APMC Compliance <compliance@apmcaklan.com>

# Asia Pacific Medical Center -Aklan Inc. (formerly: Allied Care Experts (ACE) Medical Center - Aklan Inc.)_SEC FORM 17Q_August 7, 2023

**ICTD Submission** <ictdsubmission+canned.response@sec.gov.ph> Mon, Aug 7, 2023 at 2:52 PM
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------------------------------------------------ NOTICE TO COMPANIES ----------------------------------------------

Please be informed of the reports that shall be filed only through ictdsubmission@sec.gov.ph.

Pursuant to SEC MC Circular No. 3 s 2021, scanned copies of the printed reports with wet signature and proper notarization shall be filed in PORTABLE DOCUMENT FORMAT (pdf) through email at ictdsubmission@sec.gov.ph such as the following SECONDARY REPORTS:

1. 17-A 6. ICA-QR 11. IHAR 16. 39-AR 21. Monthly Reports
2. 17-C 7. 23-A 12. AMLA-CF 17. 36-AR 22. Quarterly Reports
3. 17-L 8. 23-B 13. NPM 18. PNFS 23. Letters
4. 17-Q 9. GIS-G 14. NPAM 19. MCG 24. OPC (Alternate Nominee)
5. ICASR 10. 52-AR 15.BP-FCLC 20.S10/SEC-NTCE-EXEMPT

Further, effective 01 July 2023, the following reports shall be submitted through https://efast.sec.gov.ph/user/login.

1. FORM MC 18 7. Completion Report
2. FORM 1 - MC 19 8. Certificate-SEC Form MCG- 2009
3. FORM 2- MC 19 9. Certificate-SEC Form MCG- 2002, 2020 ETC.
4. ACGR 10. Certification of Attendance in Corporate Governance
5. I-ACGR 11. Secretary's Certificate Meeting of Board Directors (Appointment)
6. MRPT

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Likewise, the following reports shall be filed through the Electronic Filing and Submission Tool (eFAST) at https://efast.sec.gov.ph/user/login :

1. AFS 7. IHFS 13. SSF
2. GIS 8. LCFS 14. AFS with Affidavit of No Operation
3. BDFS 9. LCIF 15. AFS with NSPO Form 1,2, and 3
4. FCFS 10. OPC_AO 16. AFS with NSPO Form 1,2,3 and 4,5,6
5. FCIF 11. PHFS 17. FS - Parent
6. GFFS 12. SFFS 18. FS – Consolidated

For the submission and processing of compliance in the filing of Memorandum Circular No. 28 Series of 2020, please visit this link – https://apps010.sec.gov.ph/

For your information and guidance.

Thank you.

**REPUBLIC OF THE PHILIPPINES)**
Kalibo, Aklan ) **S.S.**

**CERTIFICATION**

I, **SIMEON A. ARCE, JR.,** President of **Asia Pacific Medical Center (APMC) - Aklan Inc. formerly Allied Care Experts (ACE) Medical Center-Aklan Inc.,** with SEC registration number **CS201739437** with principal business office at **Judge Martelino Road, Brgy. Andagao, Kalibo, Aklan**, on oath state:

1) That on behalf of **Asia Pacific Medical Center (APMC)- Aklan Inc. (formerly Allied Care Experts (ACE) Medical Center-Aklan Inc.)**, I have caused this **17 - Q** dated August 7, 2023 to be prepared;
2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
3) That the company **Asia Pacific Medical Center (APMC) - Aklan Inc. (formerly Allied Care Experts (ACE) Medical Center-Aklan Inc.),** will comply with the requirements set forth in SEC Notice dated June 24, 2020 and January 11, 2022 for a complete and official submission of reports and/or documents through electronic mail; and
4) That I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of a filing fee.

IN WITNESS WHEREOF, I have hereunto set my hand this AUG 0 7 2023 day of August 2023 at Kalibo, Aklan.

**SIMEON A. ARCE, JR.**
President

**SUBSCRIBED AND SWORN** to before me this AUG 0 7 2023 day of August 2023 at Kalibo, Aklan Philippines, affiant personally appeared and exhibited to me his PRC ID No. 0068829 issued on 03/06/1990, at Manila and valid until 05/12/2026.

NOTARY PUBLIC

ROMEO P. INOCENCIO
Notary Public for the Province of Aklan
Appointment No. 1 (2023-2024)
Until December 31, 2024
Roll No. 35274
XIX Martyrs St., Kalibo, Aklan
IBP No. 297464/02/02/2023/ Pasig City
PTR No. 8213400/01-03-23/ Kalibo, Aklan
MCLE Compliance No. VII-0001782
Issued on December 02, 2019

Doc. No. 350
Page No. 71
Book No. 25
Series of 2023.

# COVER SHEET

SEC Number **CS201739437**
File Number ________

**ASIA PACIFIC MEDICAL CENTER (APMC) – AKLAN INC.**
**(Formerly Allied Care Experts (ACE) Medical Center – Aklan Inc.)**
(Company's Full Name)

**Judge Martelino Road, Barangay Andagao, Kalibo, Aklan**
(Company's Address)

(036) 268 2320
(Company's Telephone Number)

**2023 December 31**
(Fiscal Year Ending-Month and Day)

**SEC FORM 17-Q**
(FORM TYPE)

**30 June 2023**
Period Ended Date

______________________________
(Amendment Designation, if applicable)

______________________________
(Secondary License Type, if any)

**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 30 June 2023

2. SEC Identification Number CS201739437 3. BIR Tax Identification No. 009-900-845-000.

4. ASIA PACIFIC MEDICAL CENTER (APMC) – AKLAN INC. (Formerly Allied Care Experts (ACE) Medical Center – Aklan Inc.)
Exact name of issuer as specified in its charter

5. Aklan, Philippines.
Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: . [ ] (SEC Use Only).

7. Judge Martelino Road, Barangay Andagao, Kalibo, Aklan — 5600
Address of issuer's principal office — Postal Code

8. 0917-8146042
Issuer's telephone number, including area code

9. Aklan Polyclinic and Drugstore, Goding Ramos Street, Kalibo, Aklan
Former name, former address, and former fiscal year, if changed since last report

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

| Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding |
|---|---|
| Founders' share | 600 |
| Common share | 214,460 |

The total outstanding debt of the company as of June 30, 2023 is **P1,184,830,404.**

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

Yes [ ] No [/]

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

N/A

12. Indicate by check whether the registrant:

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

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## PART I – FINANCIAL INFORMATION

### Item I. Financial Statements

The unaudited financial statements of Asia Pacific Medical Center (APMC) – Aklan Inc. (Formerly Allied Care Experts (ACE) Medical Center – Aklan Inc.) (the Company) as at and for the period ended June 30, 2023(with comparative figures as at June 30, 2022) 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

The information required by Part III, Paragraph (A)(2)(b) of "Annex C, as amended" is attached hereto as Annex "B".

## PART II – OTHER INFORMATION

There are no disclosures not made under SEC Form 17-C.

## SIGNATURES

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

Issuer **ASIA PACIFIC MEDICAL CENTER (APMC) – AKLAN INC.**
**(Formerly Allied Care Experts (ACE) Medical Center – Aklan Inc.)**

Signature and Title

**DR. SIMEON A. ARCE, JR.**
President

Date AUG. 07, 2023

Signature and Title

**MARY GRACE N. GARCES**
Chief Accounting Officer

Date Aug. 7, 2023

Annex "A"

# ASIA PACIFIC MEDICAL CENTER (APMC) - AKLAN INC.

***(Formerly Allied Care Experts (ACE) Medical Center - Aklan Inc.)***

## STATEMENTS OF FINANCIAL POSITION

**JUNE 30, 2023 AND DECEMBER 31, 2022**

***(Amounts in Philippine Peso)***

| | June 30, 2023 (Unaudited) | December 31, 2022 (Audited) |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash (Notes 2, 3 and 4) | **P57,015,194** | P59,719,045 |
| Receivables (Notes 2, 3 and 4) | **44,596** | 48,000 |
| Advances to contractors (Notes 2, 3, and 5) | **164,577,464** | 109,697,409 |
| Advances to suppliers (Notes 2, 3 and 6) | **108,660,748** | 41,961,083 |
| Prepaid tax (Notes 2 and 3) | **–** | 64,270 |
| Total Current Assets | **330,298,002** | 211,489,807 |
| **Noncurrent Asset** | | |
| Property and equipment – net (Notes 2, 3 and 7) | **1,175,536,181** | 796,944,842 |
| Deposits (Notes 2 and 3) | **2,517,314** | – |
| Total Noncurrent Assets | **1,178,053,495** | 796,944,842 |
| **TOTAL ASSETS** | **P1,508,351,497** | P1,008,434,649 |
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts and other payables (Notes 2, 4 and 8) | **P36,577,332** | P4,676,098 |
| Retention payable (Notes 2, 4 and 9) | **50,285,470** | 37,368,844 |
| Advances from shareholders (Notes 2, 4 and 14) | **131,550,384** | 36,993,090 |
| Loans payable – current portion (Notes 2, 4 and 10) | **72,010,889** | – |
| Total Current Liabilities | **290,424,075** | 79,038,032 |
| **Noncurrent Liability** | | |
| Loans payable – noncurrent (Notes 2, 4 and 10) | **894,406,329** | 585,000,000 |
| Total Liabilities | **1,184,830,404** | 664,038,032 |
| **Equity** | | |
| Share capital (Notes 2, 4 and 11) | **215,060,000** | 215,060,000 |
| Additional paid-in capital (Notes 2 and 4) | **221,814,944** | 200,217,500 |
| Deficit (Notes 2 and 4) | **(113,353,851)** | (70,880,883) |
| Total Equity | **323,521,093** | 344,396,617 |
| **TOTAL LIABILITIES AND EQUITY** | **P1,508,351,497** | P1,008,434,649 |

*See accompanying Notes to Financial Statements.*

## ASIA PACIFIC MEDICAL CENTER (APMC) - AKLAN INC.
***(Formerly Allied Care Experts (ACE) Medical Center - Aklan Inc.)***

## STATEMENTS OF COMPREHENSIVE INCOME
**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023 AND 2022**
***(Amounts in Philippine Peso)***

| | **June 30, 2023** | June 30, 2022 |
|---|---|---|
| **OTHER INCOME** (Note 2) | **P36,417** | P11,696 |
| **EXPENSES** (Notes 2 and 12) | **(38,506,052)** | (9,055,776) |
| **FINANCE COST** (Notes 2 and 10) | **(4,003,323)** | – |
| **LOSS BEFORE INCOME TAX** | **(42,472,958)** | (9,044,080) |
| **PROVISION FOR INCOME TAX** (Notes 2 and 15) | **10** | – |
| **NET LOSS** | **(P42,472,968)** | (P9,044,080) |
| **LOSS PER SHARE** (Notes 2 and 16) | **(P197.49)** | (P42.36) |

*There was no other comprehensive income during the six months ended June 30, 2023 and 2022.*

*See accompanying Notes to Financial Statements.*

## ASIA PACIFIC MEDICAL CENTER (APMC) - AKLAN INC.

***(Formerly Allied Care Experts (ACE) Medical Center - Aklan Inc.)***

## STATEMENTS OF CHANGES IN EQUITY

**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023 AND 2022**

***(Amounts in Philippine Peso)***

| | **June 30, 2023** | June 30, 2022 |
|---|---|---|
| **SHARE CAPITAL** (Notes 2, 4 and 11) | **P215,060,000** | P214,130,000 |
| **ADDITIONAL PAID-IN CAPITAL** (Notes 2 and 4) | **221,814,944** | 169,234,900 |
| **DEFICIT** (Notes 2 and 4) | | |
| Balance at beginning of period | **(70,880,883)** | (70,880,883) |
| Net loss | **(42,472,968)** | (9,044,080) |
| Balance at end of period | **(113,353,851)** | (79,924,963) |
| | **P323,521,093** | P303,439,937 |

*See accompanying Notes to Financial Statements.*

## ASIA PACIFIC MEDICAL CENTER (APMC) - AKLAN INC.

***(Formerly Allied Care Experts (ACE) Medical Center - Aklan Inc.)***

## STATEMENTS OF CASH FLOWS

**FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023 AND 2022**

***(Amounts in Philippine Peso)***

| | **June 30, 2023** | June 30, 2022 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Loss before income tax | **(P42,472,958)** | (P9,044,080) |
| Adjustments for: | | |
| Finance cost (Note 10) | **4,003,323** | – |
| Interest income | **(35,417)** | (11,696) |
| Depreciation (Notes 7 and 12) | **210,060** | 82,759 |
| Loss before working capital changes | **(38,294,992)** | (8,973,017) |
| Decrease in: | | |
| Receivables | **3,404** | – |
| Prepaid tax | **64,270** | – |
| Increase in accounts and other payables (Note 8) | **31,901,234** | 2,352,143 |
| Net cash used in operations | **(6,326,084)** | (6,620,874) |
| Interest received | **35,417** | 11,696 |
| Income tax paid | **(10)** | – |
| Interest paid | **(4,003,323)** | |
| Net cash used in operating activities | **(10,294,000)** | (6,609,178) |
| **CASH FLOW FROM INVESTING ACTIVITY** | | |
| Retention from payment to contractors (Note 9) | **12,916,626** | 8,767,960 |
| Advance payments to suppliers (Note 6) | **(66,699,665)** | – |
| Application of (payments to) advances to contractors (Note 5) | **(54,880,055)** | 5,677,058 |
| Additions to property and equipment (Note 7) | **(378,801,399)** | (170,446,921) |
| Payment of deposits | **(2,517,314)** | – |
| Net cash used in investing activities | **(489,981,807)** | (156,001,903) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from advances from stockholders (Notes 14 and 17) | **94,557,294** | – |
| Payments of advances from stockholders (Notes 14 and 17) | – | (8,761,305) |
| Proceeds from loans payable (Notes 10 and 17) | **381,417,218** | 410,000,000 |
| Proceeds from subscription of share capital (Note 11) | **21,597,444** | 48,555,900 |
| Payment of loans payable (Notes 10 and 17) | – | (70,000,000) |
| Net cash provided by financing activities | **497,571,956** | 379,794,595 |
| **NET INCREASE (DECREASE) IN CASH** | **(2,703,851)** | 217,183,514 |
| **CASH AT BEGINNING OF PERIOD** | **59,719,045** | 85,619,715 |
| **CASH AT END OF PERIOD** | **P57,015,194** | P302,803,229 |

*See accompanying Notes to Financial Statements.*

## 1. General Information

Allied Care Experts (ACE) Medical Center - Aklan Inc. (the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on December 6, 2017, primarily to establish, maintain, operate, own and manage hospitals, medical and related healthcare facilities and businesses such as but without restriction to clinical, laboratories, diagnostic centers, ambulatory clinics, 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.

The Company's office address is located at Aklan Polyclinic and Drugstore, Goding Ramos Street, Kalibo, Aklan. The hospital address is located at Judge Martelino Road, Andagao, Kalibo, Aklan.

On January 26, 2021, the Company applied with the SEC for a license to sell its securities to the general public pursuant to Sections 8 and 12 of the Securities Regulation Code (SRC). The application was approved on June 24, 2021 (see Note 9).

The Company has four hundred thirty-three (433) and eighteen (18) employees as at June 30, 2023 and December 31, 2022, respectively.

## 2. Summary of Significant Accounting Policies and Disclosures

Basis of Preparation
The accompanying financial statements of the Company have been prepared on a historical cost basis, except as otherwise stated. The financial statements are presented in Philippine peso, which is the functional and presentation currency under the Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest peso except as otherwise indicated.

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

Changes in Accounting Policies
The Company consistently adopted and applied all accounting policies under PFRS which have been issued and becomes effective except for the adoption of the following amendments effective beginning January 1, 2023. Adoption of these amendments to PFRS, PAS and Philippine Interpretations did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

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

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

  The adoption of this amendment is not expected to have any significant impact on the financial statements.

- Amendments to PAS 1 and PFRS Practice Statement 2, "*Disclosure Initiative – Accounting Policies*"

  The amendments to PAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to PFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

  The adoption of this amendment is not expected to have any significant impact on the financial statements.

- Amendments to PAS 8, "*Definition of Accounting Estimates*"

  The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

  The adoption of this amendment is not expected to have any significant impact on the financial statements.

- Amendments to PAS 12, "*Deferred Tax related to Assets and Liabilities from a Single Transaction*"

  The amendments require companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The proposed amendments will typically apply to transactions such as leases for the lessee and decommissioning obligations.

  The adoption of this amendment is not expected to have any significant impact on the financial statements.

- Amendments to PAS 12, "*International Tax Reform- Pillar Two Model Rules*"

  The amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform.

  The adoption of this amendment is not expected to have any significant impact on the financial statements.

New Accounting Standards, Amendments to Existing Standards and Interpretations
Effective Subsequent to June 30, 2023

The standards, amendments and interpretations which have been issued but not yet effective as at June 30, 2023 are disclosed below. Except as otherwise indicated, the Company does not expect the adoption of the applicable new and amended PFRS to have a significant impact on the financial position or performance.

*Effective beginning on or after January 1, 2024*

- Amendments to PAS 1, "*Presentation of Financial Statements – Noncurrent Liabilities with Covenants*"

  The amendments clarify how conditions with which an entity must comply within twelve months after the reporting date affect the classification of a liability. The amendments modify the requirements introduced by PAS 1, *Presentation of Financial Statements – Classification of Liabilities as Current or Noncurrent*, on how an entity classifies debt and other financial liabilities as current or noncurrent in particular circumstances. Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or noncurrent. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that noncurrent liabilities with covenants could become repayable within twelve months.

  The adoption of this amendment is not expected to have any significant impact on the financial statements.

- Amendments to PAS 7 and PFRS 7, "*Supplier Finance Arrangements*"

  The disclosure requirements in the amendments enhance the current requirements and are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

  The adoption of this amendment is not expected to have any significant impact on the financial statements.

- Amendments to PAS 16, "*Leases – Lease Liability in a Sale and Leaseback*"

  The amendments specify how a seller-lessee should apply the subsequent measurement requirements in PFRS 16 to the lease liability that arises in the sale and leaseback transaction. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss relating to the partial or full termination of a lease. The amendments also do not prescribe specific measurement requirements for lease liabilities arising from a leaseback.

  The adoption of this amendment is not expected to have any significant impact on the financial statements.

*Effective beginning on or after January 1, 2025**

- Amendment to PFRS 17, "*Initial Application of PFRS 17 and PFRS 9 – Comparative Information*"

  The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements.

  The adoption of this amendment is not expected to have any significant impact on the financial statements.

**On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of IFRS 17 by two (2) years after its effective date as decided by the IASB.*

*Deferred Effectivity*

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

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

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

  These amendments may apply to future transactions of the Company.

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

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

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

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

*No Mandatory Effective Date*

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

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

  These amendments are not applicable to the Company and expected not to have an impact on the financial statements.

<u>Significant Accounting Policies</u>

<u>Current versus Noncurrent Classification</u>
The Company presents assets and liabilities in the statements of financial position based on current or noncurrent classification. An asset is current if:

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

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as noncurrent.

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

Fair Value Measurement

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

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

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

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

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

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

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

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

*Financial Instruments*

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

*Date of Recognition*

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

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

*Financial Assets*

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

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

Financial Assets at Amortized Cost
Financial assets are measured at amortized cost if both of the following are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial assets give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

As at June 30, 2023 and December 31, 2022, the Company's cash and receivables are classified under this category.

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

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- The contractual terms of the financial assets give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

As at June 30, 2023 and December 31, 2022, the Company does not have debt instruments at FVOCI.

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

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. All other gains or losses from equity instruments are recognized in OCI and presented in the equity section of the statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods, instead, these are transferred directly to retained earnings.

As at June 30, 2023 and December 31, 2022, the Company does not have equity instruments at FVOCI.

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

This category includes debt instruments whose cash flows, based on the assessment at initial recognition of the assets, are not "solely for payment of principal and interest", and which are not held within a business model whose objective is either to collect contractual cash flows or to both collect contractual cash flows and sell.

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

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

As at June 30, 2023 and December 31, 2022, the Company has no financial assets at FVPL.

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

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

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

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

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

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

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

Impairment of Financial Assets at Amortized Cost and FVOCI

The Company recognizes an allowance for ECL for all debt instruments not held at FVPL. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation to the asset's original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

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

Derecognition

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

- The right to receive cash flows from the asset has expired;

- The Company retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- The Company has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has either transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

*Financial Liabilities*

Initial Measurement

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

Classification and Subsequent Measurement

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

Financial liabilities at FVPL

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

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

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

As at June 30, 2023 and December 31, 2022, the Company does not have financial liabilities at FVPL.

Financial liabilities at amortized cost

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

After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

As at June 30, 2023 and December 31, 2022, the Company's accounts and other payables (except government payables), advances from shareholders and loans payable are classified under this category.

Derecognition

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

Fair Value Option

The Company may, at initial recognition, irrevocably designate a financial asset or liability that would otherwise have to be measured at amortized cost or fair value through other comprehensive income to be measured at fair value through profit or loss if doing so would eliminate or significantly reduce an accounting mismatch or otherwise results in more relevant information.

Classification of Financial Instrument between Liability and Equity

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

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

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

Offsetting of Financial Assets and Liabilities

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

<u>Advances to Contractors</u>

Advances to contractors are downpayments paid to contractors. These are carried at face amount in the statements of financial position and is liquidated via deduction, on a pro-rate basis from the contractor's periodic progress billings.

<u>Advances to Suppliers</u>

Advances to suppliers are amounts paid in advance for the purchase of goods and services. These are carried at face amount in the statements of financial position and are recognized to appropriate asset account or in profit or loss when the services or materials for which the advances were made are received and delivered.

Prepaid Tax

Prepaid tax represents advance payment of real property tax but not yet incurred. This is measured at cost less amortization.

Property and Equipment

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

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

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

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

| Property and Equipment | No. of years |
|---|---|
| Medical equipment | 10 |
| Office equipment, furniture and fixtures | 5 |
| Transportation equipment | 5 |
| Computer equipment | 5 |
| Leasehold improvements | 5 |

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

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

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

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

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

Deposit

Deposit represents utility deposits and are stated at cost less allowance for impairment loss, if any, unless it gives rise to a present right to receive cash or another financial asset in which these are stated at amortized cost.

Impairment of Nonfinancial Assets

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

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

Equity

*Share Capital*

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

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

*Additional Paid-in Capital*

Proceeds and/or fair value considerations received in excess of par value.

*Deficit*

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

Revenue Recognition

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

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

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

Cost and Expenses
Costs and expenses are recognized in the statements of comprehensive income upon utilization of the service or at the date these are incurred.

Short-term Employee Benefits
Short-term employee benefits are employee benefits which fall due within twelve months after the end of the period in which the employees render the related service. The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Company include salaries and wages, social security contributions, short-term compensated absences, profit sharing and bonuses, and non monetary benefits. Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the statements of financial position date. These are included in salaries and wages account at the undiscounted amount that the Company expects to pay as a result of the unused entitlement.

Borrowing Costs
Borrowing costs are generally recognized as expense in the year in which these costs are incurred. However, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized. Capitalization of borrowing costs commences when the activities necessary to prepare the asset for intended use are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the asset is available for their intended use. It includes interest expense, finance charges in respect of finance leases and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

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

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

  a. the Company has the right to operate the asset; or
  b. the Company designed the asset in a way that predetermines how and for what purpose it will be used.

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

Taxes

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

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

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

Related Parties

A party is considered to be related to the Company if it has the ability, directly or indirectly through one or more intermediaries, to control, is controlled by, or is under common control with, the Company; or exercises significant influence over the Company in making financial and operating decisions; or has a joint control over the Company. It is also related to the Company if a party is an associate, a joint venture in which the Company is a venturer, a member of the key management personnel of the Company or its parent, a close member of the family of Company's related party, an entity controlled, jointly controlled or significantly influenced by a key management personnel of the Company or close member of the family of Company's related party, and a post-employment benefit plan for the benefit of employees of the Company or its related party. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to nonrelated parties.

Provisions

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

Contingencies

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

Loss Per Share

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

Events After the Reporting Period

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

## 3. Significant Judgements, Accounting Estimates and Assumptions

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

Judgements

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

*Business Model Assessment*

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

*Significant Increase of Credit Risk*

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

*Classification of Financial Instruments*

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

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

*Determining whether an Agreement Contains a Lease*

The Company uses its judgment in determining whether an arrangement contains a lease, based on the substance of the arrangement at inception date and makes assessment whether the arrangement is dependent on the use of a specific asset or assets, the arrangement conveys a right to use the asset and the arrangement transfers substantially all the risks and rewards incidental to ownership to the Company.

Operating Lease

The Company has entered into lease arrangements either as a lessor or as a lessee. In determining whether all significant risks and rewards of ownership remain with the lessor or transferred to the lessee, the following factors are considered:

a. the ownership of the asset does not transfer at the end of the lease term;

b. there is no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
c. the lease term is not for the major part of the economic life of the asset even if title is not transferred;
d. the leased assets are not of such specialized nature that only lessee can use them without major modifications.

The Company accounted for its lease arrangements as operating lease (see Note 11).

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

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

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

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

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

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

The Company has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Company only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no provision for ECL on other financial assets at amortized cost was recognized in 2023 and 2022. The carrying amounts of other financial asset at amortized cost are as follows:

| | **June 30, 2023** | December 31, 2022 |
|---|---|---|
| Cash in banks | **P56,995,194** | P59,719,045 |
| Receivables | **44,596** | 48,000 |
| | **P57,039,790** | P59,767,045 |

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

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

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

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

No impairment loss on nonfinancial assets was recognized for the six-month period ended June 30, 2023 and year ended December 31, 2022. The carrying amounts of nonfinancial assets are as follows:

| | **June 30, 2023** | December 31, 2022 |
|---|---|---|
| Property and equipment | **P1,175,536,181** | P796,944,842 |
| Advances to contractors | **164,577,464** | 109,697,409 |
| Advances to suppliers | **108,660,748** | 41,961,083 |
| Prepaid tax | **–** | 64,270 |
| | **P1,448,774,393** | P948,667,604 |

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

The carrying amount of property and equipment, except land, amounted to P1,081,107,196 and P702,848,357 as at June 30, 2023 and December 31, 2022, respectively (see Note 7).

*Recognition of Deferred Tax Assets*
The Company reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The management believes that the Company will not be able to realize the NOLCO in the future. The Company provided full valuation allowance on its NOLCO, thus no deferred tax asset was recognized as at June 30, 2023 and December 31, 2022.

## 4. Financial Risk Management Objectives and Capital Management

Financial Risk Management Objectives and Policies
The main purpose of the Company's financial instruments is to fund its operations. The Company's principal financial instruments arising from operations consist of cash and cash equivalents, receivables, accounts and other payables and advances from shareholders. The main risks from the use of financial instruments are credit and liquidity risk.

The Company does not have foreign currency risk because the Company has no monetary assets and liabilities denominated in foreign currency both for 2023 and 2022.

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

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

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

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

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

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

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

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

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

| | June 30, 2023 | | | |
|---|---|---|---|---|
| | Financial asset at amortized cost | | | |
| | 12-month ECL | Lifetime ECL – not credit impaired | Lifetime ECL – credit impaired | Total |
| **Cash in banks** | **P56,995,194** | **P–** | **P–** | **P56,995,194** |
| **Receivables** | **44,596** | **–** | **–** | **44,596** |
| | **P57,039,790** | **P–** | **P–** | **P57,039,790** |

| | December 31, 2022 | | | |
|---|---|---|---|---|
| | Financial asset at amortized cost | | | |
| | 12-month ECL | Lifetime ECL – not credit impaired | Lifetime ECL – credit impaired | Total |
| Cash in banks | P59,719,045 | P– | P– | P59,719,045 |
| Receivables | 48,000 | – | – | 48,000 |
| | P59,767,045 | P– | P– | P59,767,045 |

*Liquidity Risk*

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

To meet the Company's short-term obligations and funding for the construction of its building, the Company will call for payment of the subscription receivable from the stockholders. Also, the Company secured from Development Bank of the Philippines a credit line facility on August 19, 2020 as one of it sources in funding the construction of hospital building.

The table below summarizes the maturity profile of the Company's financial assets and liabilities as at June 30, 2023 and December 31, 2022 based on contractual and undiscounted payments.

### As at June 30, 2023

| | On Demand | Within 1 year | 1 to 5 years | More than 5 years | Total |
|---|---|---|---|---|---|
| ***Financial liabilities:*** | | | | | |
| **Accounts and other payables*** | **P34,180,988** | **P–** | **P–** | **P–** | **P34,180,988** |
| **Retention payable** | **–** | **50,285,470** | **–** | **–** | **50,285,470** |
| **Advances from shareholders** | **–** | **131,550,384** | **–** | **–** | **131,550,384** |
| **Loans payable** | **–** | **72,010,889** | **247,459,157** | **646,947,172** | **966,417,218** |
| | **P34,180,988** | **P253,846,743** | **P247,459,157** | **P646,947,172** | **P1,182,434,060** |

**Excluding government payables amounting to P2,396,344 as at June 30, 2023.*

| | On Demand | Within 1 year | 1 to 5 years | More than 5 years | Total |
|---|---|---|---|---|---|
| ***Financial assets:*** | | | | | |
| **Cash** | **P57,015,194** | **P–** | **P–** | **P–** | **P57,015,194** |
| **Receivables** | **44,596** | **–** | **–** | **–** | **44,596** |
| | **P57,059,790** | **P–** | **P–** | **P–** | **P57,059,790** |

As at December 31, 2022

| | On Demand | Within 1 year | 1 to 5 years | More than 5 years | Total |
|---|---|---|---|---|---|
| *Financial liabilities:* | | | | | |
| Accounts and other payables* | P3,710,992 | P– | P– | P– | P3,710,992 |
| Retention payable | – | 37,368,844 | – | – | 37,368,844 |
| Advances from shareholders | – | 36,993,090 | – | – | 36,993,090 |
| Loans payable | – | – | 117,000,000 | 468,000,000 | 585,000,000 |
| | P3,710,992 | P74,361,934 | P117,000,000 | P468,000,000 | P663,072,926 |
| *Financial assets:* | | | | | |
| Cash | P59,719,045 | P– | P– | P– | P59,719,045 |
| Receivables | 48,000 | – | – | – | 48,000 |
| | P59,767,045 | P– | P– | P– | P59,767,045 |

**Excluding government payables amounting to P965,106 as at December 31, 2022.*

Fair Values of Financial Instruments

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

| | **June 30, 2023** | December 31, 2022 |
|---|---|---|
| *Financial assets:* | | |
| Cash | **P57,015,194** | P59,719,045 |
| Receivables | **44,596** | 48,000 |
| | **P57,059,790** | P59,767,045 |
| *Financial liabilities:* | | |
| Accounts and other payables* | **P34,180,988** | P3,710,992 |
| Retention payable | **50,285,470** | 37,368,844 |
| Advances from shareholders | **131,550,384** | 36,993,090 |
| Loans payable | **894,406,329** | 585,000,000 |
| | **P1,110,423,171** | P663,072,926 |

** Excluding government payables amounting to P2,396,344 and P965,015 as at June 30, 2023 and December 31, 2022, respectively.*

Capital Management

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

The Company manages capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust capital, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the six-month period ended June 30, 2023 and year ended December 31, 2022.

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

| | **June 30, 2023** | December 31, 2022 |
|---|---|---|
| Share capital | **P215,060,000** | P215,060,000 |
| Additional paid-in capital | **221,814,944** | 200,217,500 |
| Deficit | **(113,353,851)** | (70,880,883) |
| | **P323,521,093** | P344,396,617 |

## 5. Advances to Contractors

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

Advances to contractors amounted P164,577,464 and P109,697,409 as at June 30, 2023 and December 31, 2022, respectively.

## 6. Advances to Suppliers

Advances to suppliers represents advance payment of medical equipment and furnitures, and software that are not yet delivered.

Advances to suppliers amounted to P108,660,748 and P41,961,083 as at June 30, 2023 and December 31, 2022, respectively.

## 7. Property and Equipment

This account consists of:

| | December 31, 2021 | Additions | Disposal | **June 30, 2023** |
|---|---|---|---|---|
| Cost: | | | | |
| Land | P94,096,485 | P– | P– | **P94,096,485** |
| Construction in progress | 702,384,661 | 234,635,247 | – | **937,019,908** |
| Medical equipment | – | 98,729,959 | | **98,729,959** |
| Office equipment, furniture and fixtures | 1,053,893 | 38,486,122 | – | **39,540,015** |
| Transportation equipment | – | 4,414,826 | – | **4,414,826** |
| Computer equipment | – | 2,535,245 | – | **2,535,245** |
| Leasehold improvements | 58,107 | – | – | **58,107** |
| | 797,593,146 | 378,468,899 | – | **1,176,394,545** |
| Accumulated depreciation: | | | | |
| Office equipment, furniture and fixtures | 591,165 | 209,092 | – | **800,257** |
| Leasehold improvements | 57,139 | 968 | – | **58,107** |
| | 648,304 | 210,060 | – | **858,364** |
| Net book value | P796,944,842 | | | **P1,175,536,181** |

| | December 31, 2021 | Additions | Disposal | December 31, 2022 |
|---|---|---|---|---|
| Cost: | | | | |
| Land | P94,096,485 | P– | P– | P94,096,485 |
| Construction in progress | 409,611,040 | 292,773,621 | – | 702,384,661 |
| Office equipment furniture and fixtures | 751,835 | 302,058 | – | 1,053,893 |
| Leasehold improvements | 58,107 | – | – | 58,107 |
| | 504,517,467 | 293,075,679 | – | 797,593,146 |
| Accumulated depreciation: | | | | |
| Office equipment furniture and fixtures | 410,394 | 180,771 | – | 591,165 |
| Leasehold improvements | 45,517 | 11,622 | – | 57,139 |
| | 455,911 | 192,393 | – | 648,304 |
| Net book value | P504,061,556 | | | P796,944,842 |

Land pertains to properties located in Kalibo, Aklan with a total area of 9,500 square meters, where its hospital building is being constructed.

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

Beginning 2019, the Company entered into contracts with various contractors and suppliers for the construction of its hospital building.

Borrowing costs amounting to P19,972,291 for the six-month period ended June 30, 2023, were capitalized as cost of the hospital building (see Note 10).

As at June 30, 2023, total estimated cost to complete the hospital building amounted to P1.3 billion, and construction is estimated to be completed by the third quarter of 2023.

As certified by construction managers, the estimated percentage of completion as at June 30, 2023 of the construction on structural works is at 100%, architectural works is at 58.09%, plumbing works is at 82.92%, fire protection works is at 78.13%, electrical works is at 75.12%, electronic works is at 93.34%, mechanical works is at 90.97%, perimeter fence is at 100%, road networks is at 97.88%, medical gases at 70.13%, aluminum and glass is at 86.75% and building and management system is at 83.55%. Overall percentage of completion of the construction of the hospital building as at June 30, 2023 is at 87.49%.

On November 15, 2021, the Company entered into a Mortgage Agreement with Development Bank of the Philippines (DBP) for loan and credit accommodations to finance the construction of the hospital building and acquisition of medical instruments, furniture and appliances. The Mortgage Agreement is secured by the land together with the building and other permanent improvements.

The terms and conditions of the Mortgage Agreement were as follows:
a) keep the mortgaged property in good condition;
b) pay on time the lawful taxes and assessments of the mortgaged property;
c) insure the mortgaged property;
d) the Company shall not transfer, lease, mortgage or encumber the property, or demolish or make any alteration without first obtaining the Mortgagee's written consent.

The carrying amount of the mortgaged property amounted to P1,031,116,393 as at June 30, 2023.

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

## 8. Accounts and Other Payables

This account consists of:

| | **June 30, 2023** | December 31, 2022 |
|---|---|---|
| Accounts payable | **P34,179,947** | P1,138,387 |
| SSS/PHIC/HDMF payables | **1,315,840** | – |
| Withholding tax payable | **1,080,504** | 965,106 |
| Other payables | **1,041** | 2,572,605 |
| | **P36,577,332** | P4,676,098 |

Other payables pertain to unpaid professional fees and other expenses incurred but not yet paid as at December 31, 2021.

## 9. Retention Payable

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

Retention payable amounted P50,285,470 and P37,368,844 as at June 30, 2023 and December 31, 2022, respectively.

## 10. Loans Payable

| | | June 30, 2023 | December 31, 2022 |
|---|---|---|---|
| DBP | The Company availed long-term loans in tranches from DBP. The principal amount is payable quarterly beginning February 28, 2025 until November 29, 2033. The effective interest rate is 5% per annum and payable quarterly. All loans are secured by the Company's real properties (see Note 7). The loan proceeds were used to finance the construction of the hospital building. | **P390,000,000** | P390,000,000 |
| DBP | The Company availed long-term loans in tranches from DBP. The principal amount is payable quarterly beginning February 28, 2025 until November 29, 2033. The effective interest rate is 4.5% per annum and payable quarterly. All loans are secured by the Company's real properties (see Note 7). The loan proceeds were used to finance the construction of the hospital building. | **195,000,000** | 195,000,000 |
| DBP | The Company availed long-term loans in tranches from DBP. The principal amount is payable quarterly beginning May 10, 2024 until February 10, 2033. The effective interest rate is 6.40%per annum and payable quarterly. All loans are secured by the Company's real properties (see Note 7). The loan proceeds were used to finance the medical instruments, furniture and appliances. | **214,718,172** | – |
| DBP | The Company availed long-term loans in tranches from DBP. The principal amount is payable quarterly beginning May 10, 2024 until February 10, 2033. The effective interest rate is 6.40% per annum and payable quarterly. All loans are secured by the Company's real properties (see Note 7). The loan proceeds were used to finance the medical instruments, furniture and appliances. | **94,688,157** | – |
| Phil Pharmawealth, Inc. | Short-term loans availed in 2023 payable after one month from execution of the loan agreement and bearing an interest of 7% to 8.5% per annum. The loan proceed was used to finance the construction of the hospital building and pay-off advances used as bridge financing to construction. | **72,010,889** | – |
| Total | | **966,417,218** | 585,000,000 |
| Less current portion | | **72,010,889** | – |
| | | **P894,406,329** | P585,000,000 |

Borrowing costs amounted to P19,972,091 and P20,368,517 as at June 30, 2023 and December 31, 2022, respectively, were capitalized as cost of the hospital building.

Borrowing costs amounting to P4,003,323 for June 30, 2023 and nil for June 30, 2022, were charged to operations.

## 11. Share Capital

This account consists of:

| | **June 30, 2023** | December 31, 2022 |
|---|---|---|
| Authorized share capital | | |
| 600 founders' share at P1,000 par value | **P600,000** | P600,000 |
| 239,400 common shares at P1,000 par value | **239,400,000** | 239,400,000 |
| | **P240,000,000** | P240,000,000 |
| Subscribed | | |
| 600 founders' share at P1,000 par value | **P600,000** | P600,000 |
| Balance at beginning – 214,460 common shares in 2023 and 209,800 common shares in 2022 | **214,460,000** | 209,800,000 |
| Current year subscription – 4,660 common shares in 2022 | **–** | 4,660,000 |
| Balance at end – 215,060 common shares | **P215,060,000** | P215,060,000 |

On January 26, 2021, the Company applied with the SEC for the registration of its 35,420 common shares to be sold at 10 shares per block which is equivalent to 3,542 blocks. The application was approved on June 24, 2021.

Below are the details of registered common shares:

| Date of Registration | Number of Blocks Licensed* | Issue/Offer Price Per Block |
|---|---|---|
| June 24, 2021 | 1,942 | P250,000 |
| June 24, 2021 | 1,200 | 300,000 |
| June 24, 2021 | 400 | 350,000 |

**10 shares per block*

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

## 12. Expenses

This account consists of:

| | **June 30, 2023** | June 30, 2021 |
|---|---|---|
| Salaries and wages | **P27,913,193** | P3,727,100 |
| Taxes and licenses | **2,965,375** | 3,047,204 |
| SSS/PhilHealth/HDMF | **2,661,927** | 15,870 |
| Outside services | **753,048** | 16,800 |
| Utilities | **683,410** | 31,451 |
| Honorarium (Note 14) | **550,000** | 1,684,200 |
| Trainings and seminars | **490,784** | 23,750 |
| Advertising | **457,120** | 13,000 |
| Supplies | **408,506** | 53,966 |
| Fuel and oil | **394,750** | – |
| Professional fees | **341,510** | 217,553 |
| Depreciation (Note 7) | **210,060** | 82,759 |
| Meetings and conferences | **126,142** | – |
| Rent (Note 13) | **120,000** | 72,000 |
| Transportation and travel | **90,890** | 4,952 |
| Repairs and maintenance | **12,650** | – |
| Representation | **10,625** | – |
| Donations | **–** | 10,300 |
| Insurance | **–** | – |
| Miscellaneous | **316,062** | 54,871 |
| | **P38,506,052** | P9,055,776 |

## 13. Lease Agreement

The Company entered into a contract of lease with a stockholder, where its office space is located. The office space is a temporary office leased to the Company, commencing on February 28, 2018. The Company pays monthly rent of P24,000.

Rent expense charged to operations amounted P120,000 and P72,000 for the six-month period ended June 30, 2023 and 2022 (see Note 10).

As at June 30, 2023 and December 31, 2022, the Company has no outstanding commitments under non-cancellable operating leases.

## 14. Related Party Disclosure

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

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

The following are the details of related party transactions:

| | Year | Classification | Terms and conditions | Amount of the Transaction | Outstanding Balance |
|---|---|---|---|---|---|
| Shareholders | **June 30, 2023** | Advances from shareholders | Unsecured, unguaranteed, noninterest-bearing to 5% interest per annum, without definite call dates, and payable in cash or thru debt-equity conversion or future availment of stock rights or option arrangement | **P94,557,294** | **P131,550,384** |
| | December 31, 2022 | | | (16,018,274) | 36,993,090 |
| Phil Pharmawealth, Inc. | **June 30, 2023** | Loans payable | Unsecured, interest-bearing, payable in installment, payable after one month from execution of the loan agreement. | **72,010,889** | – |
| | December 31, 2022 | | | – | – |
| Shareholder | **June 30, 2023** | Rent (Notes 10 and 11) | Unsecured, noninterest-bearing, payable monthly | **120,000** | – |
| | December 31, 2022 | | | 144,000 | – |

The following are other relevant related party disclosures:

| Identification | Relationship | Business Purpose of Arrangement | Commitments |
|---|---|---|---|
| Shareholders | Shareholder | Advances from shareholders in support for the Company's hospital building construction requirements. | Acknowledgement Receipt |
| Phil Pharmawealth, Inc. | Other related party | Loans from other related party as support for the construction of Company's hospital building and pay-off advances used as bridge financing to construction. | Loan agreement |
| Shareholder | Shareholder | The shareholder leased a temporary office space to the Company. | Lease contract (Note 12) |

*Compensation of Key Management Personnel*

The summary of compensation of key management personnel of the Company are as follows:

| | **June 30, 2023** | December 31, 2022 |
|---|---|---|
| Honorarium | **P 550,000** | P1,684,200 |
| Short-term benefits | **3,969,124** | 3,491,425 |
| | **P4,519,124** | P5,175,625 |

## 15. Income Tax

The provision for income tax for 2023 represents MCIT.

As at June 30, 2023, the Company has NOLCO in taxable years 2022 and 2023 which can be carried forward as a deduction for the next three consecutive taxable years immediately following the year of such loss, under certain conditions, as provided under Section 34(D) of the Tax Code. Details are as follows:

| Date Incurred | Amount | Applied/ Expired | Remaining Balance | Expiry Date |
|---|---|---|---|---|
| June 30, 2023 | P42,508,395 | P– | P42,508,395 | 2026 |
| December 31, 2022 | 17,507,127 | – | 17,507,127 | 2025 |
| | P60,015,522 | P– | P60,015,522 | |

As at June 30, 2023, the Company has NOLCO in taxable years 2020 and 2021 which can be carried forward as a deduction for the next five consecutive taxable years immediately following the year of such loss, pursuant to the Bayanihan to Recover As One Act. Details are as follows:

| Date Incurred | Amount | Applied/ Expired | Remaining Balance | Expiry Date |
|---|---|---|---|---|
| December 31, 2021 | P24,642,317 | P– | P24,642,317 | 2026 |
| December 31, 2020 | 10,637,799 | – | 10,637,799 | 2025 |
| | P35,280,116 | P– | P35,280,116 | |

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

The following are the computations of regular corporate income tax:

| | **June 30, 2023** | June 30, 2022 |
|---|---|---|
| Loss before income tax | **(P42,472,958)** | (P9,044,080) |
| Deduct permanent differences on interest income | **(35,417)** | (11,696) |
| Taxable loss | **(P42,508,375)** | (P9,055,776) |
| Tax due at 25% | **P–** | P– |

The following are the computations of MCIT:

| | **June 30, 2023** | June 30, 2022 |
|---|---|---|
| Taxable income | **P1,000** | P– |
| Tax due at 1% | **P10** | P– |

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

| | **June 30, 2023** | June 30, 2022 |
|---|---|---|
| Tax at applicable statutory income tax rate | **(P10,618,245)** | (P2,261,020) |
| Adjustments for: | | |
| Interest income | **(8,854)** | (2,924) |
| Unrecognized deferred tax asset | **10,627,109** | 2,263,944 |
| | **10** | P– |

## 16. Loss Per Share

Basic loss per share is computed as follows:

| | **June 30, 2023** | June 30, 2022 |
|---|---|---|
| Net loss | **(P42,472,968)** | (P9,044,080) |
| Weighted average number of shares outstanding | **215,060** | 213,530 |
| Basic loss per share | **(P197.49)** | (P42.36) |

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

## 17. Changes in Liabilities Arising from Financing Activities

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

| | December 31, 2022 | Cash flows | Others | **June 30, 2023** |
|---|---|---|---|---|
| Advances from shareholders | P36,993,090 | P94,557,294 | P– | **P131,550,384** |
| Loans payable | 585,000,000 | 381,417,218 | – | **966,417,218** |
| | P621,993,090 | P475,974,512 | P– | **P1,097,967,602** |

| | December 31, 2021 | Cash flows | Others | June 30, 2022 |
|---|---|---|---|---|
| Advances from shareholders | P53,011,364 | (P8,761,305) | P– | P44,250,059 |
| Loans payable | 245,000,000 | 340,000,000 | – | 585,000,000 |
| | P298,011,364 | P331,238,695 | P– | P629,250,059 |

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

No events occurred between the statements of financial position date and the date on which these financial statements were approved by the Company's Board of Directors that would require adjustments to or disclosure in the financial statements.

## ASIA PACIFIC MEDICAL CENTER (APMC) - AKLAN INC.

***(Formerly Allied Care Experts (ACE) Medical Center - Aklan Inc.)***

**Schedule A – Financial Assets**
**June 30, 2023**

| Name of Issuing Entity and Association of Each Issue | Number of Shares or Principal Amounts of Bonds and Notes | Amount Shown in the Statement of Financial Position | Value based on Market Quotations at End of Reporting Period | Income Received and Accrued |
|---|---|---|---|---|
| *Cash and cash equivalents* | | | | |
| Cash in banks | Not applicable | P56,995,194 | Not applicable | P35,417 |

## ASIA PACIFIC MEDICAL CENTER (APMC) - AKLAN INC.

***(Formerly Allied Care Experts (ACE) Medical Center - Aklan Inc.)***

**Schedule B – Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)**
**June 30, 2023**

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

## ASIA PACIFIC MEDICAL CENTER (APMC) - AKLAN INC.

***(Formerly Allied Care Experts (ACE) Medical Center - Aklan Inc.)***

**Schedule C – Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements**
**June 30, 2023**

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

## ASIA PACIFIC MEDICAL CENTER (APMC) - AKLAN INC.

***(Formerly Allied Care Experts (ACE) Medical Center - Aklan Inc.)***

**Schedule D – Long Term Debt**
**June 30, 2022**

| Title of Issue and Type of Obligation | Amount Authorized by Indenture | Amount shown under caption "Current portion of long-term debt" in related Statement of Financial Position | Amount shown under caption "Long-Term Debt" in related Statement of Financial Position |
|---|---|---|---|
| Loans payable | P966,417,218 | P72,010,889 | P966,417,218 |

**ASIA PACIFIC MEDICAL CENTER (APMC) - AKLAN INC.**

***(Formerly Allied Care Experts (ACE) Medical Center - Aklan Inc.)***

**Schedule E – Indebtedness to Related Parties (Long-Term Loans from Related Companies)**
**June 30, 2023**

| Name of related party | Balance at Beginning of Period | Balance at End of Period |
|---|---|---|
| | Not applicable | |

## ASIA PACIFIC MEDICAL CENTER (APMC) - AKLAN INC.

***(Formerly Allied Care Experts (ACE) Medical Center - Aklan Inc.)***

**Schedule F – Guarantees of Securities and Other Issues**
**June 30, 2023**

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

## ASIA PACIFIC MEDICAL CENTER (APMC) - AKLAN INC.

***(Formerly Allied Care Experts (ACE) Medical Center - Aklan Inc.)***

**Schedule G – Capital Stock**
**June 30, 2023**

| Title of Issue | Number of Shares Authorized | Number of Shares Issued and Outstanding under related Statement of Financial Position caption | Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights | Number of Shares Held By Related Parties | Directors, Officers and Employees | Others |
|---|---|---|---|---|---|---|
| Founder | 600 | 600 | – | – | 230 | 370 |
| Common | 239,400 | 214,460 | – | – | 77,970 | 136,490 |
| | 240,000 | 215,060 | – | – | 78,200 | 136,860 |

## ASIA PACIFIC MEDICAL CENTER (APMC) - AKLAN INC.

***(Formerly Allied Care Experts (ACE) Medical Center - Aklan Inc.)***

## RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

**JUNE 30, 2023**

| | |
|---|---|
| Deficit, beginning | (P70,880,883) |
| Net loss during the period | (42,472,968) |
| **DEFICIT, END** | (P113,353,851) |

**ASIA PACIFIC MEDICAL CENTER (APMC) - AKLAN INC.**

***(Formerly Allied Care Experts (ACE) Medical Center - Aklan Inc.)***

**MAP OF THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND CO-SUBSIDIARIES**

**JUNE 30, 2023**

Not Applicable

## ASIA PACIFIC MEDICAL CENTER (APMC) - AKLAN INC.

***(Formerly Allied Care Experts (ACE) Medical Center - Aklan Inc.)***

## Schedule of Financial Soundness Indicators

**June 30, 2023 and December 31, 2022**

| Financial KPI | Definition | 2023 | 2022 |
|---|---|---|---|
| Current ratio | Current Assets / Current Liabilities | 1.14:1 | 2.68:1 |
| Acid test ratio | Current Assets – Prepayments / Current Liabilities | 0.20:1 | 0.76:1 |
| Solvency ratio | Net Income + Depreciation / Total Liabilities | -0.04:1 | -0.03:1 |
| Debt-to-equity ratio | Total Liabilities / Total Equity | 3.66:1 | 1.93:1 |
| Asset-to-equity ratio | Total Assets / Total Equity | 4.66:1 | 2.93:1 |
| Interest rate coverage ratio | Operating EBITDA / Net Interest | -9.64:1 | -0.86:1 |
| Return on assets | Net Income / Average Total Assets | -3.38% | -2.14% |
| Return on equity | Net Income / Average Total Equity | -12.72% | -5.57% |
| Net profit margin | Net Income / Total Revenue | 0% | 0% |
| Operating EBITDA margin | Operating EBITDA / Net Revenue | 0% | 0% |

**Annex "B"**

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations for the Second Quarter ended June 30, 2023.**

**<u>Discussion of Financial Condition and Results of Operation</u> Statements of Financial Position June 30, 2023 and December 31, 2022**

1. The decrease in cash was primarily due to settlement of payables, capital expenditures paid and operating expenses.
2. The decrease in receivables was due to Due from Employee in connection with payroll adjustments subject for bank deposit.
3. The increase in property and equipment was due to added capital expenditures on the company's hospital facility.
4. The increase in accounts and other payables was primarily due to added capital expenditures. Increase in retention payable was due to the amounts retained from contractors.
5. The increase in loans payable pertains to the additional funds availed from banks to finance the construction of hospital facility, administrative and operating cost.
6. The increase in advances from shareholders pertains to the additional paid in capital issued by stockholders.
7. Share Capital is retained.
8. The increase in deficit was due to net loss incurred by the Company since it has not yet started its commercial operation.

**Statements of Comprehensive Income**
**For the Twelve Months Ended June 30, 2023 and 2022**

1. The Company has not yet started its commercial operations.
2. The decrease in interest income earned from cash in banks was due to immediate payment for construction of its hospital building and payment for machinery, equipment, furnitures and operating expenses.
3. Operating expenses increased mainly due to the company's additional administrative and operating expenses.
4. The Company's net loss increased from P17,432,363 in December 31, 2022 to P42,472,968 in June 30,2023. The Hospital is still not yet operating.

**Discussion of Top Five (5) Key Performance Indicators**

Discussed below are the key performance indicators of the Company:

i. Current/Liquidity Ratios

To meet the Company's short-term obligations and funding for the construction of its building, the Company will call for payment of the subscription receivable from the stockholders. Also, the Company secured from Development Bank of the Philippines a credit line facility on November 29, 2021 as one of its sources in funding the construction of the hospital building. The Company's current ratios were 1.14 and 2.68 as at June 30, 2023 and December 31, 2022, respectively. The Company's liquid assets consist of cash and receivables.

ii. Solvency/Debt-to-equity ratios

The Company showed debt-to-equity ratios of 366.2% and 192.8% as at June 30, 2023 and December 31, 2022, respectively. The higher ratio in 2023 reflects that the Company opted to debt financing for its capital expenditures.

iii. Net debt-to-equity ratio

The Company showed net debt-to-equity ratios of 348.6% and 175.5% as at June 30, 2023 and December 31, 2022, respectively. The higher ratio in 2023 reflects that the Company opted to debt financing for its capital expenditures.

iv. Gross profit ratios Not applicable

The Company has not yet started its commercial operation, thus, no revenue earned.

v) Net income from operations to profit margin ratios

The Company has no profit and net income from operations.

vi. Asset to equity ratio

The Company has 466.2% asset to equity ratio as at June 30, 2023 compared to 292.8% as at December 31, 2022.

vii. Profitability ratios

*Return on assets ratio.* Not applicable

The Company incurred net losses on its pre-operating activities.

The manner by which the Company calculates the key performance indicators is as follows:

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| A. Current / Liquidity | | |
| a. Current Ratio | | |
| Current Asset | 330,298,002.00 | 211,489,807.00 |
| Current Liabilities | 290,424,075.00 | 79,038,032.00 |
| | 1.14 | 2.68 |
| b. Quick Ratio | | |
| Current Assets Less Inventory and Prepayments | 330,298,002.00 | 211,425,537.00 |
| Current Liabilities | 290,424,075.00 | 79,038,032.00 |
| | 1.14 | 2.67 |
| B. Solvency / Debt - to - Equity Ratios | | |
| Total Liabilities | 1,184,830,404.00 | 664,038,032.00 |
| Total Equity | 323,521,093.00 | 344,396,617.00 |
| | 366.2% | 192.8% |
| C. Net Debt to Equity Ratio | | |
| Total Liabilities less Cash | 1,127,815,210.00 | 604,318,987.00 |
| Total Equity | 323,521,093.00 | 344,396,617.00 |
| | 348.6% | 175.5% |
| D. Gross Profit Ratio | | |
| Gross Profit | 36,417.42 | 74,764.00 |
| Gross Revenue | 0.00 | 0.00 |
| | 0% | 0% |
| E. Net Income from operations to profit margin ratio | | |
| Gross Profit | (42,472,978.00) | (17,432,363.00) |
| Gross Revenue | 36,417.42 | 74,764.00 |
| | -1,166.28 | -233.17 |
| F. Asset to Equity Ratio | | |
| Total Assets | 1,508,351,497.00 | 1,008,434,649.00 |
| Total Equity | 323,521,093.00 | 344,396,617.00 |
| | 466.2% | 292.8% |
| G. Profitability Ratios | | |
| a. Return on Assets | | |
| Net Income | (42,472,968.00) | (17,432,363.00) |
| Total Assets | 1,508,351,497.00 | 1,008,434,649.00 |
| | -2.82% | -1.72% |
| b. Return on Equity | | |
| Net Income | (42,472,968.00) | (17,432,363.00) |
| Total Equity | 323,521,093.00 | 344,396,617.00 |
| | -13.13% | -5.1% |

## Discussion and Analysis of Material Events and Uncertainties

1. There are no known trends, demands, commitments, events or uncertainties that will have a material impact on the Company's liquidity. The Company has not yet started its operation. The Company's pre-operating and investing activities were financed thru loans and capital infusion from shareholders. Management believes that the completion and fully operational of its hospital building will provide the Company a steady source of income and cash flow in the foreseeable future.

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

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

4. There are no known trends, events or uncertainties that have had, or that are reasonably expected to cause a material favorable or unfavorable impact on income from continuing pre-operations.

5. There were material commitments for capital expenditures during the quarter as disclosed in Note 7 of the financial statements.

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

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