 38,149,852	(2)	(3)
<b>2019</b>					
<b>Nature of Relationship</b>	<b>Nature of Transaction</b>	<b>Amount (current transaction)</b>	<b>Outstanding balance</b>	<b>Terms</b>	<b>Conditions</b>
Advances from Major Shareholders	Payment	₱ (30,025,694)	₱ 27,199,926	(2)	(3)
Loans receivable-ACE Medical Center-Valenzuela, Inc.	Collection	(25,200,000)	₱ -	(1)	(3)
<b>2018</b>					
<b>Nature of Relationship</b>	<b>Nature of Transaction</b>	<b>Amount (current transaction)</b>	<b>Outstanding balance</b>	<b>Terms</b>	<b>Conditions</b>
Advances from Major Shareholders	Advances	₱ 26,571,488	57,225,620	(2)	(3)
Loans receivable-ACE Medical Center-Valenzuela, Inc.	Collection	(1,800,000)	₱ 25,200,000	(1)	(3)

*Terms and Conditions:*

- (4) Interest bearing, collectible in cash
- (5) Non-interest bearing, no scheduled repayment terms
- (6) Unsecured

(a) Loans Receivable

In November 16, 2015, the Company granted a loan to its affiliate, Allied Care Experts (ACE) Medical Center – Valenzuela Inc., amounting to Php30,000,000 with a 6% interest rate per annum and principal repayments until 2025. In February 2019, the affiliate fully paid the remaining balance of Php25,200,000.

Interest earned from the loan receivable amounted to Php123,830, Php1,585,825 and Php1,563,252 for the years ended December 31, 2019, 2018 and 2017, respectively, were offset against the borrowing costs capitalized to construction-in-progress (see Note 11).

(b) Advances from shareholders

In the special meeting of the Board held last March 26, 2017, the directors and shareholders were mandated and empowered to contribute resources and make cash advances to the Company for the development of its medical structures and appurtenances.

(2) Aside from the party mentioned above, there is no other relationship that has existing negotiations on material transactions.

3) There is no transaction with promoters for the past 5 years.

## **B. Management and Certain Security Holders**

### **Directors, Executive Officers**

There are fifteen (15) members of the Board, three (3) of whom are independent directors who hold office for one (1) year. Please refer to page 8 for the list of incumbent directors/officers. The Corporation relies significantly on the continued collective efforts of its senior executive officers and expects each employee to do his share in achieving the Corporation's goals.

Except for Dr. Amado Manuel Enriquez, Jr., Michael Edward Enriquez and Miguel Antonio Enriquez, who are father and sons; Dr. Ronald L. Ramiro and Dr. Jane R. Ramiro, who are husband and wife, and their children Dr. Stephanie R. Ramiro, Dr. Valerie R. Ramiro, Mr. Reginald R. Ramiro and Mr. Braunwald R. Ramiro; Dr. Herlando D. Bertulfo, Jr. and Dr. Ma. Ferminita J. Bertulfo, who are husband and wife; Dr. Geanie Cerna Lopez and Mr. Felino A. Cerna who are siblings; Dr. John Jerlyn G. Cruz and Dr. Maita C. Cruz, who are husband and wife; Dr. Felicisimo D. De Castro and Dr. Maria Gloria De Castro, who are husband and wife; Dr. Felix O. Nolasco and Dr. Eulenia Nolasco, who are husband and wife; Engr. Generoso M. Orillaza and Dr. Marissa Orillaza, who are husband and wife; Dr. Isidro D. Permites, Jr. and Dr. Jane Elanor L. Permites, who are husband and wife, there are no other family relationships up to the fourth civil degree either by consanguinity or affinity among directors, executive officers, persons nominated or chosen by the Company to become directors, or executive officers, any security holder of certain record, beneficial owner or management.

As of October 31, 2022, the following Directors or Executive Officers have been involved in the following legal proceedings in their capacity as directors/officers of Allied Care Experts (ACE) Medical Center-Cebu Inc., during the last five (5) years that are material to an evaluation of their ability or integrity to act as such:

1. Amado Manuel C. Enriquez, Jr.
2. Geanie Cerna-Lopez
3. Marietta T. Samoy
4. Generoso M. Orillaza

**Civil Case No. R-CEB-18-01248-CV, Branch XI, Cebu City (Complaint for Declaration of Sale in Installment as Subscription Contract, Declaration of Rights or Pre-Emption, and for Attorney's Fees) -**

Dax Matthew M. Quijano, Rosemarie P. Quijano, Eric Y. Cheung, Girlie Cheung, Candice Joy A. Sia vs. ACE Medical Center-Cebu, Inc., Geanie Cerna-Lopez, Velma T. Chan, Luisito R. Co, Maita Cruz, Roberto M. De Leon, Amado Manuel C. Enriquez Jr., Floram C. Limotlimot, Roland Mark M. Gigataras, Joy C. Luna, Nicolas S. Molon, Felix P. Nolasco, Generoso M. Orillaza, Ronald L. Ramiro, Marietta T. Samoy and Evangeline Y. Zozobrado

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

The Defendants (based in Cebu) have already filed their Answer to the Complaint. However, the complaint for Manila based Doctors are yet to be served.

The Defendants filed a Motion to Dismiss the Complaint for lack of interest of the plaintiffs to prosecute the case last August 5, 2020. On July 14, 2021, a mediation conference was conducted, however, there was no amicable settlement reached. The case was set for another mediation conference on July 29, 2021.

**Civil Case No. R-CEB-18-00601-CV, Branch XI, Cebu City (Complaint for Issuance of Certificate of Stock, Declaration of Sale in Installment as Subscription Contract, Declaration of Rights or Pre-Emption, and for Attorney's Fees ) – Ferdinand P. Kionisala vs. Allied Care Experts (ACE) Medical Center-Cebu, Inc., Geanie Cerna-Lopez, Velma T. Chan, Luisito R. Co, Maita Cruz, Roberto M. De Leon, Amado Manuel C. Enriquez, Jr., Floram C. Limotlimot, Roland Mark M. Gigataras, Joy C. Luna, Nicolas S. Molon, Felix P. Nolasco, Generoso M. Orillaza, Ronald S. Ramiro, Marietta T. Samoy, and Evangeline Y. Zozobrado**

On February 5, 2018, complainant Ferdinand P. Kionisala filed a civil complaint against the Hospital and its Directors (as stated above) praying the Court to direct the defendants ACE Medical Center Cebu and its President and Corporate Secretary to issue the plaintiff's Certificate of Stock and declare the sale in installment as subscription contract, to allow him to exercise pre-emptive rights to the increase in capital approved by the Board on November 12, 2016.

The Defendants (based in Cebu) have already filed their Answer to the Complaint and Dr. Kionisala has filed a Motion for Partial Summary Judgment, but the same was opposed by the defendants on May 15, 2018. The Court has not yet ruled on the plaintiff's Motion for Partial Summary Judgment of May 2, 2018. Unless the Court resolves the Motion for Summary Judgment by the plaintiff, the case will not move on.

The Defendants filed a Motion to Dismiss the case for failure of the plaintiff to prosecute for lack of interest. A Mediation Conference was conducted last June 16, 2021, however, no amicable settlement reached. Thus, the pre-trial set on August 13, 2021 shall proceed.

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

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

Respondents received the Court Order on 11 December 2018 and filed their Comment to the Petition last January 7, 2019; the Plaintiffs also filed their reply. On November 25, 2020 at 8:30AM, a Judicial Dispute Resolution was conducted by RTC Branch 12, Cebu City via video conference hearing. Both parties did not come into an agreement. The Petitioners demanded PHP 600,000.00 from the Respondents. The case was

scheduled for Pre-Trial on June 11, 2021, however, counsel for the petitioners did not appear. Pre-trial date has yet to be set again by the court.

No director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual meeting of security holders because of a disagreement with the Company on any matter relating to the Company's operations, policies, or practices.

### C. Corporate Governance

The Company has adopted its Manual on Corporate Governance and adheres to the principles of good corporate governance as provided therein. To assist the Board in ensuring that the operations are carried out in accordance with said governance practices, it has organized the different committees, among others, the Audit Committee, Nominations Committee and Compensation and Remunerations Committee.

The Company likewise has its mission and vision which guides the directors, officers and employees in the performance of their duties and responsibilities. There were no major deviations from the adopted Manual on Corporate Governance.

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

## ANNEX "C"

**Top 20 Stockholders  
Allied Care Experts (ACE) Medical Center-Bohol Inc.  
As of October 31, 2022**

<i>STOCKHOLDER</i>	<i>NATIONALITY</i>	<i>NUMBER OF SHARES</i>	<i>TOTAL</i>	<i>PERCENT OF OWNERSHIP</i>
1. Amado Manuel C. Enriquez Jr.	FILIPINO	COMMON-29,380 & FOUNDER-100	29,480	18.35%
2. Marietta T. Samoy	FILIPINO	COMMON-12,450 & FOUNDERS-50	12,500	7.78%
3. Roberto M. de Leon	FILIPINO	COMMON-9,960 FOUNDERS-40	10,000	6.23%
4. Ronald L. Ramiro	FILIPINO	Common-4,980 Founder-20	5,000	3.11%
5. Jane R. Ramiro	FILIPINO	Common-4,980 Founder-20	5,000	3.11%
6. Geanie Cerna-Lopez	FILIPINO	Common-2,490 Founder-10	2,500	1.56%
7. Maita C. Cruz	FILIPINO	Common-2,490 Founder-10	2,500	1.56%

8. Felicisimo D. De Castro	FILIPINO	Common-2,490 Founder-10	2,500	1.56%
9. Isagani Jodl G. de los Santos Jr.	FILIPINO	Common-2,490 Founder-10	2,500	1.56%
10. Maria Corazon E. Lim	FILIPINO	Common-2,490 Founder-10	2,500	1.56%
11. Oscar B. Imperial	FILIPINO	Common-2,490 Founder-10	2,500	1.56%
12. Imelda G. Jumangit	FILIPINO	Common-2,490 Founder-10	2,500	1.56%
13. Alice R. Ladaga	FILIPINO	Common-2,490 Founder-10	2,500	1.56%
14. Felix P. Nolasco	FILIPINO	Common-2,490 Founder-10	2,500	1.56%
15. Generoso M. Orillaza	FILIPINO	Common-2,490 Founder-10	2,500	1.56%
16. Isidro D. Permites Jr.	FILIPINO	Common-2,490 Founder-10	2,500	1.56%
17. Amelia P. Valdez	FILIPINO	Common-2,490 Founder-10	2,500	1.56%
18. Herbert N. Relampagos	FILIPINO	Common-2,490 Founder-10	2,500	1.56%
19. Stella Maris A. Escobia	FILIPINO	Common-2,490 Founder-10	2,500	1.56%
20. Herlando D. Bertulfo Jr.	FILIPINO	Common-2,490 Founder-10	2,500	1.56%
21. Others	FILIPINO	Common-59,230 Founder-220	59,540	38.06%
Total			160,020	100%



**PEREZ, SESE, VILLA & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS

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

FINANCIAL STATEMENTS  
December 31, 2021 and 2020  
*(With Comparative Figures for the Year Ended  
December 31, 2019)*

and

Report of Independent Auditors

FINANCIAL STATEMENTS



Allied Care Experts (Ace) Medical Center-Bohol, Inc.  
0368 Carlos P. Garcia East Avenue, Corner A.S Bioco St.,  
Mansasa District, Tagbilaran City, Bohol, Philippines 6300  
Contact Nos. (038) 412 – 8888 / +63949 – 716 - 7106 / +63905 – 488 – 5024  
Info@ace-mc-bohol.com

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR ANNUAL INCOME TAX RETURN**

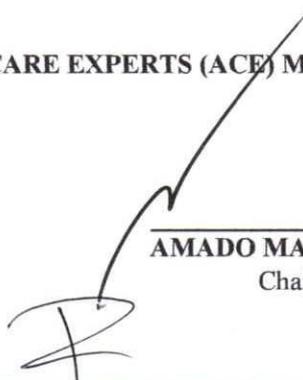
The management of **ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – BOHOL, INC.** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2021. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return and Annual Information Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2021 and the accompanying Annual Income Tax Return are in accordance with the books and records of **ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – BOHOL, INC.**, complete and correct in all material respects. Management likewise affirms that:

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

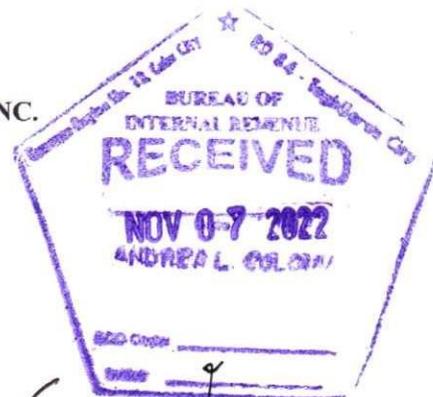
BY:

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

  
\_\_\_\_\_  
**AMADO MANUEL C. ENRIQUEZ JR.**  
Chairman of the Board

  
\_\_\_\_\_  
**RONALD L. RAMIRO**  
President

  
\_\_\_\_\_  
**BACKY D. BACAREZA**  
Treasurer





**PEREZ, SESE, VILLA & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS

**REPORT OF INDEPENDENT AUDITOR  
TO ACCOMPANY FINANCIAL STATEMENT FOR  
FILING WITH THE BUREAU OF INTERNAL REVENUE**

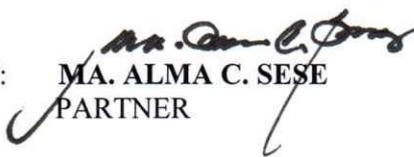
**To the Board of Directors**  
**ALLIED CARE EXPERTS (ACE)**  
**MEDICAL CENTER – BOHOL, INC.**  
CPG East Avenue corner A.S. Bioco Street,  
Mansasa District, Tagbilaran City, Bohol

We have audited the financial statements of **ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – BOHOL, INC.**, for the year ended December 31, 2021, on which we have rendered the attached report dated October 3, 2022.

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

1. The taxes paid and accrued by the above Company for the year ended December 31, 2021 are shown in the Schedule of Taxes and Licenses.
2. No partner of our Firm is related by consanguinity or affinity to the president, manager or principal shareholders of the Company.

**PEREZ, SESE, VILLA & CO.**

BY:   
**MA. ALMA C. SESE**  
PARTNER

CPA Reg. No. 0054588  
TIN 212-955-173-000  
PTR No. 0153046, January 6, 2022, Manila City  
SEC Group B Accreditation  
Partner – 1606-AR-1, valid until December 16, 2022  
Firm – 0336-FR-1, valid until December 16, 2022  
BIR AN – 06-002735-001-2021, valid until March 5, 2024  
IC Accreditation  
Partner -54588-IC, valid until December 3, 2024  
Firm -0222-IC, valid until December 3, 2024  
FIRM's BOA/PRC Cert. of Reg. No. 0222, valid until October 12, 2023

admin@psv-co.com  
www.psvco.com

(02) 8994-3984

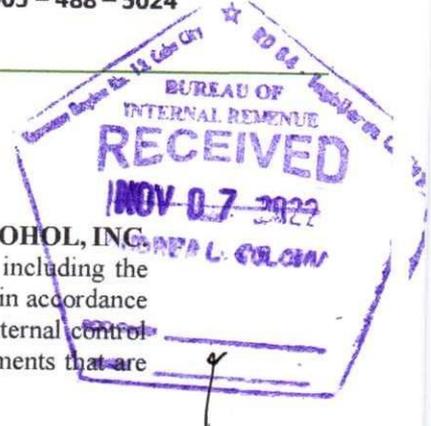
Manila, Philippines  
October 3, 2022

9<sup>th</sup> Flr Unit C Marc 2000 Tower  
1973 Taft Ave. cor. San Andres St.  
Malate Manila, 1004



Allied Care Experts (Ace) Medical Center-Bohol, Inc.  
 0368 Carlos P. Garcia East Avenue, Corner A.S Bioco St.,  
 Mansasa District, Tagbilaran City, Bohol, Philippines 6300  
 Contact Nos. (038) 412 – 8888 / +63949 – 716 - 7106 / +63905 – 488 – 5024  
 Info@ace-mc-bohol.com

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



The management of **ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – BOHOL, INC.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021, 2020, and 2019, 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 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 shareholders.

**PEREZ, SESE, VILLA & CO. and DIMACULANGAN, DIMACULANGAN & CO. CPA’S.**, the independent auditors appointed by the shareholders for the years ended December 31, 2021, 2020, and 2019 respectively, have audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in their report to the shareholders, have expressed their opinion on the fairness of presentation upon completion of such audit.

\_\_\_\_\_  
**AMADO MANUEL C. ENRIQUEZ JR.**  
 Chairman of the Board

\_\_\_\_\_  
**RONALD L. RAMIRO**  
 President

\_\_\_\_\_  
**BACKY D. BACAREZA**  
 Treasurer

Signed this 1<sup>st</sup> day of October, 2022.

SUBSCRIBED AND SWORN to before me, a Notary Public for and in the **TAGBILARAN CITY**, Philippines, this **NOV 02 2022** affiants who are personally known to me and whose identity I have confirmed through their competent evidence of identity bearing the affiants photograph and signature.

NAMES	COMPETENT EVIDENCE OF IDENTITY	DATE AND PLACE ISSUED
_____	_____	_____
_____	_____	_____
_____	_____	_____

**ANTONIO D. ARABE JR.**  
 NOTARY PUBLIC-NCS NO. 2022-21  
 UNTIL DECEMBER 31, 2023  
 PTR NO. 0978387 DATED 12-29-2021  
 IBP OR NO. 190710 DATED 01-03-22  
 ROLL NO. 37470, MCLE VII-0010043



**PEREZ, SESE, VILLA & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS

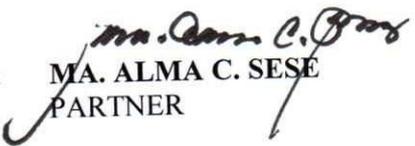
**SUPPLEMENTAL STATEMENT  
OF INDEPENDENT AUDITORS**

**To the Board of Directors  
ALLIED CARE EXPERTS (ACE)  
MEDICAL CENTER – BOHOL, INC.**  
CPG East Avenue corner A.S. Bioco Street,  
Mansasa District, Tagbilaran City, Bohol

We have audited the financial statements of **ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – BOHOL, INC.** for the year ended December 31, 2021, on which we have rendered the attached report dated October 3, 2022.

In compliance with the Revised Securities Registration Code Rule No. 68, we are stating that the Company has fifty (50) shareholders owning one hundred (100) or more shares of the Company's capital stock as at December 31, 2021, as disclosed in Note 15 to the financial statements.

**PEREZ, SESE, VILLA & CO.**

BY:   
**MA. ALMA C. SESE**  
PARTNER

CPA Reg. No. 0054588  
TIN 212-955-173-000  
PTR No. 0153046, January 6, 2022, Manila City  
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FIRM's BOA/PRC Cert. of Reg. No. 0222, valid until October 12, 2023

Manila, Philippines  
October 3, 2022

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(02) 8994-3984

9<sup>th</sup> Flr Unit C Marc 2000 Tower  
1973 Taft Ave. cor. San Andres St.  
Malate Manila, 1004



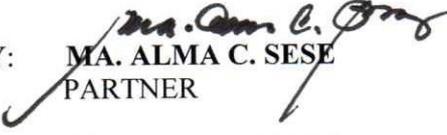


## **REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY SCHEDULES**

**To the Board of Directors**  
**ALLIED CARE EXPERTS (ACE)**  
**MEDICAL CENTER – BOHOL, INC.**  
CPG East Avenue corner A.S. Bioco Street,  
Mansasa District, Tagbilaran City, Bohol

We have audited in accordance with Philippine Standards on Auditing, the financial statements of **ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – BOHOL, INC.**, for the year ended December 31, 2021 and have issued our report thereon dated October 3, 2022. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of Financial Soundness Indicators, Reconciliation of Retained Earnings Available for Dividend Declaration, and Supplementary Schedules required by Annex 68-J, are the responsibility of the Company's management. This supplementary schedule is presented for the purpose of complying with the Revised Securities Regulation Code (SRC) Rule No. 68, and is not part of the basic financial statements. This supplementary schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

**PEREZ, SESE, VILLA & CO.**

BY:   
**MA. ALMA C. SESE**  
PARTNER

CPA Reg. No. 0054588  
TIN 212-955-173-000  
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October 3, 2022

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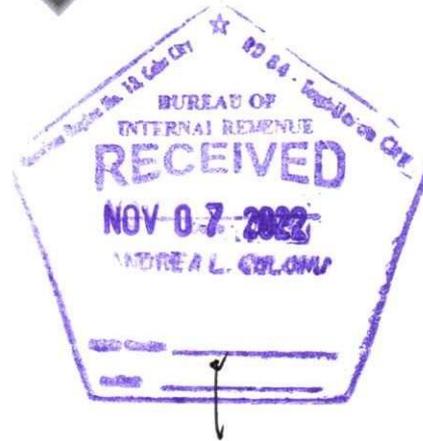




**PEREZ, SESE, VILLA & Co.**  
CERTIFIED PUBLIC ACCOUNTANTS

## REPORT OF INDEPENDENT AUDITORS

To the Board of Directors  
**ALLIED CARE EXPERTS (ACE)  
MEDICAL CENTER – BOHOL, INC.**  
CPG East Avenue corner A.S. Bioco Street,  
Mansasa District, Tagbilaran City, Bohol



### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of **ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – BOHOL, INC.** (the Company), which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of comprehensive income (loss), statements of changes in equity and statements of cash flows for the years then ended 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, 2021 and 2020, and its financial performance and its cash flows for the years then ended 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 *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Other matter*

The financial statements of **ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – BOHOL, INC.** as at and for the year ended December 31, 2019 were audited by another auditor whose report dated August 9, 2020, expressed an unmodified opinion on the financial statements. These financial statements were presented for comparative purposes only.



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www.psvco.com



(02) 8994-3984



9<sup>th</sup> Flr Unit C Marc 2000 Tower  
1973 Taft Ave. cor. San Andres St.  
Malate Manila, 1004

### ***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 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 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:

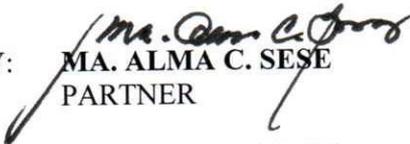
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting 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.

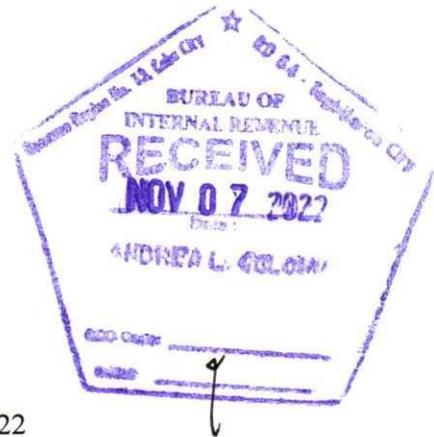
### Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2021 required by the Bureau of Internal Revenue as disclosed in Note 28 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**PEREZ, SESE, VILLA & CO.**

BY:   
MA. ALMA C. SESE  
PARTNER

CPA Reg. No. 0054588  
TIN 212-955-173-000  
PTR No. 0153046, January 6, 2022, Manila City  
SEC Group B Accreditation  
Partner – 1606-AR-1, valid until December 16, 2022  
Firm – 0336-FR-1, valid until December 16, 2022  
BIR AN – 06-002735-001-2021, valid until March 5, 2024  
IC Accreditation  
Partner -54588-IC, valid until December 3, 2024  
Firm -0222-IC, valid until December 3, 2024  
FIRM's BOA/PRC Cert. of Reg. No. 0222, valid until October 12, 2023



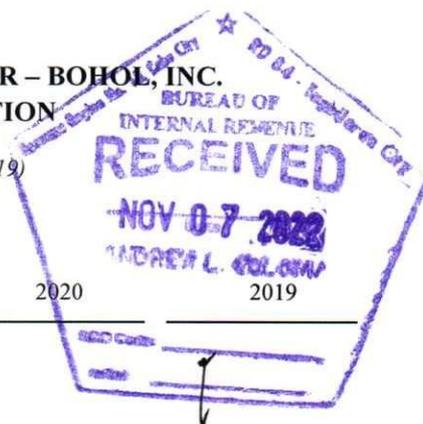
Manila, Philippines  
October 3, 2022

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

**STATEMENTS OF FINANCIAL POSITION**

December 31, 2021 and 2020

*(With Comparative Figures for December 31, 2019)*



<i>Notes</i>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b><u>ASSETS</u></b>			
<b>Current Assets</b>			
Cash	4,5,6    ₱ 61,198,741	₱ 37,534,413	₱ 28,273,899
Trade and other receivables	4,5,7    110,427,395	30,773,889	29,207,066
Inventories	4,8    38,938,714	35,674,254	22,334,083
Advances to suppliers and contractors	4,9    10,010,693	25,275,185	19,047,981
Prepayments and other current assets	4,10    9,364,707	2,262,951	4,202,541
<b>Total Current Assets</b>	<b>229,940,250</b>	<b>131,520,692</b>	<b>103,065,570</b>
<b>Non-current Assets</b>			
Property and equipment, net	4,5,11,25    943,668,144	974,428,306	978,804,121
Intangible asset, net	4,5,12,25    3,959,724	359,447	539,170
Deferred tax asset	4,21,24    14,580,393	10,872,227	196,749
<b>Total Non-Current Assets</b>	<b>962,208,261</b>	<b>985,659,980</b>	<b>979,540,040</b>
<b>TOTAL ASSETS</b>	<b>₱ 1,192,148,511</b>	<b>₱ 1,117,180,672</b>	<b>₱ 1,082,605,610</b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>Current Liabilities</b>			
Trade and other payables	4,13    ₱ 86,025,659	₱ 91,752,079	₱ 153,273,726
Advances from shareholders	4,20    2,319,062	38,149,852	27,199,926
Loans payable - current	4,14    35,959,888	58,224,689	57,410,037
<b>Total Current Liabilities</b>	<b>124,304,609</b>	<b>188,126,620</b>	<b>237,883,689</b>
<b>Non-Current Liabilities</b>			
Loans payable - non current	4,14    729,439,812	724,052,020	735,696,020
<b>Total Liabilities</b>	<b>853,744,421</b>	<b>912,178,640</b>	<b>973,579,709</b>
<b>Equity</b>			
Share capital	4,15    160,620,000	129,020,000	124,230,000
Share premium	4,15    239,720,000	192,455,000	78,595,000
Accumulated deficits	4    (61,935,910)	(116,472,968)	(93,799,099)
<b>Equity, net</b>	<b>338,404,090</b>	<b>205,002,032</b>	<b>109,025,901</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>₱ 1,192,148,511</b>	<b>₱ 1,117,180,672</b>	<b>₱ 1,082,605,610</b>

*(See accompanying Notes to Financial Statements)*

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

For The Years Ended December 31, 2021 and 2020  
 (With Comparative Figures For The Year Ended December 31, 2019)



	Notes	2021	2020	2019
<b>REVENUES</b>	4,16	₱ 488,883,607	₱ 277,089,637	₱ 123,739,127
<b>COST OF SALES AND SERVICES</b>	4,17,25	<u>(295,694,628)</u>	<u>(217,978,248)</u>	<u>(124,292,936)</u>
<b>GROSS PROFIT</b>		193,188,979	59,111,389	(553,809)
<b>OTHER INCOME</b>	4,19	<u>13,564,658</u>	<u>6,481,508</u>	<u>4,712,039</u>
<b>GROSS INCOME</b>		206,753,637	65,592,897	4,158,230
<b>OPERATING EXPENSES</b>	4,18,25	<u>(101,195,955)</u>	<u>(60,945,965)</u>	<u>(36,429,446)</u>
<b>FINANCE COST</b>	4,14	<u>(53,113,791)</u>	<u>(36,303,312)</u>	<u>(20,078,209)</u>
<b>INCOME (LOSS) BEFORE TAX</b>		<u>52,443,891</u>	<u>(31,656,380)</u>	<u>(52,349,425)</u>
<b>INCOME TAX BENEFITS</b>	4,21,24			
Current		1,614,999	1,692,967	
Deferred		<u>(3,708,166)</u>	<u>(10,480,176)</u>	
		<u>(2,093,167)</u>	<u>(8,787,209)</u>	<u>-</u>
<b>INCOME (LOSS) FOR THE YEAR</b>		<u>54,537,058</u>	<u>(22,869,171)</u>	<u>(52,349,425)</u>
<b>OTHER COMPREHENSIVE INCOME</b>				
Item that will not be reclassified to profit or loss		<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<u>₱ 54,537,058</u>	<u>₱ (22,869,171)</u>	<u>₱ (52,349,425)</u>

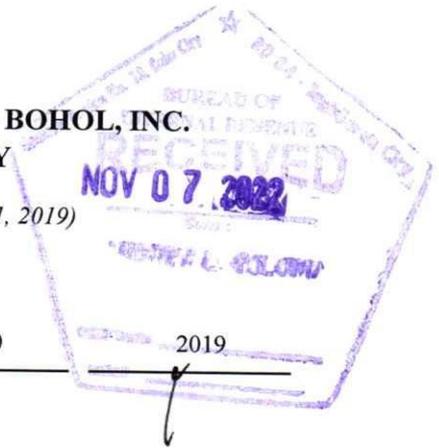
(See accompanying Notes to Financial Statements)

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

**STATEMENTS OF CHANGES IN EQUITY**

For The Years Ended December 31, 2021 and 2020

*(With Comparative Figures For The Year Ended December 31, 2019)*



	<i>Notes</i>	<b>2021</b>	2020	2019
<b>SHARE CAPITAL</b>	<i>4,15</i>			
Balance, beginning of the year		₱ 129,020,000	₱ 124,230,000	₱ 120,000,000
Issuance		<u>31,600,000</u>	<u>4,790,000</u>	<u>4,230,000</u>
Balance, end of the year		<u>160,620,000</u>	<u>129,020,000</u>	<u>124,230,000</u>
<b>SHARE PREMIUM</b>	<i>4,15</i>			
Balance, beginning of the year		₱ 192,455,000	₱ 78,595,000	₱ -
Additional share premium		<u>47,265,000</u>	<u>113,860,000</u>	<u>78,595,000</u>
Balance, end of the year		<u>239,720,000</u>	<u>192,455,000</u>	<u>78,595,000</u>
<b>ACCUMULATED DEFICITS</b>	<i>4,24</i>			
Balance, beginning of the year		(116,472,968)	(93,799,099)	(41,449,674)
Income (loss) for the year		<u>54,537,058</u>	<u>(22,869,171)</u>	<u>(52,349,425)</u>
Prior period adjustments		<u>-</u>	<u>195,302</u>	<u>-</u>
Balance, end of the year		<u>(61,935,910)</u>	<u>(116,472,968)</u>	<u>(93,799,099)</u>
<b>EQUITY, net</b>		<u><b>₱ 338,404,090</b></u>	<u><b>₱ 205,002,032</b></u>	<u><b>₱ 109,025,901</b></u>

*(See accompanying Notes to Financial Statements)*

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

**STATEMENTS OF CASH FLOWS**

For The Years Ended December 31, 2021 and 2020

*(With Comparative Figures For The Year Ended December 31, 2019)*

	<i>Notes</i>	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income (loss) before income tax		<b>₱ 52,443,891</b>	<b>₱ (31,656,380)</b>	<b>₱ (52,349,425)</b>
Adjustment to reconcile net income (loss) to net cash provided by operating activities:				
Depreciation and amortization	<i>4,5,11,25</i>	<b>52,616,382</b>	48,329,934	30,175,088
Credit losses	<i>4,5,7</i>	<b>14,353,518</b>	3,032,801	651,008
Finance cost	<i>4,14</i>	<b>53,113,791</b>	36,303,312	20,078,209
Interest income	<i>4,6,19</i>	<b>(33,414)</b>	(28,276)	(21,891)
<b>Operating income (loss) before changes in working capital</b>		<b>172,494,168</b>	<b>55,981,391</b>	<b>(1,467,011)</b>
<b>Changes in operating assets and liabilities:</b>				
Decrease (increase) in:				
Trade and other receivables	<i>4,5,7</i>	<b>(94,007,024)</b>	(7,930,988)	(28,121,843)
Inventories	<i>4,8</i>	<b>(3,264,460)</b>	(13,340,171)	(20,864,468)
Advances to suppliers	<i>4,9</i>	<b>15,264,492</b>	(2,895,840)	(5,731,500)
Prepayments and other current assets	<i>4,10</i>	<b>(4,447,226)</b>	1,745,210	(3,172,524)
Increase (decrease) in:				
Trade and other payables	<i>4,13</i>	<b>(5,726,420)</b>	(61,521,647)	17,467,233
<b>Cash generated from (used in) operation</b>		<b>80,313,530</b>	<b>(27,962,045)</b>	<b>(41,890,113)</b>
Interest income received	<i>4,6,19</i>	<b>33,414</b>	28,276	21,891
Interest expense paid	<i>4,14</i>	<b>(53,113,791)</b>	(36,303,312)	(20,078,209)
Income tax paid	<i>4,21</i>	<b>(4,269,529)</b>	(1,498,587)	(196,749)
<b>Net cash provided by (used in) operating activities</b>		<b>22,963,624</b>	<b>(65,735,668)</b>	<b>(62,143,180)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisition of property and equipment	<i>4,5,11,25</i>	<b>(21,256,497)</b>	(43,774,396)	(141,818,930)
Acquisition of intangible assets	<i>4,5,12,25</i>	<b>(4,200,000)</b>	-	-
Collection of loans receivable	<i>4,5,19</i>	-	-	25,200,000
<b>Net cash used in investing activities</b>		<b>(25,456,497)</b>	<b>(43,774,396)</b>	<b>(116,618,930)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from issuance of shares	<i>4,15</i>	<b>78,865,000</b>	118,650,000	82,825,000
Proceeds from loans	<i>4,14</i>	-	13,017,725	129,458,957
Proceeds from advances from shareholders	<i>4,20</i>	-	11,631,157	-
Payment of loans	<i>4,14</i>	<b>(16,877,009)</b>	(23,847,073)	-
Payment of advances from shareholders	<i>4,20</i>	<b>(35,830,790)</b>	(681,231)	(30,025,694)
<b>Net cash provided by financing activities</b>		<b>26,157,201</b>	<b>118,770,578</b>	<b>182,258,263</b>
<b>NET INCREASE IN CASH</b>		<b>23,664,328</b>	<b>9,260,514</b>	<b>3,496,153</b>
<b>CASH AT THE BEGINNING OF THE YEAR</b>		<b>37,534,413</b>	<b>28,273,899</b>	<b>24,777,746</b>
<b>CASH AT THE END OF THE YEAR</b>		<b>₱ 61,198,741</b>	<b>₱ 37,534,413</b>	<b>₱ 28,273,899</b>

*(See accompanying Notes to Financial Statements)*

**ALLIED CARE EXPERTS (ACE) MEDICAL CENTER –  
BOHOL, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021, 2020 and 2019**

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**NOTE 1 - GENERAL INFORMATION**

**ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – BOHOL, INC.** (the Company) is a stock corporation organized and registered with the Philippine Securities and Exchange Commission (SEC) on March 6, 2014 under SEC Registration No. CS201404018.

The Company's primary purpose is to establish, maintain, operate, own and manage hospitals, medical and related healthcare facilities and businesses such as but without restriction to clinical, laboratories, diagnostic centers, ambulatory clinics, scientific research and educational institutions 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 June 28, 2019, the SEC En Banc under SEC MSR Order No. 30 approved the registration statement of the Company for the sale of 180,000 shares broken down as follows: the primary offering to be sold by way of initial public offering for thirty thousand (30,000) common shares equivalent to 3,000 blocks or 10 shares per block at an offer price ranging from ₱250,000.00 per block up to a maximum offer price of ₱400,000.00 per block with an aggregate principal amount of One Billion Pesos (₱1,000,000,000.00); six hundred (600) founder shares – not included in the offer; and one hundred forty nine thousand four hundred (149,400) common shares – not included in the offer. These shares have been registered and may now be offered for sale or sold to the public subject to full compliance with the provisions of the Securities Regulation Code and its Amended Implementing Rules and Regulations, Revised Code of Corporation Governance, and other applicable laws and orders as may be issued by the Commission.

The Company is a BOI – Registered Non-Pioneer Status Hospital certified by the Board of Investments covered by Certificate of Registration No. 2018-247 issued on November 13, 2018.

Pursuant to the abeyance of the provisions of Executive Order No. 226 (otherwise known as the Omnibus Investments Code of 1987), the Company is eligible to enjoy certain grants, particularly, but not limited to – Income Tax Holiday – for a period of 4 years starting from November 2018 or actual start of commercial operations, whichever is earlier (the availment of which shall not be earlier than the date of registration).

The registered principal office of the Company is located at CPG East Avenue corner A.S. Bioco Street, Mansasa District, Tagbilaran City, Bohol. This is also the construction of its hospital building.

***Status of Operation***

The Company has commenced its full commercial operation in March 2019 pending completion of 6<sup>th</sup> and 7<sup>th</sup> floor which was completed in 2021.

***Approval of the Financial Statements***

The financial statements of the Company for the year ended December 31, 2021 were approved and authorized for issue by the Board of Directors on October 1, 2022.

## **NOTE 2 - BASIS OF PRESENTATION**

### ***Statement of Compliance***

The financial statements of the Company have been prepared in compliance with the *Philippine Financial Reporting Standard (PFRS)* issued by the Philippine Financial Reporting Standards Council. They are presented in Philippine Peso which is the Company's functional and presentation currency. All amounts are rounded to the nearest peso.

### ***Basis of Measurement***

The financial statements have been prepared on historical cost basis, unless stated otherwise.

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

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

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

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

## **NOTE 3 - ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2021.

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

- Amendment to PFRS 16, *Leases - COVID-19-Related Rent Concessions beyond June 30, 2021* – In 2020, PFRS 16 was amended to provide practical expedient to lessees from applying the requirements on lease modifications for eligible rent concessions that is a direct consequence of COVID-19 pandemic. A lessee may elect not to assess whether eligible rent concessions from a lessor is a lease modification. A lessee that makes this election account for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for a change that is not a lease modification, e.g., as a variable lease payment. This amendment is effective for annual reporting periods beginning on or after June 1, 2020, with earlier application permitted, and covers eligible rent concessions until June 30, 2021.

### **New and Amended PFRS Issued But Not Yet Effective**

Relevant new and revised PFRS which are not yet effective for the year ended December 31, 2021 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendment included an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, Provisions, Contingent Liabilities and Contingent Assets, or IFRIC 21, Levies, instead of the Conceptual Framework. The requirement would ensure that the liabilities recognized in a business combination would remain the same as those recognized applying the current requirements in PFRS 3. The amendment also added an explicit statement that contingent assets acquired in a business combination should not be recognized by an acquirer. The amendments should be applied prospectively.
- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applies the amendment.
- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity, as applicable. Accordingly, the comparatives are not restated. Earlier application is permitted.
- Annual Improvements to PFRS 2018 to 2020 Cycle:
  - Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Subsidiary as a First-time Adopter* – The amendments permit a subsidiary that becomes a first-time adopter later than its parent and measures its assets and liabilities in accordance with paragraph D16 (a) of PFRS 1 to measure cumulative translation differences for all foreign operations using the amounts reported by its parent, based on the parent's date of transition to PFRS. Earlier application of the amendments is permitted.
  - Amendments to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendments apply to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendments. Earlier application is permitted.

- Amendments to PFRS 16, *Leases - Lease Incentives* – The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.
- Amendments to PAS 41, *Agriculture - Taxation in Fair Value Measurements* – The amendment removes the requirement for entities to exclude cash flows for taxation when measuring the fair value of a biological asset using a present value technique to ensure consistency with the requirements in PFRS 13, Fair Value Measurement. The amendment should be applied prospectively. Early application is permitted.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted.
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2, *Making Materiality Judgements*, is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.
- Amendments to PAS 8, *Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy require an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.
- Amendments to PAS 12, *Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions

that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2025:

- PFRS 17, *Insurance Contracts* – This standard will replace PFRS 4, *Insurance Contracts*. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. An amendment to the standard was issued to (i) reduce costs of transition by simplifying some requirements of the standard, (ii) make financial performance easier to explain, and (iii) ease transition by deferring the effectivity of the standard from 2021 to 2023 and by providing additional relief to reduce the effort required when applying PFRS 17 for the first time.

In response to the challenges brought by the Covid-19 pandemic, the Insurance Commission issued Circular Letter 2020-062, Amendment of Section 1 of Circular Letter No. 2018-69, Deferral of IFRS 17 Implementation, which provides a two-year deferral on the implementation of the standard from the 2023 effectivity date. Therefore, all life and nonlife insurance companies in the Philippines shall adopt PFRS 17 for annual periods beginning on or after January 1, 2025.

Deferred effectivity -

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

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Company.

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

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

##### **Financial Instruments**

###### ***Initial recognition and measurement***

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

### **Classification**

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

### **Financial Assets and Liabilities at FVPL**

Financial assets and liabilities at FVPL are either classified as held for trading or designated at FVPL.

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

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

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

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

As at December 31, 2021, 2020 and 2019, the Company does not have financial assets or liabilities classified as FVPL.

### **Financial Assets at Amortized Cost**

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

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for credit losses, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process.

As at December 31, 2021, 2020 and 2019, the Company's cash and trade and other receivables are classified under this category. (Note 6 and 7)

### ***Financial Assets at FVOCI.***

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

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

For equity instruments, the Company may irrevocably designate the financial asset to be measured at FVOCI as long as these are not held for trading purposes.

After initial recognition, Financial assets at FVOCI are presented in the financial statements at fair value with changes in fair value are recognized in OCI.

Interest income on debt instruments is calculated using the effective interest method while credit losses on debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified to profit or loss.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established. Cumulative changes in fair value of FVOCI equity instruments are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As at December 31, 2021, 2020 and 2019, the Company does not have financial assets classified as FVOCI.

### ***Financial Liabilities at Amortized Cost***

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

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

As at December 31, 2021, 2020 and 2019, the Company's trade and other payables, (excluding government liabilities), loans payable, and advances from shareholders are classified under this category. (Note 13, 14 and 20)

### ***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 shall be recognize in 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 other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

### **Impairment of Financial Assets**

The Company records an allowance for “expected credit loss” (ECL). 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. The difference is then discounted at an approximation to the asset’s original effective interest rate.

For trade receivables, the Company has applied the simplified approach and has calculated ECL based on the lifetime expected credit losses. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For 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 and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

### **Derecognition of Financial Assets and Liabilities**

#### ***Financial Assets***

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

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

When the Company has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

### ***Financial Liabilities***

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

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

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

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

### **Offsetting of Financial Assets and Liabilities**

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

### **Inventories**

Inventories include various medical, dental and laboratory supplies, drugs and medicines for sale, general hospital maintenance supplies, food supplies and kitchenware, tablewares and other utensils.

These are initially measured at cost. Costs of inventory includes purchase price and all incidental cost necessary to bring the inventory to its saleable and usable condition. Subsequently, inventories are reported in the statements of financial position at the lower of cost and net realizable value. Cost is calculated using the weighted average method.

At each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory with its net realizable value. If an item of inventory is impaired, its carrying amount is reduced to net realizable value, and an impairment loss is recognized immediately in profit and loss. Any reversal of impairment is recognized also in profit or loss.

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### **Prepayments and Other Current Assets**

Prepayments represent advance payments for insurance, taxes and supplies which the Company expects to consume within one year. Other current assets include input tax, creditable withholding taxes and advances for liquidation. Prepayments and other current assets are stated in the statement of financial position at cost less any portion that has already been consumed or that has already expired.

### **Property and Equipment**

Property and equipment are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used during more than one period.

Items of property and equipment are initially measured at cost. Such cost includes purchase price and all incidental costs necessary to bring the asset to its location and condition. Subsequent to initial recognition, items of property and equipment are measured in the statement of financial position at cost less any accumulated depreciation and any accumulated impairment losses.

Properties in the course of construction are carried at cost, less any recognized impairment loss. Cost includes property development and construction costs and for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences at the time the assets are ready for their intended use. Any impairment loss from the construction project is immediately recognized in profit and loss.

Depreciation, which is computed on a straight-line basis, is recognized so as to allocate the cost of assets less their residual values over their estimated useful lives. Land is not depreciated.

If there is an indication that there has been a significant change in useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

When assets are sold, retired or otherwise disposed of, their costs and related accumulated depreciation and impairment losses, if any, are removed from the accounts and any resulting gain or loss is reflected in profit or loss for the period.

### **Intangible Assets**

Intangible asset represents hospital information system. This is initially measured at cost and is presented in the statement of financial position at cost less accumulated amortization and any accumulated impairment losses. Hospital information system is amortized over its estimated useful life of three (3) years to ten (10) years using the straight-line method. If there is an indication that there has been a significant change in the useful life or residual value of an intangible asset, the amortization is revised prospectively to reflect the new expectations.

When assets are sold, retired or otherwise disposed of, their cost and related accumulated amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss is reflected in profit or loss for the period.

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

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

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

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

### **Loans payable**

Loans payable account represents borrowed funds from various financial institutions to finance the construction of the hospital building, acquisition of medical equipment, hospital furniture and fixtures, and transportation equipment and working capital requirement.

Loans payable is classified as current liability unless the Company has an unconditional right to defer settlement of the liability beyond 12 months from the reporting date.

### **Share Capital**

Share capital represents the total par value of the ordinary shares issued.

Equity instruments are measured at the fair value of the cash or other consideration received or receivable, net of the direct costs of issuing the equity instruments.

The difference between the consideration received and the par value of the shares issued is credited to share premium.

### **Accumulated Deficits**

Deficits represents accumulated losses incurred by the Company net of any dividend declaration, effects of changes in accounting policy and prior period adjustments.

### **Revenue**

#### ***Revenue recognition***

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured by reference to the fair value of consideration received or receivable excluding discounts, returns and sales taxes. Revenue is recognized either at a point in time or over a period of time.

Revenue is recognized as follows:

#### ***Hospital fees***

Revenue from hospital services is recognized over a period of time because the customer simultaneously consumes the benefit as the performance obligation is satisfied.

#### ***Sale of drugs and medicines***

Revenue from sale of drugs and medicines is recognized at the point in time when control over the goods is transferred to the customer, generally upon delivery of the goods at the customer's location.

### ***Other income***

Other income which includes income from cafeteria, doctor's clinic, rental and miscellaneous income is recognized over a period of time because the customer simultaneously consumes the benefit as the performance obligation is satisfied.

### ***Finance income***

Finance income comprises interest income on bank deposits. Interest income is recognized in profit and loss as it accrues, using the effective interest method.

### **Expenses**

Expenses are decreases in economic benefits in the form of decreases in assets or increase in liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are generally recognized when the services are received or when the expenses are incurred.

### ***Cost of sales and services***

Cost of sales and services are recognized in profit or loss in the period the goods are sold and when services are rendered.

### ***Operating expenses***

This account includes selling and general & administrative expenses. Selling expenses pertain to cost of marketing and distribution of goods and rendering of services to customers. General & administrative expenses represent expenses such as salaries and wages, depreciation and amortization, office supplies, meeting and conferences, credit losses, impairment loss, utilities, security services, outside services, janitorial, cleaning and maintenance, taxes and licenses, commission expense, insurance, SSS/PHIC/HDMF contributions, deficiency tax, representation and entertainment, fines and penalties, advertising/promotion/marketing, professional fee, uniforms, transportation and travel, training and development, mailing/postage/courier, bank service charge, handling fees, rentals, miscellaneous and other expenses attributable to administrative and other business activities of the Company.

### ***Finance cost***

Finance costs include interest and other charges related to borrowing arrangements.

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

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

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

### **Income Tax**

Income tax expense includes current tax expense and deferred tax expense. The current tax expense is based on taxable profit for the year. Deferred tax is recognized on the differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases.

Deferred tax liabilities are recognized for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognized for all temporary differences that are expected to reduce taxable profit in the future, and any net operating loss carry over (NOLCO) or excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT). The net carrying amount of deferred tax asset is reviewed at each reporting date and any adjustments are recognized in profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

### **Employee Benefits**

#### ***Short-term benefits***

Short-term benefits given by the Company to its employees include salaries and wages, compensated absences, 13th month pay, employer share contributions and other de minimis benefits, among others.

These are recognized as expense in the period the employees render services to the Company.

#### ***Retirement Benefits***

The Company does not have a formal retirement benefit plan. However, the Company provides retirement benefits in compliance with RA 7641. No actuarial computation was made because the Company believes that the amount of provision for employee benefits will not materially affect the fair presentation of the financial statements considering that the Company has just commenced commercial operation in 2019 and none of the employees qualifies for the five years employment under RA 7641.

### **Related Parties**

Related party relationship exists 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 relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its major shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

### **Leases**

A lease is a contract that conveys the right to use an identified asset for a period of time in exchange for a consideration.

Determination as to whether a contract is, or contains, a lease is made at the inception of the lease. Accordingly, the Company assesses whether the contract meets three key evaluations which are:

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

### ***Company as Lessee***

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability in the statement of financial position. The lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed), variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to initial measurement, the liability is increased for interest incurred and reduced for lease payments made.

The right-of-use asset is initially measured at the amount of lease liability adjusted for any initial direct costs incurred by the lessee, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Company depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

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

### **Provisions and contingencies**

Provisions are recognized only when the Company has a present obligation as a result of past event and it is probable that the Company will be required to transfer economic benefits in settlement; and the amount of provision can be estimated reliably.

Contingent assets and liabilities are not recognized in the financial statements.

### **Changes in accounting policies, change in accounting estimates and correction of prior period errors**

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

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

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

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

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

#### **Subsequent events**

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

#### **NOTE 5 - SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the financial statements in accordance with Philippine Financial Reporting Standards requires the Company to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of changes in estimates will be reflected in the financial statements as they become reasonably determinable.

#### **Judgment**

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:

##### *Determination of ECL on Financial Assets*

The Company measures expected credit losses of a financial instrument in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and information about past events, current conditions and forecasts of future economic conditions. When measuring ECL the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Details about the ECL on the Company's financial assets are disclosed in Note 22.

##### *Assessment of Impairment of Nonfinancial Assets*

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

No impairment loss was recognized in the Company's financial statements in either 2021, 2020 or 2019.

#### **Estimates**

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

**Estimating useful lives of property and equipment**

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

The following estimated useful lives are used in depreciating the property and equipment:

<u>Description</u>	<u>Useful Lives</u>
Building	50 years
Medical equipment	5 – 10 years
Transportation equipment	5 years
Hospital/office furniture and fixtures	5 years
Engineering tools and kitchen equipment	5 years

**Determination of Realizable Amount of Deferred Tax Assets**

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the deferred tax assets recognized as at December 31, 2021 will be fully utilized in the coming years. The carrying value of deferred tax assets as of those dates is disclosed in Note 21.

**NOTE 6 - CASH**

This account consists of:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cash on hand	₱ 2,142,239	₱ 5,629,798	₱ 3,848,183
Cash in banks	59,056,502	31,904,615	24,425,716
	<u>₱ 61,198,741</u>	<u>₱ 37,534,413</u>	<u>₱ 28,273,899</u>

Cash in banks generally earn interest at bank deposit rates. Interest income earned from cash in banks amounted to ₱33,414, ₱28,276 and ₱21,891 for the years 2021, 2020 and 2019, respectively, and is presented under interest income in the statements of comprehensive income. (Note 19)

**NOTE 7 - TRADE AND OTHER RECEIVABLES**

This account consists of:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Trade receivables	₱ 124,648,672	₱ 32,108,290	₱ 27,927,675
Others	3,816,050	2,349,408	1,930,399
	<u>128,464,722</u>	<u>34,457,698</u>	<u>29,858,074</u>
Allowance for credit losses	(18,037,327)	(3,683,809)	(651,008)
	<u>₱ 110,427,395</u>	<u>₱ 30,773,889</u>	<u>₱ 29,207,066</u>

Trade receivables pertains to receivables from patients, reimbursements from HMO, DSWD and PhilHealth availed by the patients.

Other receivables pertains to advances to various employees and doctors, which are collectible thru salary deductions.

A reconciliation of the allowance for expected credit losses at the beginning and end of 2021, 2020 and 2019 is shown below: -

	<u>2021</u>	<u>2020</u>	<u>2019</u>
(Note 23)			
Balance at January 1	P 3,683,809	P 651,008	P -
Credit losses	<u>14,353,518</u>	<u>3,032,801</u>	<u>651,008</u>
Balance, December 31	<u>P 18,037,327</u>	<u>P 3,683,809</u>	<u>P 651,008</u>

#### NOTE 8 - INVENTORIES

This account consists of:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Medical, dental and laboratory supplies	P 19,295,673	P 19,083,151	P 9,015,218
Drugs, medicines and supplies for sale – Pharmacy	16,645,100	15,213,022	11,223,690
General hospital maintenance supplies	2,679,447	1,208,810	1,553,476
Food supplies	318,494	169,271	152,232
Kitchenwares, tablewares and other utensils	-	-	389,467
	<u>P 38,938,714</u>	<u>P 35,674,254</u>	<u>P 22,334,083</u>

Medical, dental and laboratory supplies pertains to drugs and medical supplies administered to patients.

Drugs, medicines and supplies for sale pertains to items available for sale.

General hospital maintenance supplies pertains to purchases of cleaning and sanitation supplies for the upkeep and general housekeeping of the hospital.

The Company recognized as expense, inventories amounting to P160,734,914, P105,715,362, and P46,834,645 in 2021, 2020 and 2019 respectively. (Note 17 and 18)

No portion of the inventory was pledged as security for any liability.

#### NOTE 9 - ADVANCES TO SUPPLIERS AND CONTRACTORS

This account consists of:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Advances to contractors	P 6,093,215	P 9,950,111	P 6,618,747
Advances to suppliers	<u>3,017,478</u>	<u>15,325,074</u>	<u>12,429,234</u>
	<u>P 10,010,693</u>	<u>P 25,275,185</u>	<u>P 19,047,981</u>

Advances to contractors are advanced payment made to contractors that are deducted on a pro-rata basis, from the contractor's periodic progress billings.

Advances to suppliers represent payments made to suppliers of medical equipment and/or construction materials. The amounts normally represent 10% - 50% of the total contact price of the items purchased.

**NOTE 10 - PREPAYMENTS AND OTHER CURRENT ASSETS**

This account consists of:

	2021	2020	2019
Input VAT	P 5,150,110	P -	P -
Creditable withholding tax	2,284,156	556,091	-
Prepaid insurance	1,032,136	1,002,030	1,053,440
Prepaid income tax (Note 21)	554,658	51,435	245,815
Prepaid supplies	323,347	146,819	2,897,286
Prepaid taxes	7,500	493,776	-
Others	12,800	12,800	6,000
	<u>P 9,364,707</u>	<u>P 2,262,951</u>	<u>P 4,202,541</u>

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

Prepaid income tax pertains to excess tax credits, which could be applied to tax liability of the company in the future or succeeding period.

Prepaid insurance pertains to the unexpired portion of insurance premium on the hospital building and various medical equipment.

Prepaid supplies pertain to unused office supplies.

Prepaid taxes pertain to unexpired taxes and licenses.

**NOTE 11 - PROPERTY AND EQUIPMENT**

A reconciliation of the carrying amounts at the beginning and end of year 2021, 2020 and 2019 of property and equipment is shown below:

**2021**

	Land	Building	Medical Equipment	Transportation Equipment	Hospital/Office Furnitures and Fixtures	Engineering Tools and Kitchen Equipment	Construction in progress	Total
<b>Cost</b>								
1-Jan-21	P 21,689,038	P 698,260,270	P 281,412,751	P 3,627,056	P 48,146,832	P 1,853,843	P -	P 1,054,989,790
Additions	-	1,936,297	10,565,919	5,007	3,632,249	1,252,677	3,864,348	21,256,497
Reclassifications	-	3,864,348	-	-	-	-	(3,864,348)	-
Disposals	-	-	-	-	-	-	-	-
31-Dec-21	<u>21,689,038</u>	<u>704,060,915</u>	<u>291,978,670</u>	<u>3,632,063</u>	<u>51,779,081</u>	<u>3,106,520</u>	<u>-</u>	<u>1,076,246,287</u>
<b>Accumulated Depreciation</b>								
1-Jan-21	-	20,626,598	41,446,652	1,154,907	16,722,836	610,491	-	80,561,484
Depreciation	-	13,981,762	27,212,288	725,745	9,609,366	487,498	-	52,016,659
Disposals	-	-	-	-	-	-	-	-
31-Dec-21	<u>-</u>	<u>34,608,360</u>	<u>68,658,940</u>	<u>1,880,652</u>	<u>26,332,202</u>	<u>1,097,989</u>	<u>-</u>	<u>132,578,143</u>
<b>Carrying amounts</b>								
31-Dec-20	<u>P 21,689,038</u>	<u>P 677,633,672</u>	<u>P 239,966,099</u>	<u>P 2,472,149</u>	<u>P 31,423,996</u>	<u>P 1,243,352</u>	<u>P -</u>	<u>P 974,428,306</u>
31-Dec-21	<u>P 21,689,038</u>	<u>P 669,452,555</u>	<u>P 223,319,730</u>	<u>P 1,751,411</u>	<u>P 25,446,879</u>	<u>P 2,008,531</u>	<u>P -</u>	<u>P 943,668,144</u>

2020

	Land	Building	Medical Equipment	Transportation Equipment	Hospital/Office Furnitures and Fixtures	Engineering Tools and Kitchen Equipment	Construction in progress	Total
<b>Cost</b>								
1-Jan-20	P 21,689,038	P 673,043,087	P 272,547,367	P 2,345,456	P 39,977,591	P 1,433,132	P -	P1,011,035,671
Additions	-	19,858,979	8,865,384	1,281,600	7,989,518	420,711	5,358,204	43,774,396
Reclassifications	-	5,358,204	-	-	-	-	(5,358,204)	-
Disposals	-	-	-	-	-	-	-	-
31-Dec-20	<u>21,689,038</u>	<u>698,260,270</u>	<u>281,412,751</u>	<u>3,627,056</u>	<u>47,967,109</u>	<u>1,853,843</u>	<u>-</u>	<u>1,054,810,067</u>
<b>Accumulated Depreciation</b>								
1-Jan-20	-	7,165,736	16,104,085	472,216	8,191,110	298,403	-	32,231,550
Depreciation	-	13,460,862	25,342,567	682,691	8,352,003	312,088	-	48,150,211
Disposals	-	-	-	-	-	-	-	-
31-Dec-20	<u>-</u>	<u>20,626,598</u>	<u>41,446,652</u>	<u>1,154,907</u>	<u>16,543,113</u>	<u>610,491</u>	<u>-</u>	<u>80,381,761</u>
<b>Carrying amounts</b>								
31-Dec-19	<u>P 21,689,038</u>	<u>P665,877,351</u>	<u>P 256,443,282</u>	<u>P 1,873,240</u>	<u>P 31,786,481</u>	<u>P 1,134,729</u>	<u>P -</u>	<u>P 978,804,121</u>
<b>Carrying amounts</b>								
31-Dec-20	<u>P 21,689,038</u>	<u>P 677,633,672</u>	<u>P 239,966,099</u>	<u>P 2,472,149</u>	<u>P 31,423,996</u>	<u>P 1,243,352</u>	<u>P -</u>	<u>P 974,428,306</u>

2019

	Land	Building	Medical Equipment	Transportation Equipment	Hospital/Office Furnitures and Fixtures	Engineering Tools and Kitchen Equipment	Construction in progress	Total
<b>Cost</b>								
1-Jan-19	P 21,689,038	P -	P 243,859,265	P 2,345,456	P 22,449,691	P 862,268	P578,011,023	P 869,216,741
Additions	-	95,032,064	28,688,102	-	17,527,900	570,864	-	141,818,930
Reclassification	-	578,011,023	-	-	-	-	(578,011,023)	-
Disposals	-	-	-	-	-	-	-	-
31-Dec-19	<u>21,689,038</u>	<u>673,043,087</u>	<u>272,547,367</u>	<u>2,345,456</u>	<u>39,977,591</u>	<u>1,433,132</u>	<u>-</u>	<u>1,011,035,671</u>
<b>Accumulated depreciation</b>								
1-Jan-19	-	-	-	3,125	2,004,736	48,601	-	2,056,462
Depreciation	-	7,165,736	16,104,085	469,091	6,186,374	249,802	-	30,175,088
Disposals	-	-	-	-	-	-	-	-
31-Dec-19	<u>-</u>	<u>7,165,736</u>	<u>16,104,085</u>	<u>472,216</u>	<u>8,191,110</u>	<u>298,403</u>	<u>-</u>	<u>32,231,550</u>
<b>Carrying amounts</b>								
31-Dec-18	<u>P 21,689,038</u>	<u>P -</u>	<u>P 243,859,265</u>	<u>P 2,342,331</u>	<u>P 20,444,955</u>	<u>P 813,667</u>	<u>P578,011,023</u>	<u>P 867,160,279</u>
<b>Carrying amounts</b>								
31-Dec-19	<u>P 21,689,038</u>	<u>P665,877,351</u>	<u>P 256,443,282</u>	<u>P 1,873,240</u>	<u>P 31,786,481</u>	<u>P 1,134,729</u>	<u>P -</u>	<u>P 978,804,121</u>

The Company bought parcels of land consisting of 4,138 sq. m. at Carlos P. Garcia Avenue corner A.S. Bioco Street, Mansasa, Tagbilaran City. This land is covered with TCT numbers 112-2015000168, 112-20141207, 112-2014001201 and 112-2016000139. The hospital building was constructed in these lot. The land together with all the buildings and improvements were used as collateral in the bank loan (Note 14).

The total carrying value of the land and hospital building used as collateral for the loan amounted to P691,141,593, P699,322,710, and P687,566,389 as at December 31, 2021, 2020 and 2019, respectively. (Note 14)

Medical equipment and hospital/office furniture and fixtures with a total carrying value of P248,766,609, P271,390,095 and P288,229,763 as at December 31, 2021, 2020 and 2019, respectively, were used as collateral for these loans. (Note 14)

Depreciation expense were presented in the statements of comprehensive income as follows (Note 17 and 18):

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Cost of sales and services (Note 17)	P 47,934,626	P 44,426,281	P 27,485,724
Operating expenses (Note 18)	4,082,033	3,723,930	2,689,364
	<u>P 52,016,659</u>	<u>P 48,150,211</u>	<u>P 30,175,088</u>

Management has reviewed the carrying values of property and equipment as at December 31, 2021, 2020 and 2019 for any impairment. Based on the result of its evaluation, there are no indications that these assets are impaired.

#### NOTE 12 - INTANGIBLE ASSET

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

A reconciliation of the carrying amounts at the beginning and end of year 2021, 2020 and 2019 is shown below:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
<b>Cost</b>			
Balance, beginning of the year	P 539,170	P 539,170	P 539,170
Additions	4,200,000	-	-
Disposal	-	-	-
Balance, end of the year	<u>4,739,170</u>	<u>539,170</u>	<u>539,170</u>
<b>Accumulated Amortization</b>			
Balance, beginning of the year	179,723	-	-
Amortization	599,723	179,723	-
Disposal	-	-	-
Balance at end of year	<u>779,446</u>	<u>179,723</u>	<u>-</u>
Carrying amount	<u>P 3,959,724</u>	<u>P 359,447</u>	<u>P 539,170</u>

No impairment loss was recognized in 2021, 2020 and 2019. The amortization of intangible asset is presented as part of operating expenses. The Company's intangible asset is expected to be amortized over its useful life of three (3) to ten (10) years.

#### NOTE 13 - TRADE AND OTHER PAYABLES

This account consists of:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Trade payable	P 25,677,327	P 30,973,249	P 116,038,164
Accrued expenses	40,816,498	33,968,346	8,758,454
Retention payable	13,178,439	23,552,937	25,281,012
Payable to government	4,780,166	2,046,603	1,736,765
Others	1,573,299	1,210,944	1,459,331
	<u>P 86,025,659</u>	<u>P 91,752,079</u>	<u>P 153,273,726</u>

Trade payable pertain to unpaid balance on contractor's progress billings and purchases of medical/hospital equipment. These are non-interest bearing and has a term of 30 to 60 days.

Accrued expenses pertains to expenses incurred but not yet paid as of reporting period. Details of accrued expenses follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Interest	P 40,244,408	P 32,716,052	P 8,383,512
Salaries and wages	372,090	1,052,294	174,943
Professional fees	200,000	200,000	200,000
	<u>P 40,816,498</u>	<u>P 33,968,346</u>	<u>P 8,758,454</u>

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

Payable to government pertains to mandatory government statutes and withholding taxes payable to BIR, SSS, PHIC and HDMF.

#### NOTE 14 - LOANS PAYABLE

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current	P 35,959,888	P 58,224,689	P 57,410,037
Non-current	729,439,812	724,052,020	735,696,020
Total	<u>P 765,399,700</u>	<u>P 782,276,709</u>	<u>P 793,106,057</u>

#### Land Bank of the Philippines

The Company entered into Term Loan Agreement with the Land Bank of the Philippines (LBP) for a total amount of P885M. The amount of loan released as of December 31, 2021 amounted to P820M.

#### First loan

On June 17, 2015, the Company obtained term loan amounting to P450M. The loan consists of 2 term loan agreements. Term Loan 1 which amounts to P390M is payable in ten (10) years ladderized quarterly amortization with three (3) years grace period on the principal repayment. The interest range from 6% to 7% per annum, with quarterly repricing based on LBP's prevailing rates on the date of loan release and is payable quarterly commencing at the end of the 1st quarter after initial loan release. Under the terms of the agreement, the proceeds of the loan will be used by the Company to partially finance the construction of its 8-storey Hospital Building located at Carlos P. Garcia Avenue corner A.S. Bioco Street, Mansasa, Tagbilaran City. Term Loan 2 which amounts to P60M is payable in seven (7) years with quarterly amortization and one (1) year grace period on the principal repayment. The interest range from 6% to 7% per annum with quarterly repricing based on LBP's prevailing rates on the date of loan release and is payable quarterly commencing at the end of the 1st quarter after initial loan release. Under the terms of the agreement, the proceeds of the loan will be used by the Company to finance the acquisition of medical equipment, furniture and fixtures.

The loan was collateralized by a by a Real Estate Mortgage (REM) with TCT Nos. 112-2015000168 with an area of 3,059 sq. m. registered under the name of Allied Care Experts (ACE) Medical Center - Bohol, Inc. located at Carlos P. Garcia East Avenue corner A.S. Bioco St., Mansasa District, Tagbilaran City, Bohol and includes future improvements and Chattel Mortgage (CHM) on various medical equipment, furniture and fixture of the medical center.

The total carrying value of the land and hospital building used as collateral for the loan amounted to ₱691,141,593, ₱699,322,710, and ₱687,566,389 as at December 31, 2021, 2020 and 2019. (Note 11)

The loan agreement with the bank provides certain restrictions and requirements with respect to, among others, maintenance of debt to equity ratio of 75:25 during the term of the loan and maintenance of LBP as the major depository bank of the Company. As at December 31, 2021, the Company has complied with the debt to equity ratio requirement based on the loan agreement.

#### Second loan

On June 17, 2015, the Company obtained additional loan amounting to ₱435M. The loan consists of 3 term loan agreements. Term Loan 3 which amounts to ₱100M is payable in ten (10) years with quarterly amortization and one (1) year grace period on the principal repayment. The interest range from 6% to 7% per annum, with quarterly repricing based on LBP's prevailing rates on the date of loan release and is payable quarterly commencing at the end of the 1st quarter after initial loan release. Under the terms of the agreement, the proceeds of the loan will be used by the Company to finance the completion of its 8-storey Hospital Building located at Carlos P. Garcia Avenue corner A.S. Bioco Street, Mansasa, Tagbilaran City, Bohol. Term Loan 4 which amounts to ₱275M is payable in seven (7) year quarterly amortization and one (1) year grace period on the principal repayment. The interest range from 6% to 7% per annum, with quarterly repricing based on LBP's prevailing rates on the date of loan release and is payable quarterly commencing at the end of the 1st quarter after initial loan release. Under the terms of the agreement, the proceeds of the loan will be used by the Company to finance the acquisition of hospital equipment and furniture and fixtures. Term Loan 5 which amounts to ₱60M is payable in seven (7) year with quarterly amortization and one (1) year grace period on the principal repayment. The interest range from 6% to 7% per annum with quarterly repricing based on LBP's prevailing rates on the date of loan release and is payable quarterly commencing at the end of the 1st quarter after initial loan release. Under the terms of the agreement, the proceeds of the loan will be used by the Company to finance its permanent working capital requirements.

The loan was collateralized by a Real Estate Mortgage (REM) with TCT Nos. 112-2015000168 with an area of 3,059 sq. m. registered under the name of Allied Care Experts (ACE) Medical Center - Bohol, Inc. located at Carlos P. Garcia East Avenue corner A.S. Bioco St., Mansasa District, Tagbilaran City, Bohol which includes future improvements and a Chattel Mortgage (CHM) on various medical equipment, furniture and fixture of the medical center.

The total carrying value of the land and hospital building used as collateral for the loan amounted to ₱691,141,593, ₱699,322,710, and ₱687,566,389 as at December 31, 2021, 2020 and 2019. (Note 11)

Medical equipment and hospital/office furniture and fixtures with a total carrying value of ₱248,766,609, ₱271,390,095 and ₱288,229,763 as at December 31, 2021, 2020 and 2019, respectively, were used as collateral for the loan. (Note 11)

The loan agreement with the bank provides certain restrictions and requirements with respect to, among others, maintenance of debt to equity ratio of 75:25 during the term of the loan and maintenance of LBP as the major depository bank of the Company. As at December 31, 2021, the Company has complied with the debt to equity ratio requirement based on the loan agreement.

Movement of loans payable is as follows:

	2021	2020	2019
Beginning balance	₱ 782,276,709	₱ 793,106,057	₱ 663,647,100
Proceeds	-	13,017,725	129,458,957
Payments	(16,877,009)	(23,847,073)	-
Ending balance	<u>₱ 765,399,700</u>	<u>₱ 782,276,709</u>	<u>₱ 793,106,057</u>

Total interest incurred from these loans are presented as follows:

	2021	2020	2019
Capitalize as part of hospital building	₱ -	₱ 1,242,819	₱ 5,820,237
Under finance cost in the statements of comprehensive income	53,113,791	36,303,312	20,078,209
	<u>₱ 53,113,791</u>	<u>₱ 37,546,131</u>	<u>₱ 25,898,446</u>

The Company was granted deferred payment of unpaid interest from its Term Loans under the “Bayanihan to Recovery As One Act” as follows: Term Loan 1, unpaid interest from April 2020 to January 2021 were deferred and is payable in 19 equal quarterly installments starting on April 2021; Term Loan 2, unpaid interest from May 2020 to January 2021 were deferred and is payable in 16 equal quarterly installments starting on April 2021; Term Loan 3, unpaid interest from April 2020 to January 2021 were deferred and is payable in 30 equal quarterly installments starting on April 2021; Term Loan 4, unpaid interest from June 2020 to March 2021 were deferred and is payable in 18 equal quarterly installments starting on June 2021; and, Term Loan 5, unpaid interest from June 2020 to March 2021 were deferred and is payable in 17 equal quarterly installments starting on June 2021.

## NOTE 15 - EQUITY

### Share Capital

The details of the Company’s authorized, issued and outstanding capital as of December 31, 2021, 2020 and 2019 are as follows:

	31-Dec-2021		31-Dec-2020		31-Dec-2019	
	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares
<b>Authorized:</b>						
Common shares - ₱1,000 par value	₱179,400,000	179,400	₱179,400,000	179,400	₱179,400,000	179,400
Founder’s shares – ₱1,000 par value	600,000	600	600,000	600	600,000	600
	<u>180,000,000</u>	<u>180,000</u>	<u>180,000,000</u>	<u>180,000</u>	<u>180,000,000</u>	<u>180,000</u>
<b>Subscribed:</b>						
Common shares - ₱1,000 par value	160,020,000	160,020	158,420,000	158,420	153,630,000	153,630
Founder’s shares – ₱1,000 par value	600,000	600	600,000	600	600,000	600
	<u>160,620,000</u>	<u>160,620</u>	<u>159,020,000</u>	<u>159,020</u>	<u>154,230,000</u>	<u>154,230</u>

Less: Subscription receivable						
Common shares - ₱1,000 par value	-	-	(30,000,000)	(30,000)	(30,000,000)	(30,000)
Issued and outstanding	<u>₱160,620,000</u>	<u>160,620</u>	<u>₱129,020,000</u>	<u>129,020</u>	<u>₱124,230,000</u>	<u>124,230</u>

A reconciliation of the outstanding shares at the beginning and end of 2021, 2020 and 2019 is shown below:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Outstanding, beginning	129,020	124,230	120,000
Issuance	31,600	4,790	4,230
Reacquisition	-	-	-
Outstanding, ending	<u>160,620</u>	<u>129,020</u>	<u>124,230</u>

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

In 2019, the Company filed a Registration Statement covering its proposed Initial Public Offering (IPO) of 30,000 common shares. Said registration statement was approved on June 28, 2019, in accordance with the provisions of the SEC's Securities Regulation Code. (See Note 1)

As of December 31, 2019, the Company issued through public offering **Four thousand two hundred thirty (4,230)** common shares. The related share premium arising from this sale, amounted to ₱78,595,000.

As of December 31, 2020, the Company issued through public offering additional **Four thousand seven hundred ninety (4,790)** common shares. Total share premium paid as of December 31, 2020 amounted to ₱192,455,000.

As of December 31, 2021, the Company issued through public offering additional **One thousand six hundred (1,600)** common shares. Total share premium paid as of December 31, 2021 amounted to ₱239,720,000.

As at December 31, 2021, the Company has fifty (50) shareholders owning one hundred (100) and more shares of the Company's capital stock.

#### NOTE 16 - REVENUES

Details of the Company's revenues are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Hospital fees, net			
Hospital fees	₱ 430,191,819	₱ 223,188,198	₱ 91,548,918
Less: Hospital Discounts	(50,612,411)	(25,269,261)	(10,101,059)
	<u>379,579,408</u>	<u>197,918,937</u>	<u>81,447,859</u>
Sale of drugs and medicines, net			
Sale of drugs and medicines	123,677,605	88,365,976	47,515,083
Less: Sales Discounts	(14,373,406)	(9,195,276)	(5,223,815)
	<u>109,304,199</u>	<u>79,170,700</u>	<u>42,291,268</u>
	<u>₱ 488,883,607</u>	<u>₱ 277,089,637</u>	<u>₱ 123,739,127</u>

Hospitals discounts and sales discounts are discount extended to for the benefits of senior citizen, PWD and other government mandated beneficiaries, it also includes discounts to shareholders and dependents based on the company prospectus.

Breakdown of hospital fees are as follows:

	2021	2020	2019
Clinical laboratory	P 98,813,998	P 45,783,775	P 22,677,681
Oxygen	63,168,483	12,163,209	2,570,005
Central supply	51,766,546	30,818,392	10,902,527
Imaging	49,387,567	38,009,201	19,784,607
Room/Bed charges	38,551,460	25,829,612	14,485,171
Hemodialysis	34,567,830	14,496,671	-
Cardiology	15,233,606	12,988,218	9,054,044
Operating room	15,000,850	11,140,739	3,256,569
Pulmonary center services	11,953,954	6,952,356	2,887,024
Dietary	10,699,355	3,507,231	-
ICU Complex	8,965,748	4,246,530	-
Infusion Pump	6,335,745	3,556,198	-
Nursing	6,303,920	1,786,185	1,063,061
Emergency room	3,475,500	3,631,472	2,547,916
OB/CS Complex	3,556,107	3,003,616	769,169
Physical Rehabilitation	2,023,869	1,782,028	-
Endoscopy	1,692,621	1,182,101	323,665
Other services	8,694,660	2,310,664	1,227,479
	<b>P 430,191,819</b>	<b>P 223,188,198</b>	<b>P 91,548,918</b>

#### NOTE 17 - COST OF SALES AND SERVICES

Details of the Company's cost of sales and services are as follows:

	2021	2020	2019
Supplies	P 154,167,681	P 102,250,486	P 45,337,548
Depreciation	47,934,626	44,426,281	27,485,724
Salaries and wages	45,068,092	34,310,512	26,609,773
Professional fees	32,014,660	21,502,705	13,973,415
Utilities	12,721,592	11,932,972	10,737,199
SSS/PHIC/HDMF contributions	3,119,736	2,764,385	-
Service fees	28,876	292,488	149,277
Dietary	639,365	498,419	-
	<b>P 295,694,628</b>	<b>P 217,978,248</b>	<b>P 124,292,936</b>

#### NOTE 18 - OPERATING EXPENSES

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

	2021	2020	2019
Salaries and wages	P 24,864,168	P 21,886,211	P 13,097,660
Officers' compensation	15,000,000	-	-
Credit losses	14,353,518	3,032,801	651,008

Janitorial, cleaning and maintenance	7,224,486	2,152,690	658,352
Meeting and conferences	5,470,897	3,788,574	2,365,944
Office supplies	5,648,889	3,464,876	1,497,097
Depreciation and amortization	4,681,756	3,903,653	2,689,364
Taxes and licenses	3,961,519	2,105,998	2,728,276
Commission expense	3,326,801	1,837,618	-
Outside services	2,657,749	2,168,288	1,358,957
Utilities	2,490,153	2,672,706	1,549,595
Security services	2,432,750	2,404,594	2,208,642
SSS/PHIC/HDMF contributions	1,854,743	1,689,167	-
Insurance	1,604,275	1,783,317	1,393,157
Representation and entertainment	919,221	1,015,653	615,982
Professional fees	656,293	725,216	997,806
Advertising/promotion/marketing	501,184	846,285	471,048
Fines and penalties	266,818	980,857	1,000
Dues and subscription	218,019	-	-
Transportation and travel	214,167	420,451	638,708
Uniforms	196,880	465,278	490,209
Training and development	173,880	287,390	1,769,893
Mailing/postage/courier	101,546	60,492	114,265
Bank service charge	64,301	1,610	55,350
Deficiency tax	-	1,413,103	-
Rentals	-	6,000	112,114
Handling fees	-	-	309,834
Miscellaneous	2,311,942	1,833,137	655,185
	<b><u>₱ 101,195,955</u></b>	<b><u>₱ 60,945,965</u></b>	<b><u>₱ 36,429,446</u></b>

#### NOTE 19 - OTHER INCOME

Details of the Company's other income are as follows:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Income from cafeteria	₱ 4,839,062	₱ 4,717,529	₱ 3,662,263
Interest income (Note 6)	33,414	28,276	21,891
Unrealized foreign exchange gain (loss)	(7,488)	-	280
Donation receipt	6,229,864	1,500	-
Miscellaneous income	2,469,806	1,734,203	1,027,605
	<b><u>₱ 13,564,658</u></b>	<b><u>₱ 6,481,508</u></b>	<b><u>₱ 4,712,039</u></b>

#### NOTE 20 - RELATED PARTY TRANSACTIONS

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

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

2021

Nature of Relationship	Nature of Transaction	Amount (current transaction)	Outstanding balance	Terms	Conditions
Advances from Major Shareholders	Advances	P -	P 2,319,062	(2)	(3)
	Payment	(35,830,790)			

2020

Nature of Relationship	Nature of Transaction	Amount (current transaction)	Outstanding balance	Terms	Conditions
Advances from Major Shareholders	Advances	P 11,631,157	P 38,149,852	(2)	(3)
	Payment	(681,231)			

2019

Nature of Relationship	Nature of Transaction	Amount (current transaction)	Outstanding balance	Terms	Conditions
Advances from Major Shareholders	Payment	P(30,025,694)	P 27,199,926	(2)	(3)
Loans receivable- ACE Medical Center- Valenzuela, Inc.	Collection	(25,200,000)	P -	(1)	(3)

*Terms and Conditions:*

- (1) Interest bearing, collectible in cash
- (2) Non-interest bearing, no scheduled repayment terms
- (3) Unsecured

*Loans Receivable*

On November 16, 2015, the Company extended loans to ACE Medical Center – Valenzuela, Inc. (an affiliated company) amounting to P30,000,000 with a 6% interest rate per annum. These loans are payable in 10 years. These loans were fully paid in February 2019.

Interest earned from this loan receivables amounted to P123,830 for the year ended December 31, 2019.

*Cash Advances*

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

**Key Management Personnel Compensations**

Key management includes members of the board of directors and heads of various departments.

The breakdown of key management compensation is as follows:

	2021	2020	2019
Short-term benefits	P 8,758,337	P 9,010,243	P 7,432,537
Retirement benefits	-	-	-
Officers' compensation	15,000,000	-	-
	<u>P 23,758,337</u>	<u>P 9,010,243</u>	<u>P 7,432,537</u>

**NOTE 21 - INCOME TAXES**

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises Act "RA 11534" was signed into law by the President of the Philippines. The law will take effect 15 days after its publication in the Official Gazette or in a newspaper of general circulation. Some of the provisions that may have an impact on the Company's operations are as follows:

1. Reduction of the Corporate Income Tax from 30% to 25% starting July 1, 2020.
2. Reduction of the Minimum Corporate Income Tax (MCIT) from 2% to 1% starting July 1, 2020 to June 30, 2023
3. Reduction of the non-deductible interest expense from 33% to 20% of the gross interest income
4. Imposition of the Improperly Accumulated Earning Tax has been repealed.

The Company used the prevailing tax rates as of December 31, 2020, given the CREATE LAW was signed after December 31, 2020, in determining its current and deferred taxes in its 2020 financial statements and was taken up prospectively in the current period. As a result of the application of the lower RCIT rate of 25% and MCIT rate of 1% starting July 1, 2020, the current income tax expense as presented in the 2020 annual income tax return of the Company was lower by P423,242 than the amount presented in the 2020 financial statements. This amount was charged to 2021 income tax expense.

In addition, the recognized net deferred tax assets as of December 31, 2020 were remeasured to 25% in the current period. This resulted in a decline in the recognized net deferred tax assets in 2020 by P1,920,327. This was charged to 2021 income tax expense.

Income tax expense (benefit) for the years ended December 31, 2021, 2020 and 2019 consists of:

	2021	2020	2019
Current tax expense:			
MCIT	P 2,038,241	P 1,692,967	P -
Tax effect of CREATE Act	(423,242)	-	-
	<u>1,614,999</u>	<u>1,692,967</u>	<u>-</u>
Deferred tax expense (income) arising from:			
Temporary differences	(5,628,493)	(10,480,176)	-
Tax effect of CREATE Act	1,920,327	-	-
	<u>(3,708,166)</u>	<u>(10,480,176)</u>	<u>-</u>
Income tax expense (benefit)	<u>P (2,093,167)</u>	<u>P (8,787,209)</u>	<u>P -</u>

Reconciliation between statutory tax and effective tax follows:

	2021	2020	2019
Income tax at statutory rate	P 13,110,973	P (9,496,914)	P (15,704,827)
Tax effect of income subject to final tax	(8,354)	(8,483)	(6,567)
Tax effect if non-taxable income	(725,899)	-	-
Tax effect of non-deductible expenses	794,274	718,188	300
Tax effect of unrecognized deferred tax assets on NOLCO	-	-	15,711,095
Tax effect of application of NOLCO	(16,761,246)	-	-
Tax effect of CREATE Act	1,497,085	-	-
Effective income tax	<u>P 2,093,167</u>	<u>P (8,787,209)</u>	<u>P -</u>

A reconciliation of income (loss) before tax reported in the statement of comprehensive income and taxable loss follows:

	2021	2020	2019
<b>Regular Corporate Income Tax:</b>			
Income (loss) before tax	P 52,443,891	P (31,656,380)	P (52,349,424)
Permanent differences:			
Interest income	(33,414)	(28,276)	(21,891)
Donation income	(2,903,596)	-	-
Non-deductible salaries & wages	2,903,596	-	-
Non-deductible expenses	273,501	2,393,959	1,000
Temporary differences:			
Unrealized forex loss	7,488	-	(280)
Credit losses	14,353,518	3,032,801	651,008
Application of NOLCO	(67,044,984)	-	-
Taxable income (loss)	-	(26,257,896)	(51,719,587)
Tax rate	25%	30%	30%
	-	(8,787,209)	(15,515,876)
<b>Minimum Corporate Income Tax:</b>			
Taxable gross income	P 203,824,115	P 84,648,335	P 9,837,478
Tax rate	1%	2%	2%
	<u>2,038,241</u>	<u>1,692,967</u>	<u>196,749</u>
Tax due (Higher of RCIT or MCIT)	2,038,241	1,692,967	196,749
Less: Prior year excess credits	(51,435)	(245,815)	-
Creditable withholding taxes	(2,541,464)	(1,498,587)	(442,564)
Prepaid income tax	<u>P (554,658)</u>	<u>P (51,435)</u>	<u>P (245,815)</u>

Details of DTA follows:

	2021	2020	2019
DTA:			
DTA arising from MCIT	P 3,504,715	P 1,889,716	P 196,749
DTA arising from NOLCO	6,564,474	7,877,369	-
DTA arising from credit losses	4,509,332	1,105,142	-

DTA arising from foreign exchange loss	1,872		
	<u>₱ 14,580,393</u>	<u>₱ 10,872,227</u>	<u>₱ 196,749</u>

Deferred tax asset from NOLCO, arises from the taxable loss that can be charged against income of the next three taxable years except for NOLCO incurred for the year 2020 which the taxable loss can be charged against taxable income within the next five taxable years pursuant to Section 4 (bbbb) of Bayanihan II and as implemented under RR No. 25-2020, the net operating loss of a business or enterprise incurred for the taxable years 2020 and 2021 can be carried over as deduction from gross income for the next five (5) consecutive taxable years following the year of such loss.

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

Date Incurred	Date of Expiration	Amount	Applied	Expired	Balance
31-Dec-2020	2025	₱ 26,257,896	₱ -	₱ -	₱ 26,257,896
31-Dec-2019	2022	51,719,587	(34,097,469)	-	17,622,118
31-Dec-2018	2021	32,947,515	(32,947,515)	-	-
		<u>₱110,924,998</u>	<u>₱ (67,044,984)</u>	<u>₱ -</u>	<u>₱ 43,880,014</u>

Deferred tax asset from MCIT, is the carry forward benefit of the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT). Excess MCIT can be used within three taxable years from the date of payment.

Details of MCIT follow:

Date Incurred	Date of Expiration	Amount	Applied	Adjustments (CREATE)	Balance
31-Dec-2021	2024	₱ 2,038,241	₱ -	₱ -	₱ 2,038,241
31-Dec-2020	2023	1,692,967	-	(423,242)	1,269,725
31-Dec-2019	2022	196,749	-	-	196,749
		<u>₱ 3,927,957</u>	<u>₱ -</u>	<u>₱ (423,242)</u>	<u>₱ 3,504,715</u>

## NOTE 22 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

### Liquidity Risk

Liquidity or funding risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from either the

inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of contractual obligation; or inability to generate cash inflows as anticipated.

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

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

The table below summarizes the maturity profile of the Company's financial liabilities as at December 31, 2021, 2020 and 2019 based on contractual undiscounted payment.

	December 31, 2021		
	Within 1 Year	Above 1 Year	Total
Trade and other payables	P 81,245,493	P -	P 81,245,493
Loans payable	38,117,481	773,206,200	811,323,681
Advances from shareholders	2,319,062	-	2,319,062
	<u>P 121,682,036</u>	<u>P 773,206,200</u>	<u>P 894,888,236</u>
	December 31, 2020		
	Within 1 Year	Above 1 Year	Total
Trade and other payables	P 89,705,476	P -	P 89,705,476
Loans payable	72,656,067	767,495,141	840,151,208
Advances from shareholders	38,149,852	-	38,149,852
	<u>P 200,511,395</u>	<u>P 767,495,141</u>	<u>P 968,006,536</u>
	December 31, 2019		
	Within 1 Year	Above 1 Year	Total
Trade and other payables	P 151,536,961	P -	P 151,536,961
Loans payable	60,854,639	779,837,781	884,360,212
Advances from shareholders	27,199,926	-	83,235,779
	<u>P 239,591,526</u>	<u>P 779,837,781</u>	<u>P 1,119,132,952</u>

\*Trade and other payables excludes government statutory payables amounting to P4,780,166, P2,046,603 and P1,736,765 for 2021, 2020 and 2019, respectively.

### Market Risks

#### Interest Rate Risk

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

The Company's financial instrument that are exposed to cash flow interest rate risk pertains to its bank loans amounting to P765,399,700, P782,276,709 and P793,106,057 as of December 31, 2021, 2020 and 2019, respectively, which are subject to interest rate repricing. (See Note 14)

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

Increase/Decrease in Interest Rate	Effect on Income Before Income Tax		
	2021	2020	2019
+1%	₱ (7,653,997)	₱ (7,822,767)	₱ (7,931,061)
-1%	7,653,997	7,822,767	7,931,061

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

#### Credit Risk

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

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

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

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

The tables below show the credit quality per class of financial asset and an aging analysis of past due but not impaired accounts as at December 31, 2021, 2020 and 2019.

#### Credit Quality per Class of Financial Asset

December 31, 2021						
Neither Past Due nor Impaired						
	High Grade	Standard Grade	Substandard Grade	Past Due but not Impaired	Impaired	Total
Cash in banks	₱ 59,056,502	₱-	₱-	₱-	₱-	₱ 59,056,502
Trade and other receivables	3,816,050	27,964,147	-	96,684,525	-	128,464,722
	₱ 62,872,552	₱ 27,964,147	₱-	₱ 96,684,525	₱-	₱ 187,521,224
December 31, 2020						
Neither Past Due nor Impaired						
	High Grade	Standard Grade	Substandard Grade	Past Due but not Impaired	Impaired	Total
Cash in banks	₱ 31,904,615	₱-	₱-	₱-	₱-	₱ 31,904,615
Trade and other receivables	2,349,408	13,378,523	-	18,729,767	-	34,457,698
	₱ 34,254,023	₱ 13,378,523	₱-	₱ 18,729,767	₱-	₱ 66,362,313

December 31, 2019						
Neither Past Due nor Impaired						
	High Grade	Standard Grade	Substandard Grade	Past Due but not Impaired	Impaired	Total
Cash in banks	₱ 24,425,716	₱-	₱-	₱-	₱-	₱ 24,425,716
Trade and other receivables	1,930,399	27,927,675	-	-	-	29,858,074
	<u>₱ 26,356,115</u>	<u>₱ 27,927,675</u>	<u>₱-</u>	<u>₱-</u>	<u>₱-</u>	<u>₱ 54,283,790</u>

Details of past due accounts but not impaired is as follows:

December 31, 2021					
Past due account but not impaired					
	1-30 days past due	31-60 days past due	61-90 days past due	91 and over days past due	Total
Trade receivables	₱ 17,351,238	₱ 23,260,613	₱ 34,593,514	₱ 21,479,160	₱ 96,684,525

December 31, 2020					
Past due account but not impaired					
	1-30 days past due	31-60 days past due	61-90 days past due	91 and over days past due	Total
Trade receivables	₱ 6,064,543	₱ 4,539,675	₱ 1,105,202	₱ 7,020,347	₱ 18,729,767

The credit quality of the financial assets is managed by the Company using the internal credit quality ratings. High grade accounts consist of receivables from debtors with good financial condition and with relatively low defaults. All receivables were collected and liquidated in the subsequent period so no estimated credit loss was provided.

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

	2021	2020	2019
Cash in banks	₱ 59,056,502	₱ 31,904,615	₱ 24,425,716
Trade and other receivables	110,427,395	30,773,889	29,207,066
	<u>₱ 169,483,897</u>	<u>₱ 62,678,504</u>	<u>₱ 53,632,782</u>

Cash excludes cash on hand amounting to ₱2,142,239, ₱5,629,798 and ₱3,848,183 in December 31, 2021, 2020 and 2019.

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

(a) Cash

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

(b) Trade and other receivables

Trade Receivables

The Company applies the PFRS 9 forward-looking approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other assets.

The Company has established a provision matrix in computing the expected rate loss which are based on its historical loss experience, adjusted for current and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

On that basis, the loss allowance as at December 31, 2021 and 2020 was determined based on months past due, as follows for trade receivables:

	December 31, 2021						
	Current	1-30 days	31-60 days	61-90 days	91 days and over	91 days and over	Total
Expected loss rate	2%	5%	7%	10%	15%	100%	
Trade receivables	P 27,964,147	P 17,351,238	P 23,260,613	P 34,593,514	P 11,713,261	P 9,765,899	P 124,648,672
Loss allowance	559,283	867,562	1,628,243	3,459,351	1,756,989	9,765,899	P 18,037,327

	December 31, 2020						
	Current	1-30 days	31-60 days	61-90 days	91 days and over	91 days and over	Total
Expected loss rate	2%	5%	7%	10%	15%	100%	
Trade receivables	P 13,378,523	P 6,064,543	P 4,539,675	P 1,105,202	P 5,100,745	P 1,919,602	P 32,108,290
Loss allowance	267,570	303,227	317,777	110,520	765,112	1,919,602	P 3,683,809

A reconciliation of the allowance for credit losses on trade receivables as at December 31, 2021, 2020 and 2019 is presented below:

	2021	2020	2019
Balance, January 1	P 3,683,809	P 651,008	P -
Expected credit loss	14,353,518	3,032,801	651,008
Write-off of receivables	-	-	-
Balance, December 31	<u>P 18,037,327</u>	<u>P 3,683,809</u>	<u>P 651,008</u>

Advances to contractors and other receivables

The amount of ECL is not significant due to the fact that the collectability of contractual cash flows expected from these financial instruments is reasonably assured.

### Capital Management

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

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

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

	2021	2020	2019
Liabilities	P 853,744,421	P 912,178,640	P 973,579,709
Equity	338,404,090	205,002,032	109,025,902
Debt-to-Equity Ratio	2.52:1	4.45:1	8.93:1

### NOTE 23 - FAIR VALUE MEASUREMENT

The following table sets forth the carrying values and estimated fair values of financial assets and liabilities recognized as at December 31, 2021, 2020 and 2019:

		December 31, 2021			
		Carrying Amount	Fair Value		
Note	Quoted prices in active markets (Level 1)		Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<b>Assets for which fair values are disclosed:</b>					
Cash in banks	6	P 59,056,502	P-	P 59,056,502	P-
Trade and other receivables	7	110,427,395	-	110,427,395	-
		<u>P 169,483,897</u>	<u>P-</u>	<u>P 169,483,897</u>	<u>P-</u>
<b>Liabilities for which fair values are disclosed:</b>					
<b>Financial liabilities at amortized cost:</b>					
Trade and other payables	13	P 81,245,493	P-	P 81,245,493	P-
Loans payable	14	765,399,700	-	765,399,700	-
Advances from shareholders	20	2,319,062	-	2,319,062	-
		<u>P 848,964,255</u>	<u>P-</u>	<u>P 848,964,255</u>	<u>P-</u>

		December 31, 2020			
		Carrying Amount	Fair Value		
Note	Quoted prices in active markets (Level 1)		Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
<b>Assets for which fair values are disclosed:</b>					
Cash in banks	6	P 31,904,615	P-	P 31,904,615	P-
Trade and other receivables	7	30,773,889	-	30,773,889	-
		<u>P 62,678,504</u>	<u>P-</u>	<u>P 62,678,504</u>	<u>P-</u>
<b>Liabilities for which fair values are disclosed:</b>					
<b>Financial liabilities at amortized cost:</b>					
Trade and other payables	13	P 89,705,476	P-	P 89,705,476	P-
Loans payable	14	782,276,709	-	782,276,709	-
Advances from shareholders	20	38,149,852	-	38,149,852	-

		P 910,132,037	P-	P 910,132,037	P-
December 31, 2019					
		Fair Value			
	Note	Carrying Amount	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets for which fair values are disclosed:					
Cash in banks	6	P 24,425,716	P-	P 24,425,716	P-
Trade and other receivables	7	29,207,066	-	29,207,066	-
		<u>P 53,632,782</u>	<u>P-</u>	<u>P 53,632,782</u>	<u>P-</u>
Liabilities for which fair values are disclosed:					
Financial liabilities at amortized cost:					
Trade and other payables	13	P 151,536,961	P-	P 151,536,961	P-
Loans payable	14	793,106,057	-	793,106,057	-
Advances from shareholders	20	27,199,926	-	27,199,926	-
		<u>P 971,842,944</u>	<u>P-</u>	<u>P 971,842,944</u>	<u>P-</u>

\*Trade and other payables exclude government statutory payables amounting to P4,780,166, P2,046,603 and P1,736,763 for 2021, 2020 and 2019, respectively.

#### NOTE 24 - PRIOR PERIOD ADJUSTMENTS

This pertains to unrecognized deferred tax assets on credit losses in 2019. Below is the summary of the effect of the adjustments:

	<u>January 1, 2020</u>
	Increase (Decrease)
Deferred tax asset	P 195,302
Total non-current asset	195,302
Total assets	195,302
Accumulated deficits	(195,302)
Equity	(195,302)

#### NOTE 25 - RECLASSIFICATION OF COMPARATIVE AMOUNTS

Certain amounts in the comparative financial statements and note disclosures have been reclassified to conform to the current year's presentation.

As a result, certain line items have been amended in the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flow, and the related notes to the financial statements.

Management believes that these reclassifications would reflect the true nature of the transactions and did not have any impact on prior year's financial statements.

The items reclassified were as follows:

- Advances to contractors amounting to P9,950,111 and P6,618,747 as of December 31, 2020 and 2019, respectively were reclassified to Advances to suppliers and contractors.

- Computer software with a carrying value of ₱359,447 and ₱539,170 as of December 31, 2020 and 2019 were presented separately as Intangible asset, net in the statements of financial position.
- Advances from shareholders amounting to ₱38,149,852 and ₱27,199,926 as of December 31, 2020 and 2019, respectively, were reclassified from non-current liabilities to current liabilities.
- Depreciation expense amounting to ₱20,426,349 presented under operating expenses were reclassified to cost of sales and services.
- Supplies amounting to ₱466,979 were reclassified to dietary.

Below are the summary of changes arising from restatement and reclassification:

	<u>2020 (Previously reported)</u>	<u>2020 (After reclassification)</u>	<u>Increase (Decrease)</u>
Trade and other receivables	₱ 40,724,000	₱ 30,773,889	₱ (9,950,111)
Advances to suppliers and contractors	15,325,074	25,275,185	9,950,111
Total current assets	131,520,692	131,520,692	-
Property and equipment, net	974,787,753	974,428,306	(359,447)
Intangible asset, net	-	359,447	359,447
Total non-current assets	985,659,980	985,659,980	-
Total current liabilities	149,976,768	188,126,620	38,149,852
Total non-current liabilities	762,201,872	724,052,020	(38,149,852)
Total Equity	205,002,032	205,002,032	-
Cost of sales and services	198,894,534	217,978,248	19,083,714
Gross profit	78,195,103	59,111,389	(19,083,714)
Gross income	84,676,611	65,592,897	(19,083,714)
Operating expenses	80,029,679	60,945,965	(19,083,714)
Income tax expense (benefit)	(8,787,209)	(8,787,209)	-
Net income (loss) for the year	(22,869,171)	(22,869,171)	-
	<u>₱ 3,675,337,718</u>	<u>₱ 3,637,170,290</u>	

	<u>2019 (Previously reported)</u>	<u>2019 (After reclassification)</u>	<u>Increase (Decrease)</u>
Trade and other receivables	₱ 35,825,813	₱ 29,207,066	₱ (6,618,747)
Advances to suppliers and contractors	12,429,234	19,047,981	6,618,747
Total current assets	103,065,570	103,065,570	-
Property and equipment, net	979,343,291	978,804,121	(539,170)
Intangible asset, net	-	539,170	539,170
Total non-current assets	979,540,040	979,540,040	-
Total current liabilities	210,683,763	237,883,689	27,199,926
Total non-current liabilities	762,895,946	735,696,020	(27,199,926)
Total Equity	109,025,901	109,025,901	-
Cost of sales and services	118,591,518	124,292,936	5,701,418
Gross profit	5,147,609	(553,809)	(5,701,418)
Gross income	9,859,648	4,158,230	(5,701,418)
Operating expenses	42,130,864	36,429,446	(5,701,418)
Income tax expense (benefit)	-	-	-
Net income (loss) for the year	(52,349,425)	(52,349,425)	-
	<u>₱ 3,316,189,772</u>	<u>₱ 3,304,786,936</u>	

**NOTE 26 - RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

Present below is the reconciliation of the Company's liabilities arising from financing activities, which includes both cash and non-cash changes.

2021

	Loans Payable	Advances from Shareholders	Total
Balance as of January 1, 2021	₱782,276,709	₱38,149,852	₱820,426,561
Cash flow from Financing Activities:			
Additional Borrowing	-	-	-
Repayment of Borrowing	(16,877,009)	(35,830,790)	(52,707,799)
Balance, December 31, 2021	<u>₱765,399,700</u>	<u>₱2,319,062</u>	<u>₱767,718,762</u>

2020

	Loans Payable	Advances from Shareholders	Total
Balance as of January 1, 2020	₱793,106,057	₱27,199,926	₱820,305,983
Cash flow from Financing Activities:			
Additional Borrowing	13,017,725	11,631,157	24,648,882
Repayment of Borrowing	(23,847,073)	(681,231)	(24,528,304)
Balance, December 31, 2020	<u>₱782,276,709</u>	<u>₱38,149,852</u>	<u>₱820,426,561</u>

2019

	Loans Payable	Advances from Shareholders	Total
Balance as of January 1, 2019	₱663,647,100	₱57,225,620	₱720,872,720
Cash flow from Financing Activities:			
Additional Borrowing	129,458,957	-	129,458,957
Repayment of Borrowing	-	(30,025,694)	(30,025,694)
Balance, December 31, 2019	<u>₱793,106,057</u>	<u>₱27,199,926</u>	<u>₱820,305,983</u>

**NOTE 27 - EFFECT OF COVID-19**

In March 2020, COVID-19 started to become widespread and has severely impacted many local economies around the globe. In many countries like the Philippines, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, includes travel bans, quarantines, social distancing, and closures of non-essential services, these have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. The Government have responded with monetary and fiscal interventions to stabilize economic conditions.

The scale and duration of the COVID-19 pandemic remain uncertain as of the date of the issuance of the financial statements. Now that omicron variant is surging to its peak it is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the group's operations. Accordingly, the financial position and results of operations as of and for the years ended December 31, 2022 and 2021 have not been adjusted to reflect their impact, if any.

The Company continues to monitor the risks and the on-going COVID-19 impact to its business.

**NOTE 28 - SUPPLEMENTARY INFORMATION REQUIRED BY THE BUREAU OF INTERNAL REVENUE**

Presented below and in the succeeding pages is the supplementary information which is required by the Bureau of Internal Revenue (BIR) under Revenue Regulation (RR) No. 15-2010 and 34-2021 to disclosed as part of the notes to financial statements. This supplementary information is not a required disclosure under PFRS.

The information on taxes, duties and license fees paid or accrued during the taxable year required under RR No. 15-2010 are presented below and in the succeeding pages.

*(a) Output VAT and Input VAT*

	<u>Tax Base</u>	<u>Amount</u>
Vatable sales	₱ 10,271,795	₱ 1,232,615
Exempt sales	416,753,157	-
Sales to government	3,462,573	415,509
	<u>₱ 430,487,525</u>	<u>₱ 1,648,124</u>

The Company's exempt sales were determined pursuant to Section 109 of the 1997 National Internal Revenue Code.

*(a) Input VAT*

Balance at beginning of year	₱ -
Goods other than capitals goods	5,272,676
Services lodged under other accounts	-
Applied against output VAT	(153,143)
	<u>₱ 5,119,532</u>

*(b) Taxes and Licenses for 2021*

Taxes and licenses for 2021 consist of:

	<u>Amount</u>
Documentary Stamp Tax on Issuance of Shares	₱ 1,606,200
Business taxes and licenses	1,310,635
Real property tax	623,080
Annual Registration	500
Others	421,104
	<u>₱ 3,961,519</u>

The amounts of taxes and licenses shown above are included under operating expenses in the statements of comprehensive income (loss). Note 18

(c) *Withholding Taxes for 2021*

Withholding taxes paid and accrued during the year is as follows:

	<u>Amount</u>
Compensation and employee benefits	P 259,657
Expanded	15,007,965
	<u>P 15,267,622</u>

*Expanded withholding tax includes taxes withheld and remitted on the professional fees of Doctors amounting to P10,487,990, (reference to RR No.11-2018 issued on January 31, 2018).*

(d) *Tax Assessments and Cases*

The Company has no pending examination with the Bureau of Internal Revenue as of reporting period.

(e) *Related Party Transaction*

The Company is not covered under Section 2 of the Revenue Regulation 34-2020 requirements and procedures for related party transaction, including filing of BIR Form 1709, Information Return on its Transactions with Related Party.

**ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – BOHOL, INC.**  
**SUPPLEMENTARY SCHEDULE IN COMPLIANCE WITH THE**  
**REVISED SRC RULE 68**

**FINANCIAL SOUNDNESS INDICATORS**

For The Years Ended December 31, 2021 and 2020

(With Comparative Figures For The Year Ended December 31, 2019)

***Current Ratio***

	2021	2020	2019
Total current assets	P 229,940,250	P 131,520,692	P 103,065,570
Total current liabilities	124,304,609	188,126,620	237,883,689
Current ratio	<u>1.85:1</u>	<u>0.699:1</u>	<u>0.433:1</u>

***Quick Ratio***

	2021	2020	2019
Total liquid asset	P 210,564,850	P 103,982,556	P 79,815,048
Total current liabilities	124,304,609	188,126,620	237,883,689
Quick ratio	<u>1.694:1</u>	<u>0.553:1</u>	<u>0.336:1</u>

***Working Capital to Total Asset***

	2021	2020	2019
Working capital	P 105,635,641	P (56,605,928)	P (134,818,119)
Total liabilities	853,744,421	912,178,640	973,579,709
Working capital ratio	<u>0.124:1</u>	<u>-0.062:1</u>	<u>-0.138:1</u>

***Solvency Ratio***

	2020	2020	2019
Net income (loss) after tax +			
Depreciation and amortization	P 107,153,440	P 25,460,763	P (22,174,337)
Total liabilities	853,744,421	912,178,640	973,579,709
Solvency ratio	<u>0.126:1</u>	<u>0.028:1</u>	<u>-0.023:1</u>

***Debt-to-equity Ratio***

	2021	2020	2019
Total liabilities	P 853,744,421	P 912,178,640	P 973,579,709
Total equity	338,404,090	205,002,032	109,025,901
Debt-to-equity ratio	<u>2.523:1</u>	<u>4.45:1</u>	<u>8.93:1</u>

***Asset-to-equity Ratio***

	2021	2020	2019
Total assets	P 1,192,148,511	P 1,117,180,672	P 1,082,605,610
Total equity	338,404,090	205,002,032	109,025,901
Asset to equity ratio	<u>3.523:1</u>	<u>5.45:1</u>	<u>9.93:1</u>

**ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – BOHOL, INC.**  
**SUPPLEMENTARY SCHEDULE IN COMPLIANCE WITH THE**  
**REVISED SRC RULE 68**

**FINANCIAL SOUNDNESS INDICATORS**

For The Years Ended December 31, 2021 and 2020

(With Comparative Figures For The Year Ended December 31, 2019)

*Interest Rate Coverage Ratio*

	2021	2020	2019
Pre-tax profit (loss) before interest	₱ 105,557,682	₱ 4,646,932	₱ (32,271,216)
Interest	53,113,791	36,303,312	20,078,209
Interest rate ratio	<u>1.987:1</u>	<u>0.128:1</u>	<u>-1.607:1</u>

*Profitability Ratios*

	2021	2020	2019
Net profit (loss) after tax	₱ 54,537,058	₱ (22,869,171)	₱ (52,349,425)
Total equity	338,404,090	205,002,032	109,025,901
	<u>0.161:1</u>	<u>-0.112:1</u>	<u>-0.48:1</u>

a.) *Return on asset ratio*

	2021	2020	2019
Net income (loss) after tax	₱ 54,537,058	₱ (22,869,171)	₱ (52,349,425)
Average assets	1,154,664,592	1,099,893,141	790,109,267
	<u>0.047:1</u>	<u>-0.021:1</u>	<u>-0.066:1</u>

b.) *Return on equity ratio*

	2021	2020	2019
Net profit (loss) after tax	₱ 54,537,058	₱ (22,869,171)	₱ (52,349,425)
Average equity	271,703,061	157,013,967	95,271,509
	<u>0.201:1</u>	<u>-0.146:1</u>	<u>-0.549:1</u>

c.) *Gross Profit Margin Ratio*

	2021	2020	2019
Net profit (loss) before tax	₱ 52,443,891	₱ (31,656,380)	₱ (52,349,425)
Gross profit	193,188,979	59,111,389	(553,809)
	<u>0.271:1</u>	<u>-0.536:1</u>	<u>94.526:1</u>

d.) *Net Profit Margin*

	2021	2020	2019
Net profit (loss) after tax	₱ 54,537,058	₱ (22,869,171)	₱ (52,349,425)
Revenue	488,883,607	277,089,637	123,739,127
	<u>0.112:1</u>	<u>-0.083:1</u>	<u>-0.423:1</u>

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR  
DIVIDEND DECLARATION  
As of December 31, 2021**

**ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – BOHOL, INC.  
CPG East Avenue corner A.S. Bioco Street, Mansasa District, Tagbilaran City, Bohol**

<b>Unappropriated Retained Earnings (Deficit), as adjusted to available for dividend distribution, beginning of the year</b>		<u><b>(P116,472,968)</b></u>
<b>Add: Net income actually earned/realized during the period</b>		<u><b>54,537,058</b></u>
<b>Less: Non-actual/unrealized income net of tax</b>		
• Equity in net income of associate/joint venture	-	
• Unrealized foreign exchange gain - (after tax except those	-	
• Fair value adjustment (mark-to-market gains)	-	
• Fair value adjustment of Investment Property resulting to gain	-	
• Adjustment due to deviation from PFRS-gain	-	
• Other unrealized gains or adjustments to retained earnings as a result of certain transactions accounted for under PFRS	-	
Sub-total	<u>-</u>	
<b>Add: Non-actual losses</b>		
• Depreciation or revaluation increment (after tax)	-	
• Adjustment due to deviation from PFRS/GAAP - loss	-	
• Loss on fair value adjustment of investment property (after tax)	-	
Sub-total	<u>-</u>	-
<b>Net income actually earned during the period</b>		<b>P 54,537,058</b>
<b>Add (Less):</b>		
• Dividend declarations during the period	-	
• Appropriations of Retained Earnings during the period	-	
• Reversals of appropriations	-	
• Effects of prior period adjustments	-	
• Treasury Shares	-	
Sub-total	<u>-</u>	<u>-</u>
<b>TOTAL RETAINED EARNINGS, END OF YEAR AVAILABLE FOR DIVIDEND DECLARATION</b>		<u><u><b>P - nil -</b></u></u>

**ALLIED CARE EXPERTS (ACE) MEDICAL CENTER-BOHOL, INC.**  
**SUPPLEMENTARY SCHEDULES AS PER PART II SRC RULE 68**

**Schedule A. Financial Assets**

Name of Issuing entity and association of each issue (i)	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet (ii)	Income received and accrued
Cash in banks			
Metro Bank	P 20,172,268	P 20,172,268	P 7,483
Bank of the Philippine Islands	5,138,991	5,138,991	11,090
Land Bank of the Philippines	27,692,165	27,692,165	12,687
Banco De Oro	6,053,078	6,053,078	2,154
	<b>P 59,056,502</b>	<b>P 59,056,502</b>	<b>P 33,414</b>

**Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders**  
**(Other than Related Parties)**

Name and Designation of debtor (i)	Balance at beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end Of Period
Officer	P1,000,000	-	-	-	P1,000,000	-	P1,000,000

**Schedule C. Amounts Receivable from Related Parties which are eliminated during the consolidation of financial statements**

Name and Designation of debtor (i)	Balance at beginning of period	Additions	Amounts collected (ii)	Amounts written off (iii)	Current	Not Current	Balance at end of period
NA	NA	NA	NA	NA	NA	NA	NA

**Schedule D. Intangible Assets-Other Assets**

Description (i)	Beginning of period balance	Additions at cost (ii)	Charged to cost and expenses	Charged to other accounts	Current	Ending balance
Computer software and systems	P359,447	P4,200,000	P599,723	-	-	P3,959,724

**ALLIED CARE EXPERTS (ACE) MEDICAL CENTER-BOHOL, INC.**  
**SUPPLEMENTARY SCHEDULES AS PER PART II SRC RULE 68**

**Schedule E. Long Term Debt**

Title of Issue and type of obligation (i)	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet (ii)	Amount shown under caption "Long-term Debt" in related balance sheet (iii)
Bank Loans	P 729,439,812	P 35,959,888	P 765,399,700

**Schedule F. Indebtedness to Related Parties (Current)**

Name of related party (i)	Balance at beginning of period	Balance at end of period (ii)
Various Shareholders	P 38,149,852	P 2,319,062

**Schedule G. Guarantees of Securities of Other Issuers**

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 (i)	Amount owned by person for which statement is filed	Nature of guarantee (ii)
NA	NA	NA	NA	NA

**Schedule H. Capital Stock**

Title of issue (i)	Number of Shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties (ii)	Directors, officers and Employees	Others (iii)
Founders' Common Preferred	600 179,400 -	600 160,020 -	- - -	- - -	340 67,670	- - -
<b>Total</b>	<b>180,000</b>	<b>160,620</b>	<b>-</b>	<b>-</b>	<b>68,010</b>	<b>-</b>

# COVER SHEET

**C S 2 0 1 4 0 4 0 1 8**

SEC Registration Number

**A L L I E D C A R E E X P E R T S ( A C E )**  
**M E D I C A L C E N T E R B O H O L I N C .**

(Company's Full Name)

**0 3 6 8 C P G E A S T A V E N U E C O R N E R**  
**A S B I O C O S T R E E T S ,**  
**M A N S A S A D I S T R I C T , T A G B I L A R A N C I T Y**  
**B O H O L**

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

**DR. RONALD L. RAMIRO**

Contact Person

**(038) 412-8888**

(Company Telephone Number)

**1 2      3 1**

Month      Day  
(Fiscal Year)

**SEC FORM 17Q**

(Form Type)

**3rd Sunday of March**

Month      Day  
(Annual Meeting)

**PERMIT TO SELL SECURITIES**

(Secondary License Type, if Applicable)

**MSRD**

Dept. Requiring this Doc.

Amended Articles Number/Section

**1166**

Total No. of Stockholders

Total Amount of Borrowings

Domestic      Foreign

To be accomplished by SEC Personnel concerned

File Number

\_\_\_\_\_  
LCU

Document ID

\_\_\_\_\_  
Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended ...**September 30, 2022**
2. Commission Identification Number. **CS201404018**
3. BIR Tax Identification No. **008-723-682-000**
4. Exact name of issuer as specified in its charter  
**Allied Care Experts (ACE) Medical Center – Bohol, Inc.**
5. Province, country or other jurisdiction of incorporation or organization  
**Bohol, Philippines**
6. Industry Classification Code:  (SEC Use Only)
7. Address of issuer's principal office Postal Code  
**0368 CPG East Avenue corner A.S. Bioco Street, Mansasa District, Tagbilaran City, Bohol 6300**
8. Issuer's telephone number, including area code  
**(038) 412-8888**
9. Former name, former address and former fiscal year, if changed since last report  
**NOT APPLICABLE**
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
<b>COMMON SHARE, P1,000 PAR VALUE</b>	<b>160,660 shares / ₱858,530,905</b>

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

Yes [ ] No

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

12. Indicate by check mark whether the registrant:

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

Yes  No [ ]

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

Yes  No [ ]

## PART I-FINANCIAL INFORMATION

### Item 1. Financial Statements

The unaudited financial statements of Allied Care Experts (ACE) Medical Center – Bohol ,Inc. (the Company) as at and for the nine months ended September 30, 2022 (with comparative figures as at December 31, 2021 (Audited) and for the nine months ended September 30, 2021 (Unaudited) are filed as part of this form 17-Q as Annex A.

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

#### FINANCIAL CONDITION

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)	Horizontal Analysis		Vertical Analysis	
			Inc(Dec)	%age	September 30, 2022	December 31, 2021
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash	₱ 67,078,647	₱ 61,198,741	₱ 5,879,906	9.61%	6%	5%
Trade and other receivables	98,138,665	110,427,395	(12,288,730)	-11.13%	8%	9%
Inventories	51,791,482	38,938,714	12,852,768	33.01%	4%	3%
Advances to suppliers and contracto	14,872,553	10,010,693	4,861,860	48.57%	1%	1%
Prepayments and other current ass	22,411,458	9,364,707	13,046,751	139.32%	2%	1%
<b>Total Current Assets</b>	<b>254,292,805</b>	<b>229,940,250</b>	<b>24,352,555</b>	<b>10.59%</b>	<b>21%</b>	<b>19%</b>
<b>Non-current Assets</b>						
Property and equipment	920,563,287	943,668,144	(23,104,857)	-2.45%	77%	79%
Intangible asset	3,824,931	3,959,724	(134,793)	-3.40%	0%	0%
Deferred tax asset	21,428,477	14,580,393	6,848,084	46.97%	2%	1%
<b>Total Non-Current Assets</b>	<b>945,816,695</b>	<b>962,208,261</b>	<b>(16,391,566)</b>	<b>-1.70%</b>	<b>79%</b>	<b>81%</b>
<b>Total Assets</b>	<b>₱ 1,200,109,500</b>	<b>₱ 1,192,148,511</b>	<b>₱ 7,960,989</b>	<b>0.67%</b>	<b>100%</b>	<b>100%</b>
<b>LIABILITIES AND EQUITY</b>						
<b>Current Liabilities</b>						
Trade and other payables	₱ 90,872,590	₱ 86,025,659	₱ 4,846,931	5.63%	8%	7%
Advances from shareholders	29,353,531	2,319,062	27,034,469	1165.75%	2%	0%
Loans payable - current	73,249,174	35,959,888	37,289,286	103.70%	6%	3%
<b>Total Current Liabilities</b>	<b>193,475,295</b>	<b>124,304,609</b>	<b>69,170,686</b>	<b>55.65%</b>	<b>16%</b>	<b>10%</b>
<b>Non-Current Liabilities</b>						
Loans payable - non current	665,055,610	729,439,812	(64,384,202)	-8.83%	55%	61%
<b>Total Liabilities</b>	<b>858,530,905</b>	<b>853,744,421</b>	<b>4,786,484</b>	<b>0.56%</b>	<b>72%</b>	<b>72%</b>
<b>Equity</b>						
Share capital	161,260,000	160,620,000	640,000	0.40%	13%	13%
Share premium	259,490,000	239,720,000	19,770,000	8.25%	22%	20%
Accumulated deficits	(79,171,405)	(61,935,910)	(17,235,495)	27.83%	-7%	-5%
<b>Equity, Net</b>	<b>341,578,595</b>	<b>338,404,090</b>	<b>3,174,505</b>	<b>0.94%</b>	<b>28%</b>	<b>28%</b>
<b>Total Liabilites and Equity</b>	<b>₱ 1,200,109,500</b>	<b>₱ 1,192,148,511</b>	<b>₱ 7,960,989</b>	<b>0.67%</b>	<b>100%</b>	<b>100%</b>

As of September 30, 2022, the assets of the Company amount to ₱1,200,109,500 .67% or ₱7,960,989 higher than the December 31, 2021 balance of ₱1,192,148,511. The increase was primarily brought about by the increased in cash, inventories, prepayments and other current asset, and deferred tax asset, the increase was partly negated by the decrease in trade receivable.

Cash increased by ₱5,879,906 due to the proceeds from issuance of shares and advances from shareholders and cash from operation. This is negated by the cash used for the acquisition of property and equipment and payment of loans.

Trade and other receivables decreased by ₱12,288,730 due to increase in collection for the nine months ending September 30, 2022 and decrease as well in revenue in 2022.

The increase in inventories by ₱12,852,768 is due to purchase of medical, laboratory food, drugs and medicines as at third quarter of 2022 which is expected to be consumed in subsequent quarter.

Advances from suppliers increase by ₱4,861,860 this was due to advance payment to suppliers for medical equipment and medical supplies.

The increase in prepayments and other current assets by ₱13,046,751 was due to increase in prepaid income tax, prepaid taxes and input VAT was partly negated by the recognition of the expired portion of prepaid insurance and prepaid supplies.

Property and equipment decrease by 2.45% or ₱23,104,857 the decrease pertains to depreciation charges for the nine months ending September 30, 2022 of ₱40,196,888. This was negated by the additions made of medical equipment, hospital/office furniture and fixtures and engineering tools and kitchen equipment acquired during the period.

Intangible asset decreased by ₱134,793, this pertains to amortization charges for the period.

Deferred tax asset increased by ₱6,848,084 due to the recognition of DTA on NOLCO, MCIT and additional credit losses for the nine months ended September 30, 2022.

Trade and other payables increased by ₱4,846,931 due to significant increase in accrued expenses and payables to government, this was partly negated by the decrease in trade and retention payable.

Total advances from shareholders for the nine months ended September 30, 2022 amounted to ₱27,034,469. The increase was due to additional advances received from the shareholders.

As of September 30, 2022, the Company paid ₱27,094,916 on its loans payable from Land Bank of the Philippines resulting to 3.54% decrease on Loans payable.

The net increase in equity of ₱3,174,505 was primarily due to issuance of shares. This is negated by the negative result of operation for the first three quarters of 2022.

### Material Changes in Financial Condition

<p><b>a. Cash increased by P5.88M</b> Due to the proceeds from issuance of shares and advances from shareholders and cash from operation. This is negated by the cash used for the acquisition of property and equipment and payment of loans.</p>
<p><b>b. Trade and other receivables decreased by P12.29M</b> Due to increase in collection for the nine months ending September 30, 2022 and decrease as well in revenue in 2022.</p>
<p><b>c. Advances to suppliers increased by P4.86M</b> Due to advance payment to suppliers for medical equipment and supplies.</p>
<p><b>d. Inventories increased by P12.85M</b> Due to purchase of medical, laboratory food, drugs and medicines as at third quarter of 2022 which is expected to be consumed in subsequent quarter.</p>
<p><b>e. Prepayments decreased by P13.05M</b> Due to increase in prepaid income tax, prepaid taxes and input VAT was partly negated by the recognition of the expired portion of prepaid insurance and prepaid supplies.</p>
<p><b>f. Property and equipment decreased by P23.04M</b> The decrease pertains to depreciation charges for the nine months ending September 30, 2022 of P40,196,888. This was negated by the additions made of medical equipment, hospital/office furniture and fixtures and engineering tools and kitchen equipment acquired during the period.</p>
<p><b>g. Deferred tax asset increased by P1.32M</b> due to the recognition of DTA on NOLCO, MCIT and additional credit losses for the nine months ended September 30, 2022.</p>
<p><b>h. Trade and other payables increased by P4.85M</b> Due to significant increase in accrued expenses and payables to government, this was partly negated by the decrease in trade and retention payable.</p>
<p><b>i. Advances from shareholders increased by P27.03M</b> Due to additional advances received from the shareholders.</p>
<p><b>j. Loans payable decreased by P27.09M</b> The Company paid P27,094,916 on its loans payable from Land Bank of the Philippines resulting to 3.54% decrease on Loans payable.</p>
<p><b>k. Equity increased by P3.17M</b> Primarily due to issuance of shares. This is negated by the negative result of operation for the first three quarters of 2022.</p>

### **RESULTS OF OPERATIONS**

The following table shows the consolidated financial highlights of the Company for the nine months ended September 30, 2022 and 2021:

	For the nine months ended		Horizontal Analysis		Vertical Analysis	
	30-Sep-22	30-Sep-21	Inc (Dec)	%age	30-Sep-22	30-Sep-21
Revenues	₱ 299,462,502	₱ 382,050,122	₱ (82,587,620)	-21.62%	n/a	n/a
Other income	17,153,167	10,780,381	6,372,786	59.11%	n/a	n/a
Cost of Sales and Services	(204,976,931)	(217,855,989)	12,879,058	-5.91%	n/a	n/a
Operating Expenses	(96,206,532)	(57,656,338)	(38,550,194)	66.86%	n/a	n/a
Finance cost	(38,399,612)	(39,629,269)	1,229,657	-3.10%	n/a	n/a
Income tax benefit	5,731,911	1,087,782	4,644,129	426.94%	n/a	n/a
<b>Net income (loss)</b>	<b>₱ (17,235,495)</b>	<b>₱ 78,776,689</b>	<b>₱ 96,012,184</b>	<b>-121.88%</b>	<b>n/a</b>	<b>n/a</b>

As disclosed in Note 1 in the financial statements, the Company commenced commercial operations in March 2019.

The revenue for the nine months ended September 30, 2022 is lower by 21.62 % from the 2021 revenue of P382.05M, this was due to decrease in hospital fees and sale of medicine which can be associated with the decreasing cases of covid-19 2022.

Other income for the nine months ended September 30, 2022 was higher by 59.11% as compared with the September 30, 2022 other income of P10,780,381. This was due to donation received by the Company.

Cost of sales and services for the nine months ended September 30, 2021 was lower by 5.91% as compared with the September 30, 2021 cost of sales and services of P217.86M. This was directly associated with the decrease in revenue. The major component of the cost of sales and services are professional fees, medical supplies, depreciation expense, employee's salaries and wages, light and water and outside services.

The 66.86% increase in operating expenses for the nine months ended September 30, 2022 compared with the nine months ended September 30, 2021 was primarily due to increase in most of the operating expenses as the Company progress in its operation since it opened in 2019.

Finance cost decreased by P1,229,657, this was due to decreased in loan payable due to payment.

Income tax benefit increased by 426.94%. This was due net loss incurred by the Company in 2022 compared to 2021.

Net loss from operation for the nine months ended September 30, 2022 amounts to P(17,235,495), a significant decrease from the P78,776,789 net income in September 30, 2021. This was basically due to the decrease in revenue in 2022 coupled with increase in operating expenses.

*Material Changes in Operating Results*

<b>a. Revenue decreased by 21.62%</b> Due to decrease in hospital fees and sale of medicine which can be associated with the decreasing cases of covid-19 2022.
<b>b. Cost of Sales decreased by 5.91%</b> This was directly associated with the decrease in revenue of the Company. The major component of the cost of sales and services are professional fees, medical supplies, depreciation expense, employee's salaries and wages, light and water and outside services.
<b>c. Operating Expenses increased by 66.86%</b> This was primarily due to increase in most of the operating expenses as the Company progress in its operation since it opened in 2019.
<b>d. Other income increased by 59.11%</b> This primarily due to increase in dietary income and donation received by the Company.
<b>e. Finance cost decreased by 3.1%</b> Due to the decreased of loans payable.
<b>c. Income tax benefit increased by 426.94%</b> This was due net loss incurred by the Company in 2022 compared to 2021.
<b>d. Net income decreased by 121.88%</b> This was due net loss incurred by the Company in 2022 compared to 2021. This was basically due to the decrease in revenue in 2022 coupled with increase in operating expenses.

**THE COMPANY'S KEY PERFORMANCE INDICATORS**

	<b>Sept. 30, 2022</b>	<b>Sept. 30, 2021</b>
<b>1. Liquidity</b>		
<b>a. Quick ratio</b> - capacity to cover its short-term obligations using only its most liquid assets.	0.854:1	1.821:1

[(cash + A/R) / current liabilities]		
<b>b. Current ratio</b> - capacity to meet current obligations out of its liquid assets. (current assets / current liabilities)	1.314:1	1.850:1
<b>2. Solvency</b>		
<b>a. Debt to equity ratio</b> - indicator of which group has the greater representation in the assets of the Company. (total liabilities / equity)	2.513:1	2.523:1
<b>3. Profitability</b>		
<b>a. Net profit margin</b> - ability to generate surplus for stockholder (net income / sales)	(0.058):1	0.206:1
<b>b. Return on equity</b> - ability to generate returns on investment of stockholders. (net income / average equity)	(0.063):1	0.290:1
<b>4. Leverage</b>		
<b>a. Debt to total asset ratio</b> - the proportion of total assets financed by creditors. (total debt / total assets)	0.715:1	0.716:1
<b>b. Asset to equity ratio</b> - indicator of the overall financial stability of the Company. (total assets / equity)	3.513:1	3.523:1
<b>5. Interest Rate Coverage Ratio</b>		
<b>a. Interest rate coverage ratio</b> - measure of the company's ability to meet its interest payments (earnings before interest and taxes / interest expense) Remarks: The Company was able to meet its interest payments. The negative result was due to loss from pre-operations.	0.402:1	(2.960):1

## **DISCUSSION AND ANALYSIS OF MATERIAL EVENTS AND UNCERTAINTIES**

There were no material events that would trigger direct or indirect contingent financial obligation that would materially affect the company's operation, including any default or acceleration of obligation.

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

There are no known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way. The crucial period of the Covid-19 pandemic has already passed; thus, the Covid-19 patients has materially decreased, which has impact on the income of the hospital.

The Company continues to spend for regular capital expenditures during the quarter as disclosed in Note 11 of the unaudited interim financial statements

There were no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. The crucial period of the Covid-19 pandemic has already passed; thus, the Covid-19 patients has materially decreased, which has impact on the income of the hospital.

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

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

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

## PART II - OTHER INFORMATION

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

## SIGNATURES

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

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

By:



**RONALD L. RAMIRO**  
President



**BACKY D. BACAREZA**  
Treasurer

Date: \_\_\_\_\_, 2022

Date: \_\_\_\_\_, 2022

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

UNAUDITED FINANCIAL STATEMENTS  
For the Nine Months Ended September 30, 2022  
*(With Comparative Figures for December 31, 2021 and  
Nine Months Ended September 30, 2021)*

**ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – BOHOL, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
September 30, 2022 and December 31, 2021

	<i>Notes</i>	<b>September 30, 2022</b> <b>(Unaudited)</b>	December 31, 2021 <b>(Audited)</b>
<b><u>ASSETS</u></b>			
<b>Current Assets</b>			
Cash	4,5,6	₱ 67,078,647	₱ 61,198,741
Trade and other receivables	4,5,7	98,138,665	110,427,395
Inventories	4,8	51,791,482	38,938,714
Advances to suppliers and contractors	4,9	14,872,553	10,010,693
Prepayments and other current assets	4,10	<u>22,411,458</u>	<u>9,364,707</u>
<b>Total Current Assets</b>		<b><u>254,292,805</u></b>	<b><u>229,940,250</u></b>
<b>Non-current Assets</b>			
Property and equipment, net	4,5,11,25	920,563,287	943,668,144
Intangible asset, net	4,5,12,25	3,824,931	3,959,724
Deferred tax asset	4,21,24	<u>21,428,477</u>	<u>14,580,393</u>
<b>Total Non-Current Assets</b>		<b><u>945,816,695</u></b>	<b><u>962,208,261</u></b>
<b>TOTAL ASSETS</b>		<b><u>₱ 1,200,109,500</u></b>	<b><u>₱ 1,192,148,511</u></b>
<b><u>LIABILITIES AND EQUITY</u></b>			
<b>Current Liabilities</b>			
Trade and other payables	4,13	₱ 90,872,590	₱ 86,025,659
Advances from shareholders	4,20	29,353,531	2,319,062
Loans payable - current	4,14	<u>73,249,174</u>	<u>35,959,888</u>
<b>Total Current Liabilities</b>		<b><u>193,475,295</u></b>	<b><u>124,304,609</u></b>
<b>Non-Current Liabilities</b>			
Loans payable - non current	4,14	<u>665,055,610</u>	<u>729,439,812</u>
<b>Total Liabilities</b>		<b><u>858,530,905</u></b>	<b><u>853,744,421</u></b>
<b>Equity</b>			
Share capital	4,15	161,260,000	160,620,000
Share premium	4,15	259,490,000	239,720,000
Accumulated deficits	4	<u>(79,171,405)</u>	<u>(61,935,910)</u>
<b>Equity, net</b>		<b><u>341,578,595</u></b>	<b><u>338,404,090</u></b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b><u>₱ 1,200,109,500</u></b>	<b><u>₱ 1,192,148,511</u></b>

(See accompanying Notes to Financial Statements)

**ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – BOHOL, INC.**  
**STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**  
For The Nine Months Ended September 30, 2022 and 2021

	Notes	January - September		July - September	
		2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
<b>REVENUES</b>	4,16	P 299,462,502	P 382,050,122	P 105,118,961	P 174,806,189
<b>COST OF SALES AND SERVICES</b>	4,17,25	<u>(204,976,931)</u>	<u>(217,855,989)</u>	<u>(73,046,702)</u>	<u>(90,722,006)</u>
<b>GROSS PROFIT</b>		94,485,571	164,194,133	32,072,259	84,084,183
<b>OTHER INCOME</b>	4,19	<u>17,153,167</u>	<u>P 10,780,381</u>	<u>7,453,944</u>	<u>P 4,367,512</u>
<b>GROSS INCOME</b>		111,638,738	174,974,514	39,526,203	88,451,695
<b>OPERATING EXPENSES</b>	4,18,25	<u>(96,206,532)</u>	<u>(57,656,338)</u>	<u>(32,960,571)</u>	<u>(23,166,892)</u>
<b>FINANCE COST</b>	4,14	<u>(38,399,612)</u>	<u>(39,629,269)</u>	<u>(12,774,916)</u>	<u>(13,327,327)</u>
<b>INCOME (LOSS) BEFORE TAX</b>		<u>(22,967,406)</u>	<u>77,688,907</u>	<u>(6,209,284)</u>	<u>51,957,476</u>
<b>INCOME TAX BENEFITS (EXPENSE)</b> 4,21,24					
Current		(1,116,173)	-	(395,181)	-
Deferred		<u>6,848,084</u>	<u>1,087,782</u>	<u>1,949,020</u>	<u>541,906</u>
		<u>5,731,911</u>	<u>1,087,782</u>	<u>1,553,839</u>	<u>541,906</u>
<b>INCOME (LOSS) FOR THE YEAR</b>		<u>(17,235,495)</u>	<u>78,776,689</u>	<u>(4,655,445)</u>	<u>52,499,382</u>
<b>OTHER COMPREHENSIVE INCOME</b>		-	-	-	-
Item that will not be reclassified to profit or loss					
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>		<u>P (17,235,495)</u>	<u>P 78,776,689</u>	<u>P (4,655,445)</u>	<u>P 52,499,382</u>

(See accompanying Notes to Financial Statements)

**ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – BOHOL, INC.**  
**STATEMENTS OF CHANGES IN EQUITY**  
For The Nine Months Ended September 30, 2022 and 2021

	<i>Notes</i>	<b>September 30</b>	
		<b>2022</b> <b>(Unaudited)</b>	2021 (Unaudited)
<b>SHARE CAPITAL</b>	4,15		
Balance, beginning of the year		₱ 160,620,000	₱ 129,020,000
Issuance		640,000	-
Balance, end of the year		161,260,000	129,020,000
<b>SHARE PREMIUM</b>	4,15		
Balance, beginning of the year		₱ 239,720,000	₱ 192,455,000
Additional share premium		19,770,000	-
Balance, end of the year		259,490,000	192,455,000
<b>ACCUMULATED DEFICITS</b>	4,24		
Balance, beginning of the year		(61,935,910)	(116,603,359)
Income (loss) for the year		(17,235,495)	78,776,689
Prior period adjustments		-	-
Balance, end of the year		(79,171,405)	(37,826,670)
<b>EQUITY, net</b>		₱ 341,578,595	₱ 283,648,330

*(See accompanying Notes to Financial Statements)*

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

**STATEMENTS OF CASH FLOWS**

For The Nine Months Ended September 30, 2022 and 2021

		<u>September 30</u>	
	<i>Notes</i>	<u>2022</u>	<u>2021</u>
		<u>(Unaudited)</u>	<u>(Unaudited)</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income (loss) before income tax		₱ (22,967,406)	₱ 77,688,907
Adjustment to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	4,5,11,25	40,331,681	41,794,413
Credit losses	4,5,7	-	4,351,128
Finance cost	4,14	38,399,612	39,629,269
Interest income	4,6,19	<u>(21,467)</u>	<u>(35,274)</u>
<b>Operating income before changes in working capital</b>		<b>55,742,420</b>	163,428,443
<b>Changes in operating assets and liabilities:</b>			
Decrease (increase) in:			
Trade and other receivables	4,5,7	12,288,730	(73,677,491)
Inventories	4,8	(12,852,768)	122,286
Advances to suppliers	4,9	(4,861,860)	294,704
Prepayments and other current assets	4,10	(13,046,751)	955,301
Increase (decrease) in:			
Trade and other payables	4,13	<u>4,846,931</u>	<u>(21,536,390)</u>
<b>Cash generated from (used in) operation</b>		<b>42,116,702</b>	69,586,853
Interest income received	4,6,19	21,467	35,274
Interest expense paid	4,14	(38,399,612)	(39,629,269)
Income tax paid	4,21	<u>(1,116,173)</u>	<u>(1,749,392)</u>
<b>Net cash provided by operating activities</b>		<b><u>2,622,384</u></b>	<u>28,243,466</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of property and equipment	4,5,11,25	<u>(17,092,031)</u>	<u>(10,624,840)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from advances from shareholders	4,20	27,034,469	20,439,128
Proceeds from issuance of shares	4,15	20,410,000	-
Payment of loans	4,14	(27,094,916)	(13,679,080)
Payment of advances from shareholders	4,20	<u>-</u>	<u>(714,346)</u>
<b>Net cash provided by financing activities</b>		<b><u>20,349,553</u></b>	<u>6,045,702</u>
<b>NET INCREASE IN CASH</b>		<b>5,879,906</b>	23,664,328
<b>CASH AT THE BEGINNING OF THE YEAR</b>		<b><u>61,198,741</u></b>	<u>37,534,413</u>
<b>CASH AT THE END OF THE YEAR</b>		<b><u>₱ 67,078,647</u></b>	<u>₱ 61,198,741</u>

(See accompanying Notes to Financial Statements)

**ALLIED CARE EXPERTS (ACE) MEDICAL CENTER –  
BOHOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2022, December 31, 2021 and September 30, 2021**

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**NOTE 1 - GENERAL INFORMATION**

**ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – BOHOL, INC.** (the Company) is a stock corporation organized and registered with the Philippine Securities and Exchange Commission (SEC) on March 6, 2014 under SEC Registration No. CS201404018.

The Company's primary purpose is to establish, maintain, operate, own and manage hospitals, medical and related healthcare facilities and businesses such as but without restriction to clinical, laboratories, diagnostic centers, ambulatory clinics, scientific research and educational institutions 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 June 28, 2019, the SEC En Banc under SEC MSRD Order No. 30 approved the registration statement of the Company for the sale of 180,000 shares broken down as follows: the primary offering to be sold by way of initial public offering for thirty thousand (30,000) commons shares equivalent to 3,000 blocks or 10 shares per block at an offer price ranging from ₱250,000.00 per block up to a maximum offer price of ₱400,000.00 per block with an aggregate principal amount of One Billion Pesos (₱1,000,000,000.00); six hundred (600) founder shares – not included in the offer; and one hundred forty nine thousand four hundred (149,400) common shares – not included in the offer. These shares have been registered and may now be offered for sale or sold to the public subject to full compliance with the provisions of the Securities Regulation Code and its Amended Implementing Rules and Regulations, Revised Code of Corporation Governance, and other applicable laws and orders as may be issued by the Commission.

The Company is a BOI – Registered Non-Pioneer Status Hospital certified by the Board of Investments covered by Certificate of Registration No. 2018-247 issued on November 13, 2018.

Pursuant to the abeyance of the provisions of Executive Order No. 226 (otherwise known as the Omnibus Investments Code of 1987), the Company is eligible to enjoy certain grants, particularly, but not limited to – Income Tax Holiday – for a period of 4 years starting from November 2018 or actual start of commercial operations, whichever is earlier (the availment of which shall not be earlier than the date of registration).

The registered principal office of the Company is located at CPG East Avenue corner A.S. Bioco Street, Mansasa District, Tagbilaran City, Bohol. This is also the construction of its hospital building.

***Status of Operation***

The Company has commenced its full commercial operation in March 2019 pending completion of 6<sup>th</sup> and 7<sup>th</sup> floor which was completed in 2021.

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## **NOTE 2 - BASIS OF PRESENTATION**

### *Statement of Compliance*

The financial statements of the Company have been prepared in compliance with the *Philippine Financial Reporting Standard (PFRS)* issued by the Philippine Financial Reporting Standards Council. They are presented in Philippine Peso which is the Company's functional and presentation currency. All amounts are rounded to the nearest peso.

### *Basis of Measurement*

The financial statements have been prepared on historical cost basis, unless stated otherwise.

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

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

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

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

## **NOTE 3 - ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS**

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2022.

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

- Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendment included an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, Provisions, Contingent Liabilities and Contingent Assets, or IFRIC 21, Levies, instead of the Conceptual Framework. The requirement would ensure that the liabilities recognized in a business combination would remain the same as those recognized applying the current requirements in PFRS 3. The amendment also added an explicit statement that contingent assets acquired in a business combination should not be recognized by an acquirer. The amendments should be applied prospectively.
- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* –

The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applies the amendment.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity. Accordingly, the comparatives are not restated. Earlier application is permitted.
- Annual Improvements to PFRS 2018 to 2020 Cycle:
  - Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Subsidiary as a First-time Adopter* – The amendments permit a subsidiary that becomes a first-time adopter later than its parent and measures its assets and liabilities in accordance with paragraph D16 (a) of PFRS 1 to measure cumulative translation differences for all foreign operations using the amounts reported by its parent, based on the parent’s date of transition to PFRS. Earlier application of the amendments is permitted.
  - Amendments to PFRS 9, *Financial Instruments - Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity includes when it applies the ‘10 per cent’ test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other’s behalf. The amendments apply to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendments. Earlier application is permitted.
  - Amendments to PFRS 16, *Leases - Lease Incentives* – The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.
  - Amendments to PAS 41, *Agriculture - Taxation in Fair Value Measurements* – The amendment removes the requirement for entities to exclude cash flows for taxation when measuring the fair value of a biological asset using a present value technique to ensure consistency with the requirements in PFRS 13, Fair Value Measurement. The amendment should be applied prospectively.

#### **New and Amended PFRS Issued But Not Yet Effective**

Relevant new and revised PFRS which are not yet effective for the nine months ended September 30, 2022 and have not been applied in preparing the unaudited interim financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity’s right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management’s intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity’s financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2, *Making Materiality Judgements*, is amended by adding guidance and examples to explain and demonstrate the application of the ‘four-step materiality process’ to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.
- Amendments to PAS 8, *Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. An entity develops an accounting estimate if an accounting policy require an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.
- Amendments to PAS 12, *Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. Earlier application is permitted.

Effective for annual periods beginning on or after January 1, 2025:

- PFRS 17, *Insurance Contracts* – This standard will replace PFRS 4, Insurance Contracts. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued. An amendment to the standard was issued to (i) reduce costs of transition by simplifying some requirements of the standard, (ii) make financial performance easier to explain, and (iii) ease transition by deferring the effectivity of the standard from 2021 to 2023 and by providing additional relief to reduce the effort required when applying PFRS 17 for the first time.

In response to the challenges brought by the Covid-19 pandemic, the Insurance Commission issued Circular Letter 2020-062, Amendment of Section 1 of Circular Letter No. 2018-69, Deferral of IFRS 17 Implementation, which provides a two-year deferral on the implementation of the standard from the 2023 effectivity date. Therefore, all life and nonlife insurance companies in the Philippines shall adopt PFRS 17 for annual periods beginning on or after January 1, 2025.

Deferred effectivity -

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

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

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

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

##### **Financial Instruments**

###### ***Initial recognition and measurement***

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

###### ***Classification***

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

###### ***Financial Assets and Liabilities at FVPL***

Financial assets and liabilities at FVPL are either classified as held for trading or designated at FVPL.

This category includes equity instruments which the Company had not irrevocably elected to classify at FVOCI at initial recognition. This category includes debt instruments whose cash flows

are not “solely for payment of principal and interest” assessed at initial recognition of the assets, or which are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell.

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

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

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

As at September 30, 2022 and December 31, 2021, the Company does not have financial assets or liabilities classified as FVPL.

#### ***Financial Assets at Amortized Cost***

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

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less allowance for credit losses, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through amortization process.

As at September 30, 2022 and December 31, 2021, the Company’s cash and trade and other receivables are classified under this category. (Note 6 and 7)

#### ***Financial Assets at FVOCI.***

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

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

For equity instruments, the Company may irrevocably designate the financial asset to be measured at FVOCI as long as these are not held for trading purposes.

After initial recognition, Financial assets at FVOCI are presented in the financial statements at fair value with changes in fair value are recognized in OCI.

Interest income on debt instruments is calculated using the effective interest method while credit losses on debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified to profit or loss.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established. Cumulative changes in fair value of FVOCI equity instruments are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As at September 30, 2022 and December 31, 2021, the Company does not have financial assets classified as FVOCI.

### ***Financial Liabilities at Amortized Cost***

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

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

As at September 30, 2022 and December 31, 2021, the Company's trade and other payables, (excluding government liabilities), loans payable, and advances from shareholders are classified under this category. (Note 13, 14 and 20)

### **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 shall be recognize in 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 other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

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## **Impairment of Financial Assets**

The Company records an allowance for “expected credit loss” (ECL). 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. The difference is then discounted at an approximation to the asset’s original effective interest rate.

For trade receivables, the Company has applied the simplified approach and has calculated ECL based on the lifetime expected credit losses. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For 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 and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

## **Derecognition of Financial Assets and Liabilities**

### ***Financial Assets***

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

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

When the Company has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company’s continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

### ***Financial Liabilities***

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

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

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

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

### **Offsetting of Financial Assets and Liabilities**

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

### **Inventories**

Inventories include various medical, dental and laboratory supplies, drugs and medicines for sale, general hospital maintenance supplies, food supplies and kitchenware, tablewares and other utensils.

These are initially measured at cost. Costs of inventory includes purchase price and all incidental cost necessary to bring the inventory to its saleable and usable condition. Subsequently, inventories are reported in the statements of financial position at the lower of cost and net realizable value. Cost is calculated using the weighted average method.

At each reporting date, inventories are assessed for impairment by comparing the carrying amount of each item of inventory with its net realizable value. If an item of inventory is impaired, its carrying amount is reduced to net realizable value, and an impairment loss is recognized immediately in profit and loss. Any reversal of impairment is recognized also in profit or loss.

### **Prepayments and Other Current Assets**

Prepayments represent advance payments for insurance, taxes and supplies which the Company expects to consume within one year. Other current assets include input tax, creditable withholding taxes and advances for liquidation. Prepayments and other current assets are stated in the statement of financial position at cost less any portion that has already been consumed or that has already expired.

### **Property and Equipment**

Property and equipment are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and are expected to be used during more than one period.

Items of property and equipment are initially measured at cost. Such cost includes purchase price and all incidental costs necessary to bring the asset to its location and condition. Subsequent to initial recognition, items of property and equipment are measured in the statement of financial position at cost less any accumulated depreciation and any accumulated impairment losses.

Properties in the course of construction are carried at cost, less any recognized impairment loss. Cost includes property development and construction costs and for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences at the time the assets are ready for their intended use. Any impairment loss from the construction project is immediately recognized in profit and loss.

Depreciation, which is computed on a straight-line basis, is recognized so as to allocate the cost of assets less their residual values over their estimated useful lives. Land is not depreciated.

If there is an indication that there has been a significant change in useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

When assets are sold, retired or otherwise disposed of, their costs and related accumulated depreciation and impairment losses, if any, are removed from the accounts and any resulting gain or loss is reflected in profit or loss for the period.

### **Intangible Assets**

Intangible asset represents hospital information system. This is initially measured at cost and is presented in the statement of financial position at cost less accumulated amortization and any accumulated impairment losses. Hospital information system is amortized over its estimated useful life of three (3) years to ten (10) years using the straight-line method. If there is an indication that there has been a significant change in the useful life or residual value of an intangible asset, the amortization is revised prospectively to reflect the new expectations.

When assets are sold, retired or otherwise disposed of, their cost and related accumulated amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss is reflected in profit or loss for the period.

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

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

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

### **Loans payable**

Loans payable account represents borrowed funds from various financial institutions to finance the construction of the hospital building, acquisition of medical equipment, hospital furniture and fixtures, and transportation equipment and working capital requirement.

Loans payable is classified as current liability unless the Company has an unconditional right to defer settlement of the liability beyond 12 months from the reporting date.

### **Share Capital**

Share capital represents the total par value of the ordinary shares issued.

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Equity instruments are measured at the fair value of the cash or other consideration received or receivable, net of the direct costs of issuing the equity instruments.

The difference between the consideration received and the par value of the shares issued is credited to share premium.

### **Accumulated Deficits**

Deficits represents accumulated losses incurred by the Company net of any dividend declaration, effects of changes in accounting policy and prior period adjustments.

### **Revenue**

#### ***Revenue recognition***

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured by reference to the fair value of consideration received or receivable excluding discounts, returns and sales taxes. Revenue is recognized either at a point in time or over a period of time.

Revenue is recognized as follows:

#### ***Hospital fees***

Revenue from hospital services is recognized over a period of time because the customer simultaneously consumes the benefit as the performance obligation is satisfied.

#### ***Sale of drugs and medicines***

Revenue from sale of drugs and medicines is recognized at the point in time when control over the goods is transferred to the customer, generally upon delivery of the goods at the customer's location.

#### ***Other income***

Other income which includes income from cafeteria, doctor's clinic, rental and miscellaneous income is recognized over a period of time because the customer simultaneously consumes the benefit as the performance obligation is satisfied.

#### ***Finance income***

Finance income comprises interest income on bank deposits. Interest income is recognized in profit and loss as it accrues, using the effective interest method.

### **Expenses**

Expenses are decreases in economic benefits in the form of decreases in assets or increase in liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Expenses are generally recognized when the services are received or when the expenses are incurred.

#### ***Cost of sales and services***

Cost of sales and services are recognized in profit or loss in the period the goods are sold and when services are rendered.

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***Operating expenses***

This account includes selling and general & administrative expenses. Selling expenses pertain to cost of marketing and distribution of goods and rendering of services to customers. General & administrative expenses represent expenses such as salaries and wages, depreciation and amortization, office supplies, meeting and conferences, credit losses, impairment loss, utilities, security services, outside services, janitorial, cleaning and maintenance, taxes and licenses, commission expense, insurance, SSS/PHIC/HDMF contributions, deficiency tax, representation and entertainment, fines and penalties, advertising/promotion/marketing, professional fee, uniforms, transportation and travel, training and development, mailing/postage/courier, bank service charge, handling fees, rentals, miscellaneous and other expenses attributable to administrative and other business activities of the Company.

***Finance cost***

Finance costs include interest and other charges related to borrowing arrangements.

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

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

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

***Income Tax***

Income tax expense includes current tax expense and deferred tax expense. The current tax expense is based on taxable profit for the year. Deferred tax is recognized on the differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases.

Deferred tax liabilities are recognized for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognized for all temporary differences that are expected to reduce taxable profit in the future, and any net operating loss carry over (NOLCO) or excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT). The net carrying amount of deferred tax asset is reviewed at each reporting date and any adjustments are recognized in profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

***Employee Benefits***

***Short-term benefits***

Short-term benefits given by the Company to its employees include salaries and wages, compensated absences, 13th month pay, employer share contributions and other de minimis benefits, among others.

These are recognized as expense in the period the employees render services to the Company.

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### ***Retirement Benefits***

The Company does not have a formal retirement benefit plan. However, the Company provides retirement benefits in compliance with RA 7641. No actuarial computation was made because the Company believes that the amount of provision for employee benefits will not materially affect the fair presentation of the financial statements considering that the Company has just commenced commercial operation in 2019 and none of the employees qualifies for the five years employment under RA 7641.

### **Related Parties**

Related party relationship exists 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 relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its major shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

### **Leases**

A lease is a contract that conveys the right to use an identified asset for a period of time in exchange for a consideration.

Determination as to whether a contract is, or contains, a lease is made at the inception of the lease. Accordingly, the Company assesses whether the contract meets three key evaluations which are:

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

### ***Company as Lessee***

At lease commencement date, the Company recognizes a right-of-use asset and a lease liability in the statement of financial position. The lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease if that rate is readily available or the Company's incremental borrowing rate. Lease payments include fixed payments (including in-substance fixed), variable lease payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options (either renewal or termination) reasonably certain to be exercised. Subsequent to initial measurement, the liability is increased for interest incurred and reduced for lease payments made.

The right-of-use asset is initially measured at the amount of lease liability adjusted for any initial direct costs incurred by the lessee, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received). Subsequently, the Company depreciates the right-of-use asset on a straight-line basis from the lease commencement date to the end of the lease term. The Company also assesses the right-of-use asset for impairment when such indicators exist.

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

### **Provisions and contingencies**

Provisions are recognized only when the Company has a present obligation as a result of past event and it is probable that the Company will be required to transfer economic benefits in settlement; and the amount of provision can be estimated reliably.

Contingent assets and liabilities are not recognized in the financial statements.

### **Changes in accounting policies, change in accounting estimates and correction of prior period errors**

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

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

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

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

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

### **Subsequent events**

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

### **NOTE 5 - SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of the financial statements in accordance with Philippine Financial Reporting Standards requires the Company to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Future events may occur which will

cause the assumptions used in arriving at the estimates to change. The effects of changes in estimates will be reflected in the financial statements as they become reasonably determinable.

### **Judgment**

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:

#### ***Determination of ECL on Financial Assets***

The Company measures expected credit losses of a financial instrument in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and information about past events, current conditions and forecasts of future economic conditions. When measuring ECL the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Details about the ECL on the Company's financial assets are disclosed in Note 22.

#### ***Assessment of Impairment of Nonfinancial Assets***

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

No impairment loss was recognized in the Company's unaudited interim financial statements in either September 30, 2022 or December 31, 2021.

### **Estimates**

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

#### ***Estimating useful lives of property and equipment***

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

The following estimated useful lives are used in depreciating the property and equipment:

<b><u>Description</u></b>	<b><u>Useful Lives</u></b>
Building	50 years
Medical equipment	5 – 10 years
Transportation equipment	5 years
Hospital/office furniture and fixtures	5 years

Engineering tools and kitchen equipment 5 years

**Determination of Realizable Amount of Deferred Tax Assets**

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the deferred tax assets recognized as at December 31, 2021 will be fully utilized in the coming years. The carrying value of deferred tax assets as of those dates is disclosed in Note 21.

**NOTE 6 - CASH**

This account consists of:

	<b>30-Sept-2022</b> <b>(Unaudited)</b>	<b>31-Dec-2021</b> <b>(Audited)</b>
Cash on hand	₱ 4,034,384	₱ 2,142,239
Cash in banks	<u>63,044,263</u>	<u>59,056,502</u>
	<b>₱ 67,078,647</b>	<b>₱ 61,198,741</b>

Cash in banks generally earn interest at bank deposit rates. Interest income earned from cash in banks amounted to ₱21,467, ₱33,414 and ₱35,274 for the nine months ended September 30, 2022, year ended December 31, 2021 and nine months ended September 30, 2021, respectively, and is presented under other income in the statements of comprehensive income. (Note 19)

**NOTE 7 - TRADE AND OTHER RECEIVABLES**

This account consists of:

	<b>30-Sept-2022</b> <b>(Unaudited)</b>	<b>31-Dec-2021</b> <b>(Audited)</b>
Trade receivables	₱ 112,885,636	₱ 124,648,672
Others	<u>3,353,896</u>	<u>3,816,050</u>
	<b>116,239,532</b>	<b>128,464,722</b>
Allowance for credit losses	<u>(18,100,867)</u>	<u>(18,037,327)</u>
	<b>₱ 98,138,665</b>	<b>₱ 110,427,395</b>

Trade receivables pertains to receivables from patients, reimbursements from HMO, DSWD and PhilHealth availed by the patients.

Other receivables pertains to advances to various employees and doctors, which are collectible thru salary deductions.

A reconciliation of the allowance for expected credit losses at the beginning and end of September 30, 2022 and December 31, 2021 is shown below:

	<b>30-Sept-2022</b> <b>(Unaudited)</b>	<b>31-Dec-2021</b> <b>(Audited)</b>
Balance, beginning	₱ 18,037,327	₱ 3,683,809
Credit losses	<u>63,540</u>	<u>14,353,518</u>
Balance, ending	<b>₱ 18,100,867</b>	<b>₱ 18,037,327</b>

**NOTE 8 - INVENTORIES**

This account consists of:

	<b>30-Sept-2022</b> <b>(Unaudited)</b>	31-Dec-2021 <b>(Audited)</b>
Medical, dental and laboratory supplies	<b>₱ 25,725,410</b>	₱ 19,295,673
Drugs, medicines and supplies for sale – Pharmacy	<b>23,849,256</b>	16,645,100
General hospital maintenance supplies	<b>329,615</b>	2,679,447
Food supplies	<b>1,887,201</b>	318,494
	<b>₱ 51,791,482</b>	₱ 38,938,714

Medical, dental and laboratory supplies pertains to drugs and medical supplies administered to patients.

Drugs, medicines and supplies for sale pertains to items available for sale.

General hospital maintenance supplies pertains to purchases of cleaning and sanitation supplies for the upkeep and general housekeeping of the hospital.

The Company recognized as expense, inventories costing ₱94,850,941, ₱160,734,914 and ₱126,649,248 for the nine months ended September 30, 2022, December 31, 2021 and September 30, 2021 respectively. (Note 17 and 18)

No portion of the inventory was pledged as security for any liability.

**NOTE 9 - ADVANCES TO SUPPLIERS AND CONTRACTORS**

This account consists of:

	<b>30-Sept-2022</b> <b>(Unaudited)</b>	31-Dec-2021 <b>(Audited)</b>
Advances to contractors	<b>₱ 6,121,430</b>	₱ 6,093,215
Advances to supplies	<b>8,751,123</b>	3,017,478
	<b>₱ 14,872,553</b>	₱ 10,010,693

Advances to contractors are advanced payment made to contractors that are deducted on a pro-rata basis, from the contractor's periodic progress billings.

Advances to suppliers represent payments made to suppliers of medical equipment and/or construction materials. The amounts normally represent 10% - 50% of the total contact price of the items purchased.

**NOTE 10 - PREPAYMENTS AND OTHER CURRENT ASSETS**

This account consists of:

	<b>30-Sept-2022</b>	31-Dec-2021
	<b>(Unaudited)</b>	(Audited)
Input VAT	₱ 11,759,133	₱ 5,150,110
Prepaid income tax (Note 21)	6,402,820	554,658
Creditable withholding tax	2,284,156	2,284,156
Prepaid taxes	1,244,311	7,500
Prepaid insurance	557,502	1,032,136
Prepaid supplies	150,736	323,347
Others	12,800	12,800
	<b>₱ 22,411,458</b>	<b>₱ 9,364,707</b>

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

Prepaid income tax pertains to excess tax credits, which could be applied to tax liability of the company in the future or succeeding period.

Prepaid insurance pertains to the unexpired portion of insurance premium on the hospital building and various medical equipment.

Prepaid supplies pertain to unused office supplies.

Prepaid taxes pertain to unexpired taxes and licenses.

**NOTE 11 - PROPERTY AND EQUIPMENT**

A reconciliation of the carrying amounts at the beginning and end of the nine months ended September 30, 2022 and year ended December 31, 2021 of property and equipment is shown below:

30-Sept-22 (Unaudited)

	<u>Land</u>	<u>Building</u>	<u>Medical Equipment</u>	<u>Transportation Equipment</u>	<u>Subtotal</u>
<b>Costs</b>					
January 01, 2022	₱ 21,689,038	₱ 704,060,915	₱ 291,978,670	₱ 3,632,063	₱ 1,021,360,686
Additions	-	878,786	14,117,776	-	14,996,562
Disposals	-	-	-	-	-
Reclassification	-	-	-	-	-
September 30, 2022	<u>21,689,038</u>	<u>704,939,701</u>	<u>306,096,446</u>	<u>3,632,063</u>	<u>1,036,357,248</u>
<b>Accumulated depreciation</b>					
September 01, 2022	-	34,608,360	68,658,940	1,880,652	105,147,952
Depreciation expense	-	10,560,713	21,175,713	544,810	32,281,236
Disposals	-	-	-	-	-
September 30, 2022	<u>-</u>	<u>45,169,073</u>	<u>89,834,653</u>	<u>2,425,462</u>	<u>137,429,188</u>
Carrying amount					
December 31, 2021	<u>₱ 21,689,038</u>	<u>₱ 669,452,555</u>	<u>₱ 223,319,730</u>	<u>₱ 1,751,411</u>	<u>₱ 916,212,734</u>
<b>Carrying amount</b>					
September 30, 2022	<u>₱ 21,689,038</u>	<u>₱ 659,770,628</u>	<u>₱ 216,261,793</u>	<u>₱ 1,206,601</u>	<u>₱ 898,928,060</u>

30-Sept-22 (Unaudited) Continuation

	<u>Subtotal</u>	<u>Hospital Furniture and Fixtures</u>	<u>Engineering Tools and Kitchen Equipment</u>	<u>Total</u>
<b>Costs</b>				
January 01, 2022	₱ 1,021,360,686	₱ 51,779,081	₱ 3,106,520	₱ 1,076,246,287
Additions	14,996,562	1,838,806	256,663	17,092,031
Disposals	-	-	-	-
Reclassifications	-	-	-	-
September 30, 2022	<u>1,036,357,248</u>	<u>53,617,887</u>	<u>3,363,183</u>	<u>1,093,338,318</u>
<b>Accumulated depreciation</b>				
January 01, 2022	105,147,952	26,332,202	1,097,989	132,578,143
Depreciation expense	32,281,236	7,479,379	436,273	40,196,888
Disposals	-	-	-	-
September 30, 2022	<u>137,429,188</u>	<u>33,811,581</u>	<u>1,534,262</u>	<u>172,775,031</u>
Carrying amount				
December 31, 2021	<u>₱ 916,212,734</u>	<u>₱ 25,446,879</u>	<u>₱ 2,008,531</u>	<u>₱ 943,668,144</u>
<b>Carrying amount</b>				
September 30, 2022	<u>₱ 898,928,060</u>	<u>₱ 19,806,306</u>	<u>₱ 1,828,921</u>	<u>₱ 920,563,287</u>

December 31, 2021 (Audited)

	<u>Land</u>	<u>Building</u>	<u>Medical Equipment</u>	<u>Transporta- tion Equipment</u>	<u>Hospital/Office Furnitures and Fixtures</u>	<u>Engineering Tools and Kitchen Equipment</u>	<u>Construction in progress</u>	<u>Total</u>
<b>Cost</b>								
1-Jan-21	₱ 21,689,038	₱ 698,260,270	₱ 281,412,751	₱ 3,627,056	₱ 48,146,832	₱ 1,853,843	₱ -	₱ 1,054,989,790
Additions	-	1,936,297	10,565,919	5,007	3,632,249	1,252,677	3,864,348	21,256,497
Reclassifi- Cations	-	3,864,348	-	-	-	-	(3,864,348)	-
Disposals	-	-	-	-	-	-	-	-
31-Dec-21	<u>21,689,038</u>	<u>704,060,915</u>	<u>291,978,670</u>	<u>3,632,063</u>	<u>51,779,081</u>	<u>3,106,520</u>	<u>-</u>	<u>1,076,246,287</u>
<b>Accumulated Depreciation</b>								
1-Jan-21	-	20,626,598	41,446,652	1,154,907	16,722,836	610,491	-	80,561,484
Depreciation	-	13,981,762	27,212,288	725,745	9,609,366	487,498	-	52,016,659
Disposals	-	-	-	-	-	-	-	-
31-Dec-21	<u>-</u>	<u>34,608,360</u>	<u>68,658,940</u>	<u>1,880,652</u>	<u>26,332,202</u>	<u>1,097,989</u>	<u>-</u>	<u>132,578,143</u>
<b>Carrying amounts</b>								
31-Dec-20	<u>₱ 21,689,038</u>	<u>₱ 677,633,672</u>	<u>₱ 239,966,099</u>	<u>₱ 2,472,149</u>	<u>₱ 31,423,996</u>	<u>₱ 1,243,352</u>	<u>₱ -</u>	<u>₱ 974,428,306</u>
<b>Carrying amounts</b>								
31-Dec-21	<u>₱ 21,689,038</u>	<u>₱ 669,452,555</u>	<u>₱ 223,319,730</u>	<u>₱ 1,751,411</u>	<u>₱ 25,446,879</u>	<u>₱ 2,008,531</u>	<u>₱ -</u>	<u>₱ 943,668,144</u>

The Company bought parcels of land consisting of 4,138 sq. m. at Carlos P. Garcia Avenue corner A.S. Bioco Street, Mansasa, Tagbilaran City. This land is covered with TCT numbers 112-2015000168, 112-20141207, 112-2014001201 and 112-2016000139. The hospital building was constructed in these lot. The land together with all the buildings and improvements were used as collateral in the bank loan (Note 14).

The total carrying value of the land and hospital building used as collateral for the loan amounted to ₱681,459,666 and ₱691,141,593 as at September 30, 2022 and December 31, 2021, respectively. (Note 14)

Medical equipment and hospital/office furniture and fixtures with a total carrying value of ₱236,068,099 and ₱248,766,609 as at September 30, 2022 and December 31, 2021, respectively were used as collateral for these loans. (Note 14)

Depreciation expense were presented in the statements of comprehensive income as follows (Note 17 and 18):

	<b>30-Sept-22</b> <b>(Unaudited)</b>	31-Dec-21 (Audited)	30-Sept -21 (Unaudited)
Cost of sales and services (Note 17)	₱ 37,648,096	₱ 47,934,626	₱ 38,648,705
Operating expenses (Note 18)	<u>2,548,792</u>	<u>4,082,033</u>	<u>2,545,985</u>
	<u>₱ 40,196,888</u>	<u>₱ 52,016,659</u>	<u>₱ 41,194,690</u>

Management has reviewed the carrying values of property and equipment as at September 30, 2022 and December 31, 2021 for any impairment. Based on the result of its evaluation, there are no indications that these assets are impaired.

#### NOTE 12 - INTANGIBLE ASSET

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

A reconciliation of the carrying amounts at the beginning and end of September 30, 2022 and December 31, 2021 is shown below:

	<b>30-Sept-22</b> <b>(Unaudited)</b>	31-Dec-21 (Audited)
<b>Cost</b>		
Balance, beginning of the year	₱ 4,739,170	₱ 539,170
Additions	-	4,200,000
Disposal	<u>-</u>	<u>-</u>
Balance, end of the year	<u>4,739,170</u>	<u>4,739,170</u>
<b>Accumulated Amortization</b>		
Balance, beginning of the year	779,446	179,723
Amortization	134,793	599,723
Disposal	<u>-</u>	<u>-</u>
Balance at end of year	<u>914,239</u>	<u>779,446</u>
Carrying amount	<u>₱ 3,824,931</u>	<u>₱ 3,959,724</u>

Amortization expenses amounted to ₱134,793 for the nine months ended September 30 2022, ₱599,723 for the year ended December 31, 2021 and ₱nil for the nine months ended September 30, 2021 respectively. The amortization of intangible asset is presented as part of operating

expenses. The Company's intangible asset is expected to be amortized over its useful life of five (5) years.

### **NOTE 13 - TRADE AND OTHER PAYABLES**

This account consists of:

	<b>30-Sept-2022</b> <b>(Unaudited)</b>	31-Dec-2021 <b>(Audited)</b>
Trade payable	₱ 20,713,644	₱ 25,677,327
Accrued expenses	41,179,722	40,816,498
Retention payable	4,590,120	13,178,439
Payable to government	6,203,053	4,780,166
Others	18,186,051	1,573,299
	<b>₱ 90,872,590</b>	<b>₱ 86,025,659</b>

Trade payable pertain to unpaid balance on contractor's progress billings and purchases of medical/hospital equipment. These are non-interest bearing and has a term of 30 to 60 days.

Accrued expenses pertain to expenses incurred but not yet paid as of reporting period. Details of accrued expenses follows:

	<b>30-Sept-2022</b> <b>(Unaudited)</b>	31-Dec-2021 <b>(Audited)</b>
Interest	₱ 33,206,369	₱ 40,244,408
Salaries and wages	7,773,353	372,090
Professional fees	200,000	200,000
	<b>₱ 41,179,722</b>	<b>₱ 40,816,498</b>

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

Payable to government pertains to mandatory government statutes and withholding taxes payable to BIR, SSS, PHIC and HDMF.

### **NOTE 14 - LOANS PAYABLE**

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

	<b>30-Sept-2022</b> <b>(Unaudited)</b>	31-Dec-2021 <b>(Audited)</b>
Current	₱ 73,249,174	₱ 35,959,888
Non-current	665,055,610	729,439,812
Total	<b>₱ 738,304,784</b>	<b>₱ 765,399,700</b>

#### Land Bank of the Philippines

The Company entered into Term Loan Agreement with the Land Bank of the Philippines (LBP) for a total amount of ₱885M. The amount of loan released as of September 30, 2022 and December 31, 2021 amounted to ₱820M.

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First loan

On June 17, 2015, the Company obtained term loan amounting to ₱450M. The loan consists of 2 term loan agreements. Term Loan 1 which amounts to ₱390M is payable in ten (10) years laddered quarterly amortization with three (3) years grace period on the principal repayment. The interest range from 6% to 7% per annum, with quarterly repricing based on LBP's prevailing rates on the date of loan release and is payable quarterly commencing at the end of the 1st quarter after initial loan release. Under the terms of the agreement, the proceeds of the loan will be used by the Company to partially finance the construction of its 8-storey Hospital Building located at Carlos P. Garcia Avenue corner A.S. Bioco Street, Mansasa, Tagbilaran City. Term Loan 2 which amounts to ₱60M is payable in seven (7) years with quarterly amortization and one (1) year grace period on the principal repayment. The interest range from 6% to 7% per annum with quarterly repricing based on LBP's prevailing rates on the date of loan release and is payable quarterly commencing at the end of the 1st quarter after initial loan release. Under the terms of the agreement, the proceeds of the loan will be used by the Company to finance the acquisition of medical equipment, furniture and fixtures.

The loan was collateralized by a Real Estate Mortgage (REM) with TCT Nos. 112-2015000168 with an area of 3,059 sq. m. registered under the name of Allied Care Experts (ACE) Medical Center - Bohol, Inc. located at Carlos P. Garcia East Avenue corner A.S. Bioco St., Mansasa District, Tagbilaran City, Bohol and includes future improvements and Chattel Mortgage (CHM) on various medical equipment, furniture and fixture of the medical center.

The total carrying value of the land and hospital building used as collateral for the loan amounted to ₱681,459,666 and ₱691,141,593 as at September 30, 2022 and December 31, 2021, respectively. (Note 11)

The loan agreement with the bank provides certain restrictions and requirements with respect to, among others, maintenance of debt to equity ratio of 75:25 during the term of the loan and maintenance of LBP as the major depository bank of the Company. As at September 30, 2022, the Company has complied with the debt to equity ratio requirement based on the loan agreement.

Second loan

On June 17, 2015, the Company obtained additional loan amounting to ₱435M. The loan consists of 3 term loan agreements. Term Loan 3 which amounts to ₱100M is payable in ten (10) years with quarterly amortization and one (1) year grace period on the principal repayment. The interest range from 6% to 7% per annum, with quarterly repricing based on LBP's prevailing rates on the date of loan release and is payable quarterly commencing at the end of the 1st quarter after initial loan release. Under the terms of the agreement, the proceeds of the loan will be used by the Company to finance the completion of its 8-storey Hospital Building located at Carlos P. Garcia Avenue corner A.S. Bioco Street, Mansasa, Tagbilaran City, Bohol. Term Loan 4 which amounts to ₱275M is payable in seven (7) year quarterly amortization and one (1) year grace period on the principal repayment. The interest range from 6% to 7% per annum, with quarterly repricing based on LBP's prevailing rates on the date of loan release and is payable quarterly commencing at the end of the 1st quarter after initial loan release. Under the terms of the agreement, the proceeds of the loan will be used by the Company to finance the acquisition of hospital equipment and furniture and fixtures. Term Loan 5 which amounts to ₱60M is payable in seven (7) year with quarterly amortization and one (1) year grace period on the principal repayment. The interest range from 6% to 7% per annum with quarterly repricing based on LBP's prevailing rates on the date of loan release and is payable quarterly commencing at the end of the 1st quarter after initial loan release. Under the terms of the agreement, the proceeds of the loan will be used by the Company to finance its permanent working capital requirements.

The loan was collateralized by a Real Estate Mortgage (REM) with TCT Nos. 112-2015000168 with an area of 3,059 sq. m. registered under the name of Allied Care Experts (ACE) Medical Center

- Bohol, Inc. located at Carlos P. Garcia East Avenue corner A.S. Bioco St., Mansasa District, Tagbilaran City, Bohol which includes future improvements and a Chattel Mortgage (CHM) on various medical equipment, furniture and fixture of the medical center.

The total carrying value of the land and hospital building used as collateral for the loan amounted to ₱681,459,666 and ₱691,141,593 as at September 30, 2022 and December 31, 2021, respectively. (Note 11)

Medical equipment and hospital/office furniture and fixtures with a total carrying value of ₱236,068,099 and ₱248,766,609 as at September 30, 2022 and December 31, 2021, respectively were used as collateral for these loans. (Note 11)

The loan agreement with the bank provides certain restrictions and requirements with respect to, among others, maintenance of debt to equity ratio of 75:25 during the term of the loan and maintenance of LBP as the major depository bank of the Company. As at September 30, 2022, the Company has complied with the debt to equity ratio requirement based on the loan agreement.

Movement of loans payable is as follows:

	<b>30-Sept-2022</b> <b>(Unaudited)</b>	31-Dec-2021 <b>(Audited)</b>
Beginning balance	₱ <u>765,399,700</u>	₱ 782,276,709
Proceeds	-	-
Payments	<u>(27,094,916)</u>	<u>(16,877,009)</u>
Ending balance	<b>₱ 738,304,784</b>	<b>₱ 765,399,700</b>

Total interest incurred from these loans for the nine months ended September 30, 2022, year ended December 31, 2021 and nine months ended September 30, 2020 amounted to ₱38,399,612, ₱53,113,791 and ₱39,629,269, respectively.

The Company was granted deferred payment of unpaid interest from its Term Loans under the “Bayanihan to Recovery As One Act” as follows: Term Loan 1, unpaid interest from April 2020 to January 2021 were deferred and is payable in 19 equal quarterly installments starting on April 2021; Term Loan 2, unpaid interest from May 2020 to January 2021 were deferred and is payable in 16 equal quarterly installments starting on April 2021; Term Loan 3, unpaid interest from April 2020 to January 2021 were deferred and is payable in 30 equal quarterly installments starting on April 2021; Term Loan 4, unpaid interest from June 2020 to March 2021 were deferred and is payable in 18 equal quarterly installments starting on June 2021; and, Term Loan 5, unpaid interest from June 2020 to March 2021 were deferred and is payable in 17 equal quarterly installments starting on June 2021.

## **NOTE 15 - EQUITY**

### **Share Capital**

The details of the Company’s authorized, issued and outstanding capital as of September 30, 2022, December 31, 2021 and September 30, 2021 are as follows:

	<b>30-Sept-2022</b> <b>(Unaudited)</b>		31-Dec-2021 <b>(Audited)</b>		30-Sept-2021 <b>(Unaudited)</b>	
	Amount	Number of Shares	Amount	Number of Shares	Amount	Number of Shares
<b>Authorized:</b>						
Common shares - ₱1,000 par value	<b>₱179,400,000</b>	<b>179,400</b>	₱179,400,000	179,400	₱179,400,000	179,400
Founder’s shares – ₱1,000 par value	<b>600,000</b>	<b>600</b>	600,000	600	600,000	600
	<b><u>180,000,000</u></b>	<b><u>180,000</u></b>	<u>180,000,000</u>	<u>180,000</u>	<u>180,000,000</u>	<u>180,000</u>

<b>Subscribed:</b>						
Common shares - ₱1,000 par value	<b>160,660,000</b>	<b>160,020</b>	160,020,000	160,020	158,420,000	158,420
Founder's shares – ₱1,000 par value	<b>600,000</b>	<b>600</b>	600,000	600	600,000	600
	<b><u>161,260,000</u></b>	<b><u>160,620</u></b>	<u>160,620,000</u>	<u>160,620</u>	<u>159,020,000</u>	<u>159,020</u>
<b>Less: Subscription receivable</b>						
Common shares - ₱1,000 par value	-	-	-	-	(30,000,000)	(30,000)
Issued and outstanding	<b><u>₱161,260,000</u></b>	<b><u>160,620</u></b>	<u>₱160,620,000</u>	<u>160,620</u>	<u>₱129,020,000</u>	<u>129,020</u>

A reconciliation of the outstanding shares at the beginning and end of September 30, 2022, December 31, 2021 and September 30, 2021 is shown below:

	<u>30-Sept-2022</u> <u>(Unaudited)</u>	<u>31-Dec-2021</u> <u>(Audited)</u>	<u>30-Sept-2021</u> <u>(Unaudited)</u>
Outstanding, beginning	<b>160,620</b>	129,020	129,020
Issuance	<b>640</b>	31,600	-
Reacquisition	<u>-</u>	<u>-</u>	<u>-</u>
Outstanding, ending	<b><u>161,260</u></b>	<u>160,620</u>	<u>129,020</u>

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

In 2019, the Company filed a Registration Statement covering its proposed Initial Public Offering (IPO) of 30,000 common shares. Said registration statement was approved on June 28, 2019, in accordance with the provisions of the SEC's Securities Regulation Code. (See Note 1)

As of December 31, 2021, the Company issued through public offering additional **One thousand six hundred (1,600)** common shares. Total share premium paid as of December 31, 2021 amounted to ₱239,720,000.

As of September 30, 2022, the Company issued through public offering additional Six hundred Forty (640) common shares. Total share premium paid as of September 30, 2022 amounted to ₱259,490,000.

As at December 31, 2021, the Company has fifty (50) shareholders owning one hundred (100) and more shares of the Company's capital stock.

## NOTE 16 - REVENUES

Details of the Company's revenues are as follows:

	<u>For The Nine Months Ended</u>		<u>For The Three Months Ended</u>	
	<u>30-Sept-2022</u> <u>(Unaudited)</u>	<u>30-Sept-2021</u> <u>(Unaudited)</u>	<u>30-Sept-2022</u> <u>(Unaudited)</u>	<u>30-Sept-2021</u> <u>(Unaudited)</u>
Hospital fees, net				
Hospital fees	<b>₱ 275,842,638</b>	₱ 307,073,682	<b>₱ 97,048,901</b>	₱ 152,813,715
Less: Hospital discounts and allowances	<b><u>(34,285,088)</u></b>	<u>(36,088,607)</u>	<b><u>(12,139,729)</u></b>	<u>(17,381,219)</u>
	<b><u>241,557,550</u></b>	<u>270,985,075</u>	<b><u>84,909,172</u></b>	<u>135,432,496</u>

Sale of drugs and medicines, net				
Sale of drugs and medicines	65,318,776	124,958,389	22,781,327	44,782,895
Less: Sales discounts and allowances	<u>(7,413,824)</u>	<u>(13,893,342)</u>	<u>(2,551,538)</u>	<u>(5,409,202)</u>
	<u>57,904,952</u>	<u>111,065,047</u>	<u>20,229,789</u>	<u>39,373,693</u>
	<u><u>₱ 299,462,502</u></u>	<u><u>₱ 382,050,122</u></u>	<u><u>₱ 105,118,961</u></u>	<u><u>₱ 174,806,189</u></u>

Hospitals discounts and sales discounts are discount extended to for the benefits of senior citizen, PWD and other government mandated beneficiaries, it also includes discounts to shareholders and dependents based on the company prospectus.

#### NOTE 17 - COST OF SALES AND SERVICES

Details of the Company's cost of sales and services are as follows:

	For The Nine Months Ended		For The Three Months Ended	
	30-Sept-2022 (Unaudited)	30-Sept-2021 (Unaudited)	30-Sept-2022 (Unaudited)	30-Sept-2021 (Unaudited)
Supplies	₱ 93,210,908	₱ 126,649,248	₱ 31,502,124	₱ 57,481,560
Salaries and wages	40,439,150	21,294,181	14,642,861	9,882,113
Depreciation	37,648,096	38,648,705	12,549,403	11,751,455
Professional Fees-Reader's Fee	14,487,548	10,185,250	5,136,026	4,811,464
Professional Fees-RODs	9,598,043	6,398,071	3,228,410	2,771,205
Communication, light and water	7,272,870	11,886,383	4,890,205	3,484,566
SSS/PHIC/HDMF contributions	2,320,316	2,794,151	1,097,673	539,643
	<u><u>₱ 204,976,931</u></u>	<u><u>₱ 217,855,989</u></u>	<u><u>₱ 73,046,702</u></u>	<u><u>₱ 90,722,006</u></u>

#### NOTE 18 - OPERATING EXPENSES

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

	For The Nine Months Ended		For The Three Months Ended	
	30-Sept-2022 (Unaudited)	30-Sept-2021 (Unaudited)	30-Sept-2022 (Unaudited)	30-Sept-2021 (Unaudited)
Directors allowance and officers compensation	₱ 38,986,407	₱ 4,319,175	₱ 10,800,000	₱ 3,492,313
Salaries and wages	23,733,577	21,890,105	11,065,952	7,338,841
Janitorial, cleaning and maintenance	8,217,182	5,846,113	2,910,854	1,395,174
Utilities	4,517,715	1,964,413	848,423	748,577
Office supplies	3,866,038	3,788,598	1,507,983	2,060,239
Depreciation and amortization	2,683,585	3,145,708	892,199	1,158,319
SSS/PHIC/HDMF contributions	2,263,119	1,043,277	541,550	752,575
Security services	1,818,418	2,229,250	600,688	1,017,500
Taxes and licenses	1,812,400	1,712,766	624,653	699,150
Meeting and conferences	1,482,841	2,050,510	834,849	
Outside services	1,302,926	1,418,371	347,806	654,711
Insurance	1,078,947	1,205,605	364,456	392,448
Representation and entertainment	821,287	427,754	232,495	199,663

Professional fees	784,244	234,593	107,422	60,850
Commission expense	420,294	-	110,000	-
Advertising/promotion/marketing	364,844	363,962	123,026	152,199
Transportation and travel	239,392	42,684	105,013	36,790
Training and development	225,782	159,883	132,541	72,684
Mailing/postage/courier	77,758	78,002	37,357	19,235
Credit loss	63,540	4,351,128	63,540	2,167,625
Fines and penalties	55,864	174,413	-	84,801
Rentals	15,000	-	-	-
Bank service charge	590	62,401	75	800
Uniforms	-	7,800	-	5,000
Miscellaneous	1,374,782	1,139,827	709,689	607,398
	<u>₱ 96,206,532</u>	<u>₱ 57,656,338</u>	<u>₱ 32,960,571</u>	<u>₱ 23,166,892</u>

#### NOTE 19 - OTHER INCOME

Details of the Company's other income are as follows:

	For The Nine Months Ended		For The Three Months Ended	
	30-Sept-2022 (Unaudited)	30-Sept-2021 (Unaudited)	30-Sept-2022 (Unaudited)	30-Sept-2021 (Unaudited)
Income from cafeteria	₱ 4,505,677	₱ 3,635,703	₱ 1,524,576	₱ 1,231,732
Interest income (Note 6)	21,467	35,274	8,097	21,196
Unrealized foreign exchange gain (loss)	-	-	-	-
Donation receipt	9,483,012	-	5,023,185	-
Miscellaneous income	3,143,011	7,109,404	898,086	3,114,584
	<u>₱ 17,153,167</u>	<u>₱ 10,780,381</u>	<u>₱ 7,453,944</u>	<u>₱ 4,367,512</u>

#### NOTE 20 - RELATED PARTY TRANSACTIONS

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

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

##### September 30, 2022 (Unaudited)

Nature of Relationship	Nature of Transaction	Amount (current transaction)	Outstanding balance	Terms	Conditions
Advances from Major Shareholders	Advances Payment	₱ 27,034,469 -	₱ 29,353,531	(2)	(3)

##### December 31, 2021 (Audited)

Nature of Relationship	Nature of Transaction	Amount (current transaction)	Outstanding balance	Terms	Conditions
Advances from Major Shareholders	Advances Payment	₱ - (35,830,790)	₱ 2,319,062	(2)	(3)

*Terms and Conditions:*

- (1) Interest bearing, collectible in cash
- (2) Non-interest bearing, no scheduled repayment terms
- (3) Unsecured

*Cash Advances*

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

**Key Management Personnel Compensations**

Key management includes members of the board of directors and heads of various departments.

The breakdown of key management compensation is as follows:

Compensation paid to key management personnel for the nine months ended September 30, 2022 year ended December 31, 2021 and for the nine months ended September 30, 2021, amounts to ₱45,413,151 and ₱23,758,337 and ₱10,745,920, respectively.

**NOTE 21 - INCOME TAXES**

On March 26, 2021, the Corporate Recovery and Tax Incentives for Enterprises Act “RA 11534” was signed into law by the President of the Philippines. The law will take effect 15 days after its publication in the Official Gazette or in a newspaper of general circulation. Some of the provisions that may have an impact on the Company’s operations are as follows:

1. Reduction of the Corporate Income Tax from 30% to 25% starting July 1, 2020.
2. Reduction of the Minimum Corporate Income Tax (MCIT) from 2% to 1% starting July 1, 2020 to June 30, 2023
3. Reduction of the non-deductible interest expense from 33% to 20% of the gross interest income
4. Imposition of the Improperly Accumulated Earning Tax has been repealed.

The Company used the prevailing tax rates as of December 31, 2020, given the CREATE LAW was signed after December 31, 2020, in determining its current and deferred taxes in its 2020 financial statements and was taken up prospectively in the current period. As a result of the application of the lower RCIT rate of 25% and MCIT rate of 1% starting July 1, 2020, the current income tax expense as presented in the 2020 annual income tax return of the Company was lower by ₱423,242 than the amount presented in the 2020 financial statements. This amount was charged to 2021 income tax expense.

In addition, the recognized net deferred tax assets as of December 31, 2020 were remeasured to 25% in the current period. This resulted in a decline in the recognized net deferred tax assets in 2020 by ₱1,920,327. This was charged to 2021 income tax expense.

Income tax expense (benefit) for the nine months ended September 30, 2022 and September 30, 2021 consists of:

	<u>For The Nine Months Ended</u>		<u>For The Three Months Ended</u>	
	<u>30-Sept-2022</u> <u>(Unaudited)</u>	<u>30-Sept-2021</u> <u>(Unaudited)</u>	<u>30-Sept-2022</u> <u>(Unaudited)</u>	<u>30-Sept-2021</u> <u>(Unaudited)</u>
Current tax expense:				
MCIT	₱ 1,116,173	₱ 1,749,392	₱ 395,181	₱ 884,305
Final	-	-	-	-

Deferred tax expense:				
Temporary differences	<u>(6,848,084)</u>	<u>(2,837,174)</u>	<u>(1,949,020)</u>	<u>(1,426,211)</u>
	<u><b>₱ (5,731,911)</b></u>	<u><b>₱ (1,087,782)</b></u>	<u><b>₱ (1,553,839)</b></u>	<u><b>₱ (541,906)</b></u>

Reconciliation between statutory tax and effective tax follows:

	For The Nine Months Ended		For The Three Months Ended	
	30-Sept-2022 <u>(Unaudited)</u>	30-Sept-2021 <u>(Unaudited)</u>	30-Sept-2022 <u>(Unaudited)</u>	30-Sept-2021 <u>(Unaudited)</u>
Income tax at statutory rate	<b>₱ (5,741,852)</b>	<b>₱ 19,422,227</b>	<b>₱ (1,552,321)</b>	<b>₱ 12,989,369</b>
Tax effects of income subject to final tax	<b>(5,367)</b>	<b>(8,819)</b>	<b>(2,024)</b>	<b>(5,299)</b>
Tax effect of non-deductible expense	<b>15,309</b>	<b>45,808</b>	<b>506</b>	<b>22,525</b>
Tax effect of application of NOLCO	<b>-</b>	<b>(20,546,998)</b>	<b>-</b>	<b>(13,548,501)</b>
Effective income tax	<u><b>₱ (5,731,911)</b></u>	<u><b>₱ (1,087,782)</b></u>	<u><b>₱ (1,553,839)</b></u>	<u><b>₱ (541,906)</b></u>

A reconciliation of income (loss) before tax reported in the statement of comprehensive income and taxable loss follows:

	For The Nine Months Ended		For The Three Months Ended	
	30-Sept-2022 <u>(Unaudited)</u>	30-Sept-2021 <u>(Unaudited)</u>	30-Sept-2022 <u>(Unaudited)</u>	30-Sept-2021 <u>(Unaudited)</u>
Income before tax	<b>₱ (22,967,406)</b>	<b>₱ 77,688,907</b>	<b>₱ (6,209,284)</b>	<b>₱ 51,957,476</b>
Permanent differences:				
Interest income	<b>(21,467)</b>	<b>(35,274)</b>	<b>(8,097)</b>	<b>(21,196)</b>
Non-deductible expense	<b>61,237</b>	<b>183,232</b>	<b>2,024</b>	<b>90,100</b>
Application of NOLCO	<b>-</b>	<b>(82,187,993)</b>	<b>-</b>	<b>(54,194,005)</b>
Temporary differences:				
Credit losses	<b>63,540</b>	<b>4,351,128</b>	<b>63,540</b>	<b>2,167,625</b>
Taxable income	<u><b>₱ (22,864,102)</b></u>	<u><b>₱ -</b></u>	<u><b>₱ (6,151,817)</b></u>	<u><b>₱ -</b></u>
Tax rate	<u><b>25%</b></u>	<u><b>25%</b></u>	<u><b>25%</b></u>	<u><b>25%</b></u>
	<u><b>₱ (5,716,026)</b></u>	<u><b>₱ -</b></u>	<u><b>₱ (1,537,954)</b></u>	<u><b>₱ -</b></u>

**Minimum Corporate Income Tax:**

Taxable gross income(loss)	<b>₱ 111,617,271</b>	<b>₱ 174,939,240</b>	<b>₱ 39,518,106</b>	<b>₱ 88,430,499</b>
Tax rate	<u><b>1%</b></u>	<u><b>1%</b></u>	<u><b>1%</b></u>	<u><b>1%</b></u>
	<u><b>₱ 1,116,173</b></u>	<u><b>₱ 1,749,392</b></u>	<u><b>₱ 395,181</b></u>	<u><b>₱ 884,305</b></u>

Tax due (Higher of RCIT or MCIT)	<b>₱ 1,116,173</b>	<b>₱ 1,749,392</b>	<b>₱ 395,181</b>	<b>₱ 884,305</b>
Less: Tax credits				
Prior Year's Excess Credit	<b>(554,658)</b>	<b>(51,435)</b>	<b>(554,658)</b>	<b>(51,435)</b>
Creditable taxes	<u><b>(6,964,335)</b></u>	<u><b>(3,216,041)</b></u>	<u><b>(6,964,335)</b></u>	<u><b>(3,216,041)</b></u>
Prepaid income Tax	<u><b>₱ (6,402,820)</b></u>	<u><b>₱ (1,518,084)</b></u>	<u><b>₱ (7,123,812)</b></u>	<u><b>₱ (2,383,171)</b></u>

Deferred tax asset from NOLCO, arises from the taxable loss that can be charged against income of the next three taxable years except for NOLCO incurred for the year 2020 which the taxable loss can be charged against taxable income within the next five taxable years pursuant to Section 4 (bbbb) of Bayanihan II and as implemented under RR No. 25-2020, the net operating loss of a business or enterprise incurred for the taxable years 2020 and 2021 can be carried over as deduction from gross income for the next five (5) consecutive taxable years following the year of such loss.

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

<u>Date Incurred</u>	<u>Date of Expiration</u>	<u>Amount</u>	<u>Applied</u>	<u>Expired</u>	<u>Balance</u>
30-Sept-2022	2025	₱ 22,864,102	₱ -	₱ -	₱ 22,864,102
31-Dec-2020	2025	26,257,896	-	-	26,257,896
31-Dec-2019	2022	17,622,118	-	-	17,622,118
		<u>₱ 66,744,116</u>	<u>₱ -</u>	<u>₱ -</u>	<u>₱ 66,744,116</u>

Deferred tax asset from MCIT, is the carry forward benefit of the excess of minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT). Excess MCIT can be used within three taxable years from the date of payment.

Details of MCIT follow:

<u>Date Incurred</u>	<u>Date of Expiration</u>	<u>Amount</u>	<u>Applied</u>	<u>Adjustments (CREATE)</u>	<u>Balance</u>
30-Sept-2022	2025	₱ 1,116,173	₱ -	₱ -	₱ 1,116,173
31-Dec-2021	2024	2,038,241	-	-	2,038,241
31-Dec-2020	2023	1,692,967	-	(423,242)	1,269,725
31-Dec-2019	2022	196,749	-	-	196,749
		<u>₱ 5,044,130</u>	<u>₱ -</u>	<u>₱ (423,242)</u>	<u>₱ 4,620,888</u>

An analysis of DTA follows:

	<u>30-Sept-22 (Unaudited)</u>	<u>31-Dec-21 (Audited)</u>
DTA arising from NOLCO	12,280,500	6,564,474
DTA arising from MCIT	4,620,888	3,504,715
DTA arising from credit losses	4,525,217	4,509,332
DTA arising from foreign exchange loss	1,872	1,872
	<u>₱ 21,428,477</u>	<u>₱ 14,580,393</u>

## NOTE 22 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's business activities. The Company, through its training and

management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

*Liquidity Risk*

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

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

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

The table below summarizes the maturity profile of the Company's financial liabilities as at September 30, 2022 and December 31, 2021, based on contractual undiscounted payment.

	<b>September 30, 2022 (Unaudited)</b>		
	<b>Within 1 Year</b>	<b>Above 1 Year</b>	<b>Total</b>
Trade and other payables	₱ 84,669,537	₱ -	₱ 84,669,537
Loans payable	73,249,174	734,806,588	808,055,762
Advances from shareholders	<u>29,353,531</u>	<u>-</u>	<u>29,353,531</u>
	<u>₱ 187,272,242</u>	<u>₱ 734,806,588</u>	<u>₱ 922,078,830</u>
	<b>December 31, 2021 (Audited)</b>		
	<b>Within 1 Year</b>	<b>Above 1 Year</b>	<b>Total</b>
Trade and other payables	₱ 81,245,493	₱ -	₱ 81,245,493
Loans payable	38,117,481	773,206,200	811,323,681
Advances from shareholders	<u>2,319,062</u>	<u>-</u>	<u>2,319,062</u>
	<u>₱ 121,682,036</u>	<u>₱ 773,206,200</u>	<u>₱ 894,888,236</u>

\*Trade and other payables excludes government statutory payables amounting to ₱6,203,053 and ₱4,780,166 for September 30 2022 and December 31, 2021, respectively.

*Market Risks*

Interest Rate Risk

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

The Company's financial instrument that are exposed to cash flow interest rate risk pertains to its bank loans amounting to ₱738,304,784 and ₱765,399,700 as of September 30, 2022 and December 31, 2021, respectively, which are subject to interest rate repricing. (See Note 14)

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

Increase/Decrease in Interest Rate	Effect on Income Before Income Tax	
	30-Sept-22 (Unaudited)	31-Dec-21 (Audited)
+1%	₱ (7,383,047)	₱ (7,653,997)
-1%	7,383,047	7,653,997

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

#### Credit Risk

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

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

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

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

The tables below show the credit quality per class of financial asset and an aging analysis of past due but not impaired accounts as at September 30, 2022 and December 31, 2021.

#### Credit Quality per Class of Financial Asset

September 30, 2022 (Unaudited)						
Neither Past Due nor Impaired						
	High Grade	Standard Grade	Substandard Grade	Past Due but not Impaired	Impaired	Total
Cash in banks	₱ 63,044,263	₱-	₱-	₱-	₱-	₱ 63,044,263
Trade and other receivables	3,353,896	25,259,274	-	87,626,362	-	116,239,532
	<u>₱ 66,398,159</u>	<u>₱ 25,259,274</u>	<u>₱-</u>	<u>₱ 87,626,362</u>	<u>₱-</u>	<u>₱ 179,283,795</u>
December 31, 2021 (Audited)						
Neither Past Due nor Impaired						
	High Grade	Standard Grade	Substandard Grade	Past Due but not Impaired	Impaired	Total
Cash in banks	₱ 59,056,502	₱-	₱-	₱-	₱-	₱ 59,056,502
Trade and other receivables	3,816,050	27,964,147	-	96,684,525	-	128,464,722
	<u>₱ 62,872,552</u>	<u>₱ 27,964,147</u>	<u>₱-</u>	<u>₱ 96,684,525</u>	<u>₱-</u>	<u>₱ 187,521,224</u>

Details of past due accounts but not impaired is as follows:

September 30, 2022 (Unaudited)					
Past due account but not impaired					
	1-30 days past due	31-60 days past due	61-90 days past due	91 and over days past due	Total
Trade receivables	₱ 15,341,157	₱ 20,565,950	₱ 30,585,974	₱ 21,133,281	₱ 87,626,362

December 31, 2021 (Audited)					
Past due account but not impaired					
	1-30 days past due	31-60 days past due	61-90 days past due	91 and over days past due	Total
Trade receivables	₱ 17,351,238	₱ 23,260,613	₱ 34,593,514	₱ 21,479,160	₱ 96,684,525

The credit quality of the financial assets is managed by the Company using the internal credit quality ratings. High grade accounts consist of receivables from debtors with good financial condition and with relatively low defaults. All receivables were collected and liquidated in the subsequent period so no estimated credit loss was provided.

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

	30-Sept-22 (Unaudited)	31-Dec-21 (Audited)
Cash	₱ 63,044,263	₱ 59,056,502
Trade and other receivables	98,138,665	110,427,395
	<u>₱ 161,182,928</u>	<u>₱ 169,483,897</u>

Cash excludes cash on hand amounting to ₱4,034,384 and ₱2,142,239 in September 30, 2022 and December 31, 2021, respectively.

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

(a) Cash

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

(b) Trade and other receivables

Trade Receivables

The Company applies the PFRS 9 forward-looking approach in measuring ECL which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due (age buckets). The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the other assets.

The Company has established a provision matrix in computing the expected rate loss which are based on its historical loss experience, adjusted for current and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies and other similar organizations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

On that basis, the loss allowance as at September 30, 2022 and December 31, 2021 was determined based on months past due, as follows for trade receivables:

	September 30, 2022 (Unaudited)						
	Current	1-30 days	31-60 days	61-90 days	91 days and over	91 days and over	Total
Expected loss rate	2%	5%	7%	10%	15%	100%	
Trade receivables	₱ 25,259,274	₱ 15,341,157	₱ 20,565,950	₱ 30,585,974	₱ 10,356,319	₱ 10,776,962	₱ 112,885,636
Loss allowance	505,185	767,058	1,439,617	3,058,597	1,553,448	10,776,962	₱ 18,100,867

	December 31, 2021 (Audited)						
	Current	1-30 days	31-60 days	61-90 days	91 days and over	91 days and over	Total
Expected loss rate	2%	5%	7%	10%	15%	100%	
Trade receivables	₱ 27,964,147	₱ 17,351,238	₱ 23,260,613	₱ 34,593,514	₱ 11,713,261	₱ 9,765,899	₱ 124,648,672
Loss allowance	559,283	867,562	1,628,243	3,459,351	1,756,989	9,765,899	₱ 18,037,327

A reconciliation of the allowance for expected credit losses at the beginning and end of September 30, 2022 and December 31, 2021 is shown below:

	30-Sept-2022 (Unaudited)	31-Dec-2021 (Audited)
Balance, beginning	₱ 18,037,327	₱ 3,683,809
Credit losses	63,540	14,353,518
Balance, ending	₱ 18,100,867	₱ 18,037,327

#### Advances to contractors and other receivables

The amount of ECL is not significant due to the fact that the collectability of contractual cash flows expected from these financial instruments is reasonably assured.

#### Capital Management

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

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

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

	<b>30-Sept-22</b> <b>(Unaudited)</b>	31-Dec-21 (Audited)
Liabilities	₱ 858,530,905	₱ 853,744,421
Equity	<u>341,578,595</u>	<u>338,404,090</u>
Debt-to-Equity Ratio	<u>2.51:2</u>	<u>2.52:1</u>

#### NOTE 23 - FAIR VALUE MEASUREMENT

The following table sets forth the carrying values and estimated fair values of financial assets and liabilities recognized as at September 30, 2022 and December 31, 2021.

		September 30, 2022 (Unaudited)			
		Fair Value			
	Note	Carrying Amount	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets for which fair values are disclosed:</b>					
Cash in banks	6	₱ 63,044,263	P-	₱ 63,044,263	P-
Trade and other receivables	7	<u>98,138,665</u>	-	<u>98,138,665</u>	-
		<u>₱ 161,182,928</u>	<u>P-</u>	<u>₱ 161,182,928</u>	<u>P-</u>
<b>Liabilities for which fair values are disclosed:</b>					
<b>Financial liabilities at amortized cost:</b>					
Trade and other payables	13	₱ 84,669,537	P-	₱ 84,669,537	P-
Loans payable	14	738,304,784	-	738,304,784	-
Advances from shareholders	20	<u>29,353,531</u>	-	<u>29,353,531</u>	-
		<u>₱ 852,327,852</u>	<u>P-</u>	<u>₱ 852,327,852</u>	<u>P-</u>
		December 31, 2021 (Audited)			
		Fair Value			
	Note	Carrying Amount	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Assets for which fair values are disclosed:</b>					
Cash in banks	6	₱ 59,056,502	P-	₱ 59,056,502	P-
Trade and other receivables	7	<u>110,427,395</u>	-	<u>110,427,395</u>	-
		<u>₱ 169,483,897</u>	<u>P-</u>	<u>₱ 169,483,897</u>	<u>P-</u>
<b>Liabilities for which fair values are disclosed:</b>					
<b>Financial liabilities at amortized cost:</b>					
Trade and other payables	13	₱ 81,245,493	P-	₱ 81,245,493	P-
Loans payable	14	765,399,700	-	765,399,700	-
Advances from shareholders	20	<u>2,319,062</u>	-	<u>2,319,062</u>	-
		<u>₱ 848,964,255</u>	<u>P-</u>	<u>₱ 848,964,255</u>	<u>P-</u>

\*Trade and other payables exclude government statutory payables amounting to ₱6,203,053, ₱2,046,603 and ₱1,736,763 for 2021, 2020 and 2019, respectively.

**NOTE 24 - RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

Present below is the reconciliation of the Company's liabilities arising from financing activities, which includes both cash and non-cash changes.

**September 30, 2022 (Unaudited)**

	<u>Loans Payable</u>	<u>Advances from Shareholders</u>	<u>Total</u>
Balance as of January 1, 2022	₱765,399,700	₱2,139,062	₱767,538,762
Cash flow from Financing Activities:			
Additional Borrowing	-	27,034,469	27,034,469
Repayment of Borrowing	<u>(27,094,916)</u>	<u>-</u>	<u>(27,094,916)</u>
Balance, September 30, 2022	<u>₱738,304,784</u>	<u>₱ 29,353,531</u>	<u>₱767,658,315</u>

**December 31, 2021 (Audited)**

	<u>Loans Payable</u>	<u>Advances from Shareholders</u>	<u>Total</u>
Balance as of January 1, 2021	₱782,276,709	₱38,149,852	₱820,426,561
Cash flow from Financing Activities:			
Additional Borrowing	-	-	-
Repayment of Borrowing	<u>(16,877,009)</u>	<u>(35,830,790)</u>	<u>(52,707,799)</u>
Balance, December 31, 2021	<u>₱765,399,700</u>	<u>₱2,319,062</u>	<u>₱767,718,762</u>

**NOTE 25 - OTHER MATTERS**

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

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

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

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

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

The key assumptions concerning the future and other key sources of estimation used the preparation of the unaudited interim financial statements are consistent with those followed in preparation of the Company's annual financial statements as of and for the year ended December 31, 2021.

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

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

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

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

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

There are no material contingencies and any other events or transactions that are material to an understanding of the current interim period.

**ALLIED CARE EXPERTS (ACE) MEDICAL CENTER BOHOL, INC.**  
**SUPPLEMENTARY SCHEDULE IN COMPLIANCE WITH THE**  
**REVISED SRC RULE 68**  
**FINANCIAL SOUNDNESS INDICATORS**

*Current Ratio*

	<b>30-Sept-22</b> <b>(Unaudited)</b>	31-Dec-21 <b>(Audited)</b>
Total current assets	₱ <b>254,292,805</b>	₱ 229,940,250
Total current liabilities	<b>193,475,295</b>	124,304,609
Current ratio	<b><u>1.314:1</u></b>	<u>1.85:1</u>

*Quick Ratio*

	<b>30-Sept-22</b> <b>(Unaudited)</b>	31-Dec-21 <b>(Audited)</b>
Total liquid asset	₱ <b>165,217,312</b>	₱ 226,416,053
Total current liabilities	<b>193,475,295</b>	124,304,609
Quick ratio	<b><u>0.854:1</u></b>	<u>1.821:1</u>

*Working Capital to Total Asset*

	<b>30-Sept-22</b> <b>(Unaudited)</b>	31-Dec-21 <b>(Audited)</b>
Working capital	₱ <b>60,817,510</b>	₱ 105,635,641
Total liabilities	<b>858,530,905</b>	853,744,421
Working capital ratio	<b><u>0.071:1</u></b>	<u>0.124:1</u>

*Solvency Ratio*

	<b>30-Sept-22</b> <b>(Unaudited)</b>	31-Dec-21 <b>(Audited)</b>
Net income (loss) after tax + Depreciation	₱ <b>23,096,186</b>	₱ 120,571,102
Total liabilities	<b>858,530,905</b>	853,744,421
Solvency ratio	<b><u>0.027:1</u></b>	<u>0.141:1</u>

*Debt-to-equity Ratio*

	<b>30-Sept-22</b> <b>(Unaudited)</b>	31-Dec-21 <b>(Audited)</b>
Total liabilities	₱ <b>858,530,905</b>	₱ 853,744,421
Total equity	<b>341,578,595</b>	338,404,090
Debt-to-equity ratio	<b><u>2.513:1</u></b>	<u>2.523:1</u>

**ALLIED CARE EXPERTS (ACE) MEDICAL CENTER BOHOL, INC.**  
**SUPPLEMENTARY SCHEDULE IN COMPLIANCE WITH THE**  
**REVISED SRC RULE 68**  
**FINANCIAL SOUNDNESS INDICATORS**

*Asset-to-equity Ratio*

	<b>30-Sept-22</b> <b>(Unaudited)</b>	31-Dec-21 <b>(Audited)</b>
Total assets	<b>₱ 1,200,109,500</b>	₱ 1,192,148,511
Total equity	<b>341,578,595</b>	338,404,090
Asset to equity ratio	<b><u>3.513:1</u></b>	<u>3.523:1</u>

*Interest Rate Coverage Ratio*

	<b>30-Sept-22</b> <b>(Unaudited)</b>	31-Dec-21 <b>(Audited)</b>
Pre-tax profit (loss) before interest	<b>₱ 15,432,206</b>	₱ 117,318,176
Interest	<b>38,399,612</b>	39,629,269
Interest rate ratio	<b><u>0.402:1</u></b>	<u>2.96:1</u>

*Profitability Ratios*

	<b>30-Sept-22</b> <b>(Unaudited)</b>	30-Sept-21 <b>(Unaudited)</b>
Net profit (loss) after tax	<b>₱ (17,235,495)</b>	₱ 78,776,689
Total equity	<b>341,578,595</b>	201,880,737
	<b><u>-0.05:1</u></b>	<u>0.39:1</u>

*a.) Return on asset ratio*

	<b>30-Sept-22</b> <b>(Unaudited)</b>	30-Sept-21 <b>(Unaudited)</b>
Net income (loss) after tax	<b>₱ (17,235,495)</b>	₱ 78,776,689
Average assets	<b>1,196,129,006</b>	1,199,464,544
	<b><u>-0.014:1</u></b>	<u>0.066:1</u>

*b.) Return on equity ratio*

	<b>30-Sept-22</b> <b>(Unaudited)</b>	30-Sept-21 <b>(Unaudited)</b>
Net profit (loss) after tax	<b>₱ (17,235,495)</b>	₱ 78,776,689
Average equity	<b>271,729,666</b>	1,193,270,993
	<b><u>-0.063:1</u></b>	<u>0.066:1</u>

**ALLIED CARE EXPERTS (ACE) MEDICAL CENTER BOHOL, INC.**  
**SUPPLEMENTARY SCHEDULE IN COMPLIANCE WITH THE**  
**REVISED SRC RULE 68**  
**FINANCIAL SOUNDNESS INDICATORS**

*c.) Gross Profit Margin Ratio*

	<b>30-Sept-22</b> <b>(Unaudited)</b>	30-Sept-21 <b>(Unaudited)</b>
Net profit (loss) before tax	<b>₱ (22,967,406)</b>	₱ 77,688,907
Gross profit	<b>94,485,571</b>	164,194,133
	<b><u>-0.243:1</u></b>	<b><u>0.473:1</u></b>

*d.) Net Profit Margin*

	<b>30-Sept-22</b> <b>(Unaudited)</b>	30-Sept-21 <b>(Unaudited)</b>
Net profit (loss) after tax	<b>₱ (17,235,495)</b>	₱ 78,776,689
Revenue	<b>299,462,502</b>	382,050,122
	<b><u>-0.058:1</u></b>	<b><u>0.206:1</u></b>

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR  
DIVIDEND DECLARATION**

**As of September 30, 2022**

**ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – BOHOL, INC.  
CPG East Avenue corner A.S. Bioco Street, Mansasa District, Tagbilaran City, Bohol**

<b>Unappropriated Retained Earnings (Deficit), as adjusted to available for dividend distribution, beginning of the year</b>		<b><u>(P61,935,910)</u></b>
<b>Add: Net income actually earned/realized during the period</b>		<b><u>(17,235,495)</u></b>
<b>Less: Non-actual/unrealized income net of tax</b>		
• Equity in net income of associate/joint venture	-	
• Unrealized foreign exchange gain - (after tax except those	-	
• Fair value adjustment (mark-to-market gains)	-	
• Fair value adjustment of Investment Property resulting to gain	-	
• Adjustment due to deviation from PFRS-gain	-	
• Other unrealized gains or adjustments to retained earnings as a result of certain transactions accounted for under PFRS	-	
Sub-total	<u>-</u>	
<b>Add: Non-actual losses</b>		
• Depreciation or revaluation increment (after tax)	-	
• Adjustment due to deviation from PFRS/GAAP - loss	-	
• Loss on fair value adjustment of investment property (after tax)	-	
Sub-total	<u>-</u>	-
<b>Net income actually earned during the period</b>		<b>(17,235,495)</b>
<b>Add (Less):</b>		
• Dividend declarations during the period	-	
• Appropriations of Retained Earnings during the period	-	
• Reversals of appropriations	-	
• Effects of prior period adjustments	-	
• Treasury Shares	-	
Sub-total	<u>-</u>	<u>-</u>
<b>TOTAL RETAINED EARNINGS, END OF YEAR AVAILABLE FOR DIVIDEND DECLARATION</b>		<b><u><u>P - nil -</u></u></b>