

COVER SHEET

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SEC Registration Number

[illegible]

(Company's Full Name)

[illegible]

(Business Address: No. Street City/Town/Province)

**MCARTHUR CONRADO A. SALONGA JR,
M.D.**

Contact Person

(032) 265-5833

(Company Telephone Number)

| | |
|--------------|---|
| 1 | 2 |
| <i>Month</i> | |

| | |
|------------|---|
| 3 | 1 |
| <i>Day</i> | |

(Fiscal Year)

SEC FORM 17Q

(Form Type)

2nd Sunday of April

Month _____ Day _____
(Annual Meeting)

PERMIT TO SELL SECURITIES

(Secondary License Type, if Applicable)

MSRD

Dept. Requiring this Doc.

1939

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC Personnel concerned

[illegible]

File Number

LCU

[illegible]

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended ...**September 30, 2021**
2. Commission Identification Number. **CS201421675**
3. BIR Tax Identification No. **008-899-890**
4. Exact name of issuer as specified in its charter
Allied Care Experts (ACE) Medical Center – Cebu, Inc.
5. Province, country or other jurisdiction of incorporation or organization
Cebu, Philippines
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office Postal Code
N. Bacalso Avenue, Basak Pardo, Cebu City **6000**
8. Issuer's telephone number, including area code
(032) 383-3454
9. Former name, former address and former fiscal year, if changed since last report
Not Applicable
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

| Title of each Class | Number of shares of common stock outstanding and amount of debt outstanding |
|---------------------------------------|---|
| COMMON SHARE, P1,000 PAR VALUE | 171,842 shares / P938,024,819 |

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

Yes ☐ No ☒

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

12. Indicate by check mark whether the registrant:

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

Yes ☒ No ☐

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

Yes ☒ No ☐

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited financial statements of Allied Care Experts (ACE) Medical Center – Cebu ,Inc. (the Company) as at and for the nine months ended September 30, 2021 (with comparative figures as at December 31, 2020 (Audited) and for the nine months ended September 30, 2020 (Unaudited) are filed as part of this form 17-Q as Annex A.

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

FINANCIAL CONDITION

As of September 30, 2021, the assets of the Company amounts to ₱1,412,780,752, which is 3.00% or ₱43,572,609 higher than the December 31, 2020 balance of ₱1,369,208,143. The increase was due to the increased in trade and other receivables, subscription receivable, inventories, prepayments and other current assets, property and equipment, intangible assets and deferred tax assets. This was partly negated by the decreased in cash.

The decreased in Cash by ₱44,822,652 was due to significant loss incurred for the period coupled with increase in assets other than cash, net of increase in liabilities and share capital/premium. Cost of services and sales and operating expenses are higher than the revenue which resulted to loss ₱71.4M.

The increased in trade and other receivables by ₱25,105,200 was due to increase in trade receivables from PhilHealth and patients since the Company commenced operation in the reporting period, this was negated by the collection of advances to doctors and employees.

The increased in subscription receivable by ₱6,876,252 was primarily due to additional subscriptions for the period net of collections for the period.

The increased in inventories pertains mainly to purchases of hospital, laboratory and dietary supplies for the hospital operation.

The increased in prepayments and other current assets by ₱9,725,211 was primarily due to the increased in advanced payment made to suppliers for hospital equipment and supplies and increased in related VAT Input on purchases of goods and services nine months ended September 30, 2021.

The increase in property and equipment by ₱13.9M was due to acquisition of office furniture and fixtures, transportation and medical equipment and additional cost of building. This was presented net of depreciation of ₱24,816,804.

The increase in Intangible asset pertains to the additional cost of the hospital information system net of ₱233,360 amortization for the nine months ended September 30, 2021.

Deferred tax asset increased by ₱17,866,685 due to DTA recognize on losses for the nine months ended September 30, 2021.

Trade and other payables increased by ₱26,987,774 due to increase in unpaid payable to suppliers, increased in accrued expenses and government payables.

The decreased in retention and professional fees payables amounting to ₱4,559,002 pertains mainly to the payment of professional fee on the architectural design of the Company.

Loans payable represents interest-bearing loans from Banks used in the construction of the Company's hospital building, acquisition of hospital and medical equipment, transportation equipment and for working capital requirement of the Company. The net increase of ₱27,257,165 as of September 30,

2021 was due to the additional loan release of ₱60,000,000 made in the first and second quarter of 2021 net of the partial payment made of ₱32,742,835 on the principal.

The decreased in equity was primarily due to the net loss incurred by the Company on its first nine months of operations and return of 50 common shares which was negated by additional subscriptions from investors.

Material Changes in Financial Condition

| |
|--|
| a. Cash decreased by ₱44.8M |
| Due to significant loss incurred for the period coupled with increase in assets other than cash, net of increase in liabilities and share capital/premium. Cost of services and sales and operating expenses are higher than the revenue which resulted to loss ₱71.4M |
| b. Trade and other receivables increased by ₱25.1M |
| Due to increase in trade receivables from PhilHealth and patients since the Company commenced operation in the reporting period, this was negated by the collection of advances to doctors and employees. |
| c. Subscription receivable decreased by ₱6.9M. |
| Primarily due to additional subscriptions for the period net of collections for the period. |
| d. Inventories increased by ₱14.3M |
| Pertains mainly to purchases of hospital, laboratory and dietary supplies for the hospital operation. |
| e. Prepayments and other current assets increased by ₱9.7M |
| Primarily due to the increased in advanced payment made to suppliers for hospital equipment and supplies and increased in related VAT Input on purchases of goods and services nine months ended September 30, 2021. |
| f. Intangible assets increased by ₱.59M |
| Pertains mainly to the additional cost of the hospital information system net of ₱233,360 amortization for the nine months ended September 30, 2021. |
| g. Deferred tax asset increased by ₱17.9M |
| Due to DTA recognize on losses for the nine months ended September 30, 2021. |
| h. Trade and other payables increased by ₱26.9M |
| Due to increase in unpaid payable to suppliers, increased in accrued expenses and government payables. |
| i. Loans payable increased by ₱27.2M |
| Due to the additional loan release of ₱60,000,000 made in the first and second quarter of 2021 net of the partial payment made of ₱32,742,835 on the principal. |
| j. Retention and professional fees payable decreased by ₱4.6M |
| Due to the payment of professional fee on the architectural design of the Company. |
| k. Equity decreased by ₱6.1M |
| Primarily due to the net loss incurred by the Company on its first nine months of operations and return of 50 common shares which was negated by additional subscriptions from investors. |

RESULTS OF OPERATIONS

The following table shows the consolidated financial highlights of the Company for the nine months ended September 30, 2021, 2020 and 2019:

| | <i>Nine Months Ended September 30</i> | | |
|------------------------------|---------------------------------------|--------------|--------------|
| | 2021 | 2020 | 2019 |
| Income Statement Data | | | |
| Revenue | ₱ 84,056,768 | ₱ - | ₱ - |
| Other Income | 4,335,742 | 834,862 | 1,445,278 |
| Cost of Sales and Services | (101,389,813) | - | - |
| Operating expenses | (22,065,425) | (10,114,336) | (12,553,931) |

| | | | |
|--------------------|-----------------------|----------------------|-----------------------|
| Finance cost | (36,290,460) | - | - |
| Operating Loss | (71,353,188) | (9,279,474) | (11,108,653) |
| Income tax benefit | (17,866,687) | - | - |
| Net Loss | ₱ (53,486,501) | ₱ (9,279,474) | ₱ (11,108,653) |

On December 26, 2020, the Company launched the full commercial operations of its hospital building and facilities.

Revenue generated for the nine months period amounts ₱84M. This was from Hospital fees and sales of medicines.

Cost of sales and services for the nine months period ended September 30, 2021 amounted to ₱101.4M. This was directly associated with the company's operation. The major component of the cost of sales and services are medicines and supplies, depreciation, salaries and wages, utilities, professional fees and housekeeping.

Operating expenses increased by 118%. The increase was attributable directly to the company's operation which commence in 2021.

Other income increased by 419%. The increase was due to the operation of cafeteria in 2021.

Finance cost in 2021 were charged directly to operation. While in previous period these were capitalized to property and equipment, since these loans were used to finance the construction of Hospital building and equipment.

Loss from operation for the nine months ended September 30, 2021 is higher than losses suffered for the nine months ended September 30, 2020, this was mainly due to the startup operating expenses.

Material Changes in Operating Results

| |
|---|
| a. Revenue increased by 100% The Company started its commercial operations and started earning revenues from hospital fees and sales of drugs and medicines. |
| b. Cost of sales and services increased by 100% This was directly associated with the company's operation. The major component of the cost of sales and services are medicines and supplies, depreciation, salaries and wages, utilities, professional fees and housekeeping. |
| c. Operating Expenses increased by 118% The increase was attributable directly to the company's operation which commence in 2021. |
| d. Other income increased by 419% The increase was due to the operation of cafeteria in 2021. |
| e. Finance cost increased by 100% Finance cost in 2021 were charged directly to operation. While in previous period these were capitalized to property and equipment, since these loans were used to finance the construction of Hospital building and equipment. |
| f. Operating loss increased by 669% or ₱62,073,714 This was mainly due to the startup operating expenses. |

THE COMPANY'S KEY PERFORMANCE INDICATORS

| | Sept. 30, 2021 | Dec. 31, 2020 | Dec. 31, 2019 |
|--|-------------------|------------------|------------------|
| <p>1. Liquidity</p> <p>a. Quick ratio - capacity to cover its short-term obligations using only its most liquid assets. [(cash + A/R) / current liabilities]</p> <p>.53:1 0.72:1 1.27:1</p> <p>b. Current ratio - capacity to meet current obligations out of its liquid assets. (current assets / current liabilities)</p> <p>.88:1 1.01:1 1.37:1</p> | | | |
| <p>2. Solvency</p> <p>a. Debt to equity ratio - indicator of which group has the greater representation in the assets of the Company. (total liabilities / equity)</p> <p>1.98:1 1.85:1 1.77:1</p> | | | |
| <p>3. Profitability</p> <p>a. Net profit margin - ability to generate surplus for stockholder (net income / sales) Remarks: The ratio is not applicable for 2020 and 2019 since the company has not commenced commercial operation during those periods.</p> <p>(0.64):1 - -</p> <p>b. Return on equity - ability to generate returns on investment of stockholders. (net income / average equity)</p> <p>(0.11):1 (0.03):1 (0.04):1</p> | | | |
| <p>4. Leverage</p> <p>b. Debt to total asset ratio - the proportion of total assets financed by creditors. (total debt / total assets)</p> <p>.66:1 1.54:1 1.56:1</p> <p>c. Asset to equity ratio - indicator of the overall financial stability of the Company. (total assets / equity)</p> <p>2.98:1 2.85:1 2.77:1</p> | | | |
| <p>2. Interest Rate Coverage Ratio</p> <p>a. Interest rate coverage ratio - measure of the company's ability to meet its interest payments (earnings before interest and taxes / interest expense) - Remarks: The Company was able to meet its interest payments. The negative result was due to loss from operations.</p> <p>(0.97):1 (5.74):1 (1.78):1</p> | | | |

DISCUSSION AND ANALYSIS OF MATERIAL EVENTS AND UNCERTAINTIES

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

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

There were no any known trends or any known demands, commitments, events or uncertainties that would result in or that were reasonably likely to result in the Company's liquidity increase or decreasing in any material way.

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

There were no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations except for the possible impact of Covid 19 Pandemic.

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

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

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

PART II--OTHER INFORMATION

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


SIGNATURES

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

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

By:


MCARTHUR CONRADO A. SALONGA JR., M.D.
President


EVANGELINE Y. ZOZOBRADO, M.D.
Treasurer

Date: November 18, 2021

Date: November 18, 2021

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

UNAUDITED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2021
*(With Comparative Figures for December 31, 2020 and
Nine Months Ended September 30, 2020)*

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

STATEMENTS OF FINANCIAL POSITION

As of September 30, 2021 and December 31, 2020

| | <i>Notes</i> | September 30, 2021 (Unaudited) | December 31, 2020 (Audited) |
|---|--------------|---|--|
| <u>ASSETS</u> | | | |
| Current Assets | | | |
| Cash | 4,6 | ₱ 35,821,501 | ₱ 80,644,153 |
| Trade and other receivables | 4,7 | 26,660,470 | 1,555,270 |
| Subscription receivable | 4,8 | 50,818,282 | 43,942,030 |
| Inventories | 4,9 | 19,326,600 | 4,997,922 |
| Prepayments and other current assets | 4,5,10 | 57,216,550 | 47,491,339 |
| Total Current Assets | | 189,843,403 | 178,630,714 |
| Non-Current Assets | | | |
| Property and equipment, net | 4,5,11 | 1,178,160,476 | 1,164,260,738 |
| Intangible assets, net | 4,5,12 | 2,159,420 | 1,565,923 |
| Deferred tax asset | 4,5,21 | 42,617,453 | 24,750,768 |
| Total Non-Current Assets | | 1,222,937,349 | 1,190,577,429 |
| TOTAL ASSETS | | ₱ 1,412,780,752 | ₱ 1,369,208,143 |
| <u>LIABILITIES AND EQUITY</u> | | | |
| Current Liabilities | | | |
| Trade and other payables | 4,13 | ₱ 61,624,415 | ₱ 34,636,641 |
| Loans payable - current | 4,15 | 118,884,122 | 101,626,957 |
| Income tax payable | 4,21 | - | 828 |
| Retention and professional fees payable | 4,14 | 35,179,066 | 39,738,068 |
| Total Current Liabilities | | 215,687,603 | 176,002,494 |
| Non-current liabilities | | | |
| Loans payable - non current | 4,15 | 722,337,216 | 712,337,216 |
| Total Liabilities | | 938,024,819 | 888,339,710 |
| Equity | | | |
| Share capital | 4,16 | 171,981,000 | 170,741,000 |
| Share premium | 4,16 | 443,226,707 | 395,856,706 |
| Subscribed capital stock | 4,16 | 3,520,000 | 3,750,000 |
| Treasury shares | 4,16 | (2,915,000) | (1,909,000) |
| Accumulated Deficits | 4 | (141,056,774) | (87,570,273) |
| Equity, net | | 474,755,933 | 480,868,433 |
| TOTAL LIABILITIES AND EQUITY | | ₱ 1,412,780,752 | ₱ 1,369,208,143 |

(See accompanying Notes to Financial Statements)

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – CEBU, INC.
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For The Nine Months Ended September 30, 2021 and 2020

| | | January to September | | July to September | |
|--|--------------|-----------------------------|----------------------|--------------------------|----------------------|
| | <i>Notes</i> | 2021 | 2020 | 2021 | 2020 |
| | | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| REVENUES - net | <i>4,17</i> | ₱ 84,056,768 | ₱ - | ₱ 56,386,513 | ₱ - |
| COST OF SALES AND SERVICES | <i>4,18</i> | (101,389,813) | - | (39,849,673) | - |
| GROSS LOSS | | (17,333,045) | - | 16,536,840 | - |
| OPERATING EXPENSES | <i>4,19</i> | (22,065,425) | (10,114,336) | (7,641,532) | (4,060,707) |
| OTHER INCOME | <i>4,20</i> | 4,335,742 | 834,862 | 2,595,476 | 44,276 |
| FINANCE COST | <i>4,15</i> | (36,290,460) | - | (12,750,817) | - |
| LOSS BEFORE TAX | | (71,353,188) | (9,279,474) | (1,260,033) | (4,016,431) |
| INCOME TAX BENEFIT | <i>4,21</i> | (17,866,687) | - | (321,241) | - |
| LOSS FOR THE PERIOD | | (53,486,501) | (9,279,474) | (938,792) | (4,016,431) |
| OTHER COMPREHENSIVE INCOME (LOSS) | | - | - | - | - |
| TOTAL COMPREHENSIVE LOSS | | ₱ (53,486,501) | ₱ (9,279,474) | ₱ (938,792) | ₱ (4,016,431) |

(See accompanying Notes to Financial Statements)

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

STATEMENTS OF CHANGES IN EQUITY

For The Nine Months Ended September 30, 2021 and 2020

| | | September 30 | |
|----------------------------------|--------------|----------------------|---------------|
| | <i>Notes</i> | 2021 | 2020 |
| | | (Unaudited) | (Unaudited) |
| SHARE CAPITAL | <i>4,16</i> | ₱ 171,981,000 | ₱ 167,439,000 |
| SHARE PREMIUM | <i>4,16</i> | 443,226,707 | 354,605,000 |
| SUBSCRIBED CAPITAL STOCK | <i>4,16</i> | 3,520,000 | 2,960,000 |
| TREASURY SHARES | <i>4,16</i> | (2,915,000) | (1,303,000) |
| ACCUMULATED DEFICITS | <i>4</i> | | |
| Balance, beginning of the period | | (87,570,273) | (63,819,216) |
| Net loss for the year | | (53,486,501) | (9,279,474) |
| Balance, end of the period | | (141,056,774) | (73,098,690) |
| EQUITY, net | | ₱ 474,755,933 | ₱ 450,602,310 |

(See accompanying Notes to Financial Statements)

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

STATEMENTS OF CASH FLOWS

For The Nine Months Ended September 30, 2021 and 2020

| | | September 30 | |
|--|---------------|-----------------------|----------------------|
| | <i>Notes</i> | 2021 | 2020 |
| | | (Unaudited) | (Unaudited) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Loss for the period | | ₱ (71,353,188) | ₱ (9,279,474) |
| Adjustment to reconcile net loss to net cash provided by (used in) operating activities: | | | |
| Depreciation and amortization | <i>4,5,11</i> | 25,050,164 | 1,944,979 |
| Interest income | <i>4,20</i> | (193,298) | (840,823) |
| Interest expense | <i>4,15</i> | 36,290,460 | - |
| Operating loss before changes in working capital | | (10,205,862) | (8,175,318) |
| Changes in operating assets and liabilities: | | | |
| Decrease (increase) in: | | | |
| Trade and other receivables | <i>4,7</i> | (25,105,200) | - |
| Inventories | <i>4,9</i> | (14,328,678) | - |
| Prepayments and other current assets | <i>4,5,10</i> | (9,725,211) | (4,708,680) |
| Increase (decrease) in: | | | |
| Trade and other payables | <i>4,13</i> | 26,987,774 | (2,799,944) |
| Retention and professional fees payable | <i>4,14</i> | (4,559,002) | - |
| Cash used in operation | | (36,936,179) | (15,683,942) |
| Interest received | <i>4,20</i> | 193,298 | 840,823 |
| Interest paid | <i>4,15</i> | (36,290,460) | - |
| Income taxes paid | <i>4,21</i> | (828) | - |
| Net cash used in operating activities | | (73,034,169) | (14,843,119) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of property & equipment and intangible asset | <i>4,5,11</i> | (39,543,399) | (45,078,732) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issuance of shares | <i>4,16</i> | 41,503,751 | 11,466,717 |
| Purchase of treasury shares | <i>4,16</i> | (1,006,000) | - |
| Proceeds of loans | <i>4,15</i> | 60,000,000 | (8,924,731) |
| Payment of loans | <i>4,15</i> | (32,742,835) | (115,000) |
| Net cash provided by financing activities | | 67,754,916 | 2,426,986 |
| NET DECREASE IN CASH | | (44,822,652) | (57,494,865) |
| CASH AT THE BEGINNING OF THE PERIOD | | 80,644,153 | 111,632,559 |
| CASH AT THE END OF THE PERIOD | | ₱ 35,821,501 | ₱ 54,137,694 |

(See accompanying Notes to Financial Statements)

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – CEBU, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2021, December 31, 2020 and September 30, 2020

NOTE 1 - GENERAL INFORMATION

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – CEBU, INC. (the Company) is a stock corporation organized and registered with the Philippine Securities and Exchange Commission (SEC) on March 6, 2014 under SEC Registration No. CS201421675.

The Company's primary purpose is to establish, maintain, operate, own and manage hospitals, medical and related healthcare facilities and businesses such as but without restriction to clinical, laboratories, diagnostic centers, ambulatory clinics, condo-hospital, scientific research institutions 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 .

The Company's secondary license to sell its common stocks to the public pursuant to Section 12 of the Securities Regulation Code (SRC) was approved on December 27, 2018.

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

The Company's principal office and place of business is located at N. Bacalso Avenue, Basak Pardo, Cebu City.

Status of Operation

The Company has launched its full commercial operations on December 26, 2020.

NOTE 2 - BASIS OF PRESENTATION

Statement of Compliance

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

The unaudited interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual audited financial statements as of and for the year ended December 31, 2020.

Basis of Preparation

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

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

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

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

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

NOTE 3 - ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

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

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

- Amendments to PFRS 16, *Leases – Covid-19 Related Rent Concessions* – The amendments provide practical expedient to lessees from applying the requirements on lease modifications under PFRS 16 for eligible rent concessions that is a direct consequence of COVID-19 pandemic. A lessee may elect not to assess whether eligible rent concessions from a lessor is a lease modification. A lessee that makes this election account for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment. The amendments do not affect lessors. Earlier application of the amendments is permitted.

New and Amended PFRS Issued But Not Yet Effective

Relevant new and revised PFRS which are not yet effective for the nine months ended September 30, 2021 and have not been applied in preparing the financial statements are summarized below.

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

- Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendment included an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, Provisions, Contingent Liabilities and Contingent Assets, or IFRIC 21, Levies, instead of the Conceptual Framework. The requirement would ensure that the liabilities recognized in a business combination would remain the same as those recognized applying the current requirements in PFRS 3. The amendment also added an explicit statement that contingent assets acquired in a business combination should not be recognized by an acquirer. The amendments should be applied prospectively.

- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applies the amendment.
- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity. Accordingly, the comparatives are not restated. Earlier application is permitted.
- Annual Improvements to PFRS 2018 to 2020 Cycle:
 - Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Subsidiary as a First-time Adopter* – The amendments permit a subsidiary that becomes a first-time adopter later than its parent and measures its assets and liabilities in accordance with paragraph D16 (a) of PFRS 1 to measure cumulative translation differences for all foreign operations using the amounts reported by its parent, based on the parent's date of transition to PFRS. Earlier application of the amendments is permitted.
 - Amendments to PFRS 9, *Financial Instruments - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf. The amendments apply to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendments. Earlier application is permitted.
 - Amendments to PFRS 16, *Leases - Lease Incentives* – The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.
 - Amendments to PAS 41, *Agriculture - Taxation in Fair Value Measurements* – The amendment removes the requirement for entities to exclude cash flows for taxation when measuring the fair value of a biological asset using a present value technique to ensure consistency with the requirements in PFRS 13, Fair Value Measurement. The amendment should be applied prospectively.

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

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity's right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management's intentions or

expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted

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

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

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

Deferred effectivity -

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

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

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Instruments

Initial recognition and measurement

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

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

Classification

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

Financial Assets and Liabilities at FVPL

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

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

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

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

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

As of September 30, 2021 and December 31, 2020, the Company does not have financial assets and liabilities at FVPL.

Financial Assets at Amortized Cost

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

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

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

As of September 30, 2021 and December 31, 2020, the Company's cash and trade and other receivables are classified under this category (see Notes 6 and 7).

Financial Assets at FVOCI

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

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

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

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

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

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

As of September 30, 2021 and December 31, 2020, the Company does not have any financial assets carried at FVOCI.

Financial Liabilities at Amortized Cost

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

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

As of September 30, 2021 and December 31, 2020, the Company's trade and other payables (excluding government liabilities), retention and professional fees payable and loans payable are classified under this category (see Note 13, 14 and 15).

Reclassification

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

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

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

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

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI shall be recognize in profit or loss.

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

Impairment of Financial Assets

The Company records an allowance for “expected credit loss” (ECL). ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The difference is then discounted at an approximation to the asset’s original effective interest rate.

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

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

Derecognition of Financial Assets Liabilities

Financial Assets

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

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

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

Financial Liabilities

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

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

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

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

Offsetting of Financial Assets and Liabilities

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

Inventories

Inventories include various hospital, laboratory, office, housekeeping and dietary supplies.

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

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

Prepayments and Other Current Assets

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

Property and Equipment

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

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

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

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

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

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

Intangible Assets

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

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

Impairment of Non-financial Assets

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

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

Loans payable

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

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

Share Capital

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

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

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

Deficits

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

Revenues

Revenue recognition

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

Revenue is recognized as follows:

Hospital fees

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

Sale of drugs and medicines

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

Other income

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

Finance income

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

Expenses

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

Cost of sales and services

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

Operating expenses

This account includes selling and general & administrative expenses. Selling expenses pertain to cost of marketing and distribution of goods and rendering of services to customers. General & administrative expenses represent expenses attributable to administrative and other business activities of the Company.

Borrowing cost

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

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

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

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

Income Tax

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

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

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

Employee Benefits

Short-term benefits

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

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

Retirement Benefits

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

Related Parties

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its major shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Provisions and contingencies

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

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

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

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

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

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

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

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

Subsequent events

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

NOTE 5 - SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

Judgment

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

Determination of ECL on Financial Assets

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

As of September 30, 2021 and December 31, 2020, management believes that there are no expected credit losses in relation to their financial assets, accordingly, no loss allowance was recognized for the year. Details about the ECL on the Company's financial assets are disclosed in Note 22.

Assessment of Impairment of Nonfinancial Assets

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

No impairment loss was recognized in the Company's financial statements in either September 30, 2021 or December 31, 2020.

Estimates

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

Estimating useful lives of property and equipment

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

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

| <u>Description</u> | <u>Useful Lives</u> |
|-------------------------------|----------------------------|
| Building | 50 years |
| Medical equipment | 5 - 10 years |
| Transportation equipment | 5 years |
| Office furniture and fixtures | 5 years |

Determination of Realizable Amount of Deferred Tax Assets

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the deferred tax assets recognized as of September 30, 2021 and December 31, 2020 will be fully utilized in the coming years. The carrying value of deferred tax assets as of those dates is disclosed in Note 21.

NOTE 6 - CASH

This account consists of:

| | 30-Sept-2021 | 31-Dec-2020 |
|---------------|---------------------|---------------------|
| | (Unaudited) | (Audited) |
| Cash on hand | ₱ 455,000 | ₱ 179,411 |
| Cash in banks | 35,366,501 | 80,464,742 |
| | ₱ 35,821,501 | ₱ 80,644,153 |

Cash in banks generally earn interest at bank deposit rates. Interest income earned from cash in banks amounted to ₱193,298, ₱881,196 and ₱840,823 for the nine months ended September 30, 2021, year ended December 31, 2020 and nine months ended September 30, 2020, respectively, and is presented under other income in the statements of comprehensive income. (Note 20)

NOTE 7 - TRADE AND OTHER RECEIVABLES

This account consists of:

| | 30- Sept-2021 (Unaudited) | 31-Dec-2020 (Audited) |
|-----------------------------------|--|--|
| Trade receivables | ₱ 26,258,926 | ₱ - |
| Advances to doctors and employees | 401,544 | 1,555,270 |
| | ₱ 26,660,470 | ₱ 1,555,270 |

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

Advances to doctors and employees pertains to cash advances which are collectible thru salary deduction and deduction from professional fees.

As of September 30, 2021 and December 31, 2020, management believes that there are no expected credit losses in relation to their financial assets, accordingly, no loss allowance was recognized for the year. Details about the ECL on the Company's financial assets are disclosed in Note 22.

NOTE 8 - SUBSCRIPTION RECEIVABLE

Subscription receivable pertains to the unpaid portion of the subscribed shares of various investors in relation to the approval of the Company's secondary license to sell its common shares to the public pursuant to Section 12 of the Securities Regulation Code (SRC). This is to be collected within the next twelve months. This amounted to ₱50,818,282 and ₱43,942,030 as of September 30, 2021 and December 31, 2020, respectively.

NOTE 9 - INVENTORIES

This account consists of:

| | 30-Sept-2021 (Unaudited) | 31-Dec-2020 (Audited) |
|-----------------------|---|--|
| Hospital supplies | ₱ 10,539,702 | ₱ 4,123,992 |
| Laboratory supplies | 7,744,058 | 681,307 |
| Dietary supplies | 585,196 | 33,398 |
| Housekeeping supplies | 248,837 | 148,873 |
| Office supplies | 208,807 | 10,352 |
| | ₱ 19,326,600 | ₱ 4,997,922 |

Hospital and laboratory supplies pertain to medicines and medical supplies administered/used to patients.

Housekeeping supplies pertain to cleaning and sanitation supplies used for the upkeep and maintenance of the hospital building.

The Company recognized as expense, inventories costing ₱38,148,181 and ₱-nil- for the nine months ended September 30, 2021 and year ended December 31, 2020, respectively.

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

NOTE 10 - PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

| | 30-Sept-2021 (Unaudited) | 31-Dec-2020 (Audited) |
|---|-----------------------------|--------------------------|
| Deposits | ₱ 27,800,242 | ₱ 22,635,595 |
| Input VAT | 27,214,151 | 22,222,953 |
| Prepaid withholding tax on compensation | 1,996,194 | 2,038,013 |
| Creditable withholding tax | 205,963 | |
| Advances to contractors | - | 594,778 |
| | ₱ 57,216,550 | ₱ 47,491,339 |

Deposits to suppliers represent advance payment on purchases of medical equipment and supplies.

Input VAT are Value Added Tax on purchases of goods and services. These are creditable to the VAT liability of the Company.

Prepaid withholding tax on compensation pertains to the excess payment/remittance of withholding taxes on compensation of the employees. These are creditable to withholding tax on compensation of the Company.

NOTE 11 - PROPERTY AND EQUIPMENT, net

A reconciliation of the carrying amounts at the beginning and end of the nine months ended September 30, 2021 and year ended December 31, 2020 of property and equipment is shown below:

September 30, 2021 (Unaudited)

| | Land | Building | Transportation Equipment | Office, Furniture and Fixtures | Medical Equipment | Total |
|-----------------------------|----------------------|---------------------|-----------------------------|--------------------------------------|----------------------|-----------------------|
| Cost | | | | | | |
| 1-Jan-21 | ₱ 108,620,536 | ₱935,201,133 | ₱ 3,201,263 | ₱ 16,674,659 | ₱ 103,505,510 | ₱1,167,203,101 |
| Additions | - | 11,982,136 | 790,760 | 3,116,787 | 22,826,859 | 38,716,542 |
| Disposals | - | - | - | - | - | - |
| 30-Sept-21 | <u>108,620,536</u> | <u>947,183,269</u> | <u>3,992,023</u> | <u>19,791,446</u> | <u>126,332,369</u> | <u>1,205,919,643</u> |
| Accumulated Depreciation | | | | | | |
| 1-Jan-21 | - | - | 932,310 | 2,010,053 | - | 2,942,363 |
| Depreciation | - | 12,470,084 | 581,858 | 3,193,157 | 8,571,705 | 24,816,804 |
| Disposals | - | - | - | - | - | - |
| 30-Sept-21 | <u>-</u> | <u>12,470,084</u> | <u>1,514,168</u> | <u>5,203,210</u> | <u>8,571,705</u> | <u>27,759,167</u> |
| Carrying amounts | | | | | | |
| 31-Dec-20 | <u>₱ 108,620,536</u> | <u>₱935,201,133</u> | <u>₱ 2,268,953</u> | <u>₱ 14,664,606</u> | <u>₱103,505,510</u> | <u>₱1,164,260,738</u> |
| Carrying amounts | | | | | | |
| 30-Sept-21 | <u>₱ 108,620,536</u> | <u>₱934,713,185</u> | <u>₱2,477,855</u> | <u>₱ 14,588,236</u> | <u>₱117,760,664</u> | <u>₱1,178,160,476</u> |

December 31, 2020 (Audited)

| | Land | Building | Transporta- tion Equipment | Office, Furnitures and Fixtures | Medical Equipment | Construction in progress | Total |
|-----------------------------|--------------------|--------------------|----------------------------------|---------------------------------------|----------------------|-----------------------------|----------------------|
| Cost | | | | | | | |
| 1-Jan-20 | ₱ 108,620,536 | ₱- | ₱ 1,707,178 | ₱ 10,757,893 | ₱ 91,171,463 | ₱ 840,678,891 | ₱1,052,935,961 |
| Additions | - | - | 1,494,085 | 5,916,766 | 12,334,766 | 94,522,242 | 114,267,140 |
| Disposals | - | - | - | - | - | - | - |
| Reclassification | - | 935,201,133 | - | - | - | (935,201,133) | - |
| 31-Dec-20 | <u>108,620,536</u> | <u>935,201,133</u> | <u>3,201,263</u> | <u>16,674,659</u> | <u>103,505,510</u> | <u>-</u> | <u>1,167,203,101</u> |
| Accumulated depreciation | | | | | | | |
| 1-Jan-20 | - | - | 420,157 | 218,395 | - | - | 638,552 |
| Depreciation | - | - | 512,153 | 1,791,658 | - | - | 2,303,811 |
| Disposals | - | - | - | - | - | - | - |
| 31-Dec-20 | <u>-</u> | <u>-</u> | <u>932,310</u> | <u>2,010,053</u> | <u>-</u> | <u>-</u> | <u>2,942,363</u> |

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|------------------|----------------------|---------------------|--------------------|---------------------|----------------------|------------------------|
| Carrying amounts | | | | | | |
| 31-Dec-19 | <u>₱ 108,620,536</u> | <u>₱-</u> | <u>₱ 1,287,021</u> | <u>₱ 10,539,498</u> | <u>-</u> | <u>₱ 121,428,987</u> |
| Carrying amounts | | | | | | |
| 31-Dec-20 | <u>₱ 108,620,536</u> | <u>₱935,201,133</u> | <u>₱ 2,268,953</u> | <u>₱ 14,664,606</u> | <u>₱ 103,505,510</u> | <u>₱ 1,164,260,738</u> |

The Company's land and building with a total carrying value of ₱1,043,333,721 and ₱1,043,821,669 as of September 30, 2021 and December 31, 2020, respectively, were used as collateral for the loan. (Note 15)

The construction of the hospital building was completed on December 2020.

Depreciation expense were presented in the statements of comprehensive income as follows (Note 18 and 19):

| | 30-Sept-2021 (Unaudited) | 30-Sept-2020 (Unaudited) |
|----------------------------|---|---|
| Cost of sales and services | ₱ 21,623,647 | ₱ - |
| Operating expenses | 3,193,157 | 279,720 |
| | <u>₱ 24,816,804</u> | <u>₱ 279,720</u> |

There have been no indications that an item of property and equipment is impaired.

NOTE 12 - INTANGIBLE ASSET, net

Intangible asset represents purchased hospital information system. A reconciliation of the carrying amounts at the beginning and end of September 30, 2021 and December 31, 2020 is shown below:

| | 30-Sept-2021 (Unaudited) | 31-Dec-2020 (Audited) |
|---------------------------------|---|--|
| Cost | | |
| Beginning | ₱ 1,565,923 | ₱ - |
| Additions | 826,857 | 1,565,923 |
| End | <u>2,392,780</u> | <u>1,565,923</u> |
| Accumulated amortization | | |
| Beginning | - | - |
| Amortization expense | 233,360 | - |
| End | <u>233,360</u> | <u>-</u> |
| Carrying amount | <u>₱ 2,159,420</u> | <u>₱ 1,565,923</u> |

No impairment losses were recognized in September 30, 2021 and December 31, 2020. The amortization of intangible asset is presented as part of operating expenses (Note 19). The Company's intangible asset is expected to be amortized over its useful life of five (5) years.

NOTE 13 - TRADE AND OTHER PAYABLES

This account consists of:

| | 30-Sept-2021 (Unaudited) | 31-Dec-2020 (Audited) |
|-----------------------|---|--|
| Trade payable | ₱ 38,130,016 | ₱ 25,269,048 |
| Accrued expenses | 16,773,926 | 8,630,331 |
| Payable to government | 6,720,473 | 737,262 |
| | ₱ 61,624,415 | ₱ 34,636,641 |

Trade payable pertain to payable to suppliers on purchases of medical/hospital equipment and supplies.

Accrued expenses represents interest payable represents interest accrued on bank loans, professional fees, utilities, salaries and wages and outside services.

Payable to government agencies pertains to VAT and withholding taxes due to BIR and statutory compliance due to SSS, PHIC and HDMF.

NOTE 14 - RETENTION AND PROFESSIONAL FEES PAYABLE

This account consists of:

| | 30-Sept-2021 (Unaudited) | 31-Dec-2020 (Audited) |
|---------------------------|---|--|
| Retention payable | ₱ 35,179,066 | ₱ 38,671,300 |
| Professional fees payable | - | 1,066,768 |
| | ₱ 35,179,066 | ₱ 39,738,068 |

Retention payable pertains to amounts withheld by the Company on its payment to the contractor. This is equivalent to 10% of progress billing as provided in the construction contract of the projects. This will be paid after a certain period and complete turnover of the project and acceptance by Company.

Professional fees payable consist of unpaid professional fee for the architectural design rendered to the Company.

NOTE 15 - LOANS PAYABLE

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

| | 30-Sept-2021 (Unaudited) | 31-Dec-2020 (Audited) |
|-------------|---|--|
| Current | ₱ 118,884,122 | ₱ 101,626,957 |
| Non-current | 722,337,216 | 712,337,216 |
| Total | ₱ 841,221,338 | ₱ 813,964,173 |

Land Bank of the Philippines

The Company obtained credit lines with Land Bank of the Philippines (LBP); on September 1, 2016 amounting to ₱465,000,000 payable in ten (10) years and ₱ 35,000,000 payable in seven (7) years, and on August 24, 2019 amounting to ₱ 350,000,000 payable in seven (7) years. The purpose of

the ₱ 465,000,000 term loan was to finance the construction of the hospital building while the ₱ 35,000,000 and ₱ 350,000,000 term loans were for the acquisition of various medical machines and equipment. As of December 31, 2020, ₱440,000,000 was already drawn from the ₱465,000,000 credit line, while the ₱35,000,000 credit line was not yet drawn, and the ₱350,000,000 credit line was already fully drawn.

These loans are secured by a real estate mortgage, covering the Company's land and building, including all other existing and future improvements thereon with a carrying value of ₱1,043,333,721 and ₱1,043,821,669 as of June 30, 2021 and December 31, 2020, respectively. The credit line for the construction of the hospital building was provided with 3 years grace period on the principal payments, while the credit line for the acquisition of various medical machines and equipment was provided with 2 years grace period. Interest at stated rate is 6% per annum.

The loan agreement with the bank provides certain restrictions and requirements with respect to, among others, maintenance of debt to equity ratio of 80:20, percentage of ownership of specific shareholders and additional guarantees for the incurrence of additional long term indebtedness. As of September 30, 2021 and December 31, 2020, the Company is compliant with the terms of its loan agreement.

On December 18, 2020, the Company obtained additional loan from LBP amounting to ₱50,000,000 for working capital purposes. This is payable in 10 bi-annual payments with interest of 5.75% per annum. This loan is not secured by any collateral.

Development Bank of the Philippines

On November 13, 2019, the Company was granted a credit line amounting to ₱70,000,000 with the Development Bank of the Philippines for working capital purposes. As of September 30, 2021 and December 31, 2020, there were no drawdowns from this credit line. These loans are secured by a real estate mortgage.

Movement of loans payable is as follows:

| | 30-Sept-2021 (Unaudited) | 31-Dec-2020 (Audited) |
|-------------------|-------------------------------------|----------------------------------|
| Beginning balance | ₱ 813,964,173 | ₱ 692,214,692 |
| Proceeds | 60,000,000 | 140,000,000 |
| Payments | (32,742,835) | (18,250,519) |
| Ending balance | ₱ 841,221,338 | ₱ 813,964,173 |

Borrowing cost capitalized, net of interest income, amounted to ₱33,530,000 and ₱22,540,000 in 2020 and 2019, respectively. Borrowing costs related to loan availments for acquisition of medical equipment amounting to ₱4,520,000 and ₱11,440,000 in 2020 and 2019, respectively, were not capitalized but were charged to profit or loss.

Total interest incurred from these loans for the nine months ended September 30, 2021 amounted to ₱36,290,460. These are charged to profit or loss.

NOTE 16 - EQUITY

Capital Stock

The Company is authorized to issue Two Hundred Forty Thousand (240,000) with par value of One Thousand Pesos (₱1,000) per share. Fully paid share capital as of September 30, 2021, December 31, 2020 and September 30, 2020 amounted to ₱171,981,000, ₱170,741,000 and ₱167,439,000, respectively.

Movement in share capital at the beginning and end of September 30, 2021 and December 31, 2020 is shown below:

| | 30-Sept-2021 (Unaudited) | 31-Dec-2020 (Audited) |
|-------------------|-------------------------------------|----------------------------------|
| Beginning balance | ₱ 170,741,000 | ₱ 167,439,000 |
| Issuance | 1,240,000 | 3,302,000 |
| Ending balance | ₱ 171,981,000 | ₱ 170,741,000 |

A reconciliation of the outstanding shares at the beginning and end of September 30, 2021 and December 31, 2020 is shown below. This is net of treasury shares of 139 shares and 89 shares as of September 30, 2021 and December 31, 2020, respectively.

| | <u>Number of Shares</u> |
|--|-------------------------|
| Outstanding Shares, January 1, 2020 | 167,376 |
| Issuance | 3,302 |
| Reacquisition | (26) |
| Outstanding Shares, December 31, 2020 | 170,652 |
| Issuance | 1,240 |
| Reacquisition | (50) |
| Outstanding Shares, September 30, 2021 | <u>171,842</u> |

The Company has fifty-four (54) founder shareholders as of September 30, 2021 and December 31, 2020, each owning 100 or more shares. The Founders have the executive right to vote and be voted for the election of directors for five (5) consecutive years from the date of registration. Thereafter, the holder of founder's shares shall have the same rights and privileges with the holders of common shares.

Treasury Shares

In 2019, the Company received an order from SEC directing the Company to return the value of investment upon written request of investors. This order applies to 1,533 shareholders in the initial list submitted to SEC. In line with this order, the Company returned the cost of 26 common shares of two shareholders in 2020 and 63 common shares of six shareholders in 2019 who withdrew their investment and were part of the initial 1,533 shareholders, despite the accumulated deficit and without the requirement of capital appropriation.

The Company reacquired the total of sixty three (63) common shares from the Company's issued and outstanding common capital stock at a total cost amounting to ₱1,300,000. Of this amount, three shares were repurchased at par, one block was repurchased at ₱300,000, and the remaining five blocks were purchased at ₱200,000 per block.

The Company reacquired the total of 26 common shares from the Company's issued and outstanding common capital stock at a total cost amounting to ₱606,000. All two blocks were repurchased at ₱303,000 each.

In the first nine months of 2021, the Company reacquired a total of 50 common shares from the Company's issued and outstanding common capital stock at a total cost amounting to ₱1,006,000.

These treasury shares are stated at acquisition cost and are deducted from equity. Treasury shares amounted to ₱2,915,000, ₱1,909,000 and ₱1,503,000 as of September 30, 2021, December 31, 2020 and September 30, 2020.

Subscribed Capital Stock

Subscribed capital stock as of September 30, 2021, December 31, 2020 and September 30, 2020 amounted to ₱3,520,000, ₱3,750,000 and ₱2,960,000 comprising of 352 blocks, 375 blocks and 296 blocks, respectively. Each block is sold at a premium of ₱200,000 or ₱300,000. Each block is equivalent to 10 shares at ₱1,009 par value and sold at a premium of ₱20,000 or ₱30,000 per share.

Share Premium

Share premium as of September 30, 2021, December 31, 2020 and September 30, 2020 amounted to ₱443,226,707, ₱395,856,706 and ₱354,605,000, respectively.

NOTE 17 - REVENUES

Details of the Company's revenues are as follows:

| | <u>January to September</u> | | <u>July to September</u> | |
|------------------------------|---|-----------------------------|---|-----------------------------|
| | 30-Sept-2021 (Unaudited) | 30-Sept-2020 (Unaudited) | 30-Sept-2021 (Unaudited) | 30-Sept-2020 (Unaudited) |
| Hospital fees | ₱ 64,243,282 | ₱ - | ₱ 42,327,339 | - |
| Sale of drugs and medicines | 25,846,277 | - | 16,339,622 | - |
| | 90,089,559 | - | 58,666,961 | - |
| Hospital and Sales Discounts | (6,032,791) | - | (2,280,449) | - |
| | ₱ 84,056,768 | ₱ - | ₱ 56,386,512 | - |

Hospital and sales discounts are discount extended to patients, senior citizen, PWD and other government mandated beneficiaries, it also includes discounts to stockholders spouse and dependents based on the company prospectus.

NOTE 18 - COST OF SALES AND SERVICES

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

| | <u>January to September</u> | | <u>July to September</u> | |
|-----------------------------|---|-----------------------------|---|-----------------------------|
| | 30-Sept-2021 (Unaudited) | 30-Sept-2020 (Unaudited) | 30-Sept-2021 (Unaudited) | 30-Sept-2020 (Unaudited) |
| Medicines and supplies | ₱ 34,855,676 | ₱ - | ₱ 14,591,844 | ₱ - |
| Depreciation | 21,623,647 | - | 6,446,052 | - |
| Salaries and wages | 21,097,564 | - | 8,367,511 | - |
| Utilities | 9,127,358 | - | 3,403,964 | - |
| Professional fees | 8,249,951 | - | 3,522,680 | - |
| Service fees | 2,652,497 | - | 1,190,094 | - |
| Dietary | 2,189,629 | - | 1,671,564 | - |
| SSS/PHIC/HDMF contributions | 1,593,491 | - | 655,964 | - |
| | ₱ 101,389,813 | ₱ - | ₱ 39,849,673 | ₱ - |

NOTE 19 - OPERATING EXPENSES

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

| | <u>January to September</u> | | <u>July to September</u> | |
|----------------------------------|-----------------------------|--------------|--------------------------|--------------|
| | 30-Sept-2021 | 30-Sept-2020 | 30-Sept-2021 | 30-Sept-2020 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Salaries and wages | ₱ 4,687,498 | ₱ 3,187,628 | ₱ 1,504,985 | ₱ 1,226,291 |
| Depreciation | 3,193,157 | 1,944,979 | 1,187,841 | 279,720 |
| Security services | 3,141,270 | 503,396 | 918,275 | - |
| Utilities | 2,281,839 | - | 850,990 | - |
| Directors and officers allowance | 1,437,222 | - | 55,000 | - |
| Professional fee | 1,119,043 | 1,931,349 | 279,122 | 1,104,403 |
| Office supplies | 1,102,876 | 525,111 | 434,066 | 295,837 |
| Transportation and travel | 1,030,399 | 472,511 | 863,361 | 98,454 |
| Repairs and maintenance | 931,400 | 280,919 | 577,875 | 280,919 |
| Bank service charge | 889,645 | - | 232,223 | - |
| Taxes and licenses | 456,161 | 263,819 | 164,664 | 72,802 |
| SSS/PHIC/HDMF contributions | 398,373 | 479,677 | 163,991 | 345,908 |
| Amortization | 233,360 | - | 52,747 | - |
| Meeting and conferences | 192,824 | 338,856 | 38,361 | 254,910 |
| Training and development | 166,169 | - | 9,000 | - |
| Promotional expense | - | 123,200 | - | 69,100 |
| Fines and penalties | - | 29,000 | - | 29,000 |
| Miscellaneous | 804,189 | 33,891 | 309,031 | 3,363 |
| | ₱ 22,065,425 | ₱ 10,114,336 | ₱ 7,641,532 | ₱ 4,060,707 |

NOTE 20 - OTHER INCOME

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

| | <u>January to September</u> | | <u>July to September</u> | |
|------------------------------|-----------------------------|--------------|--------------------------|--------------|
| | 30-Sept-2021 | 30-Sept-2020 | 30-Sept-2021 | 30-Sept-2020 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| Income from cafeteria | ₱ 2,751,293 | ₱ - | ₱ 1,845,068 | ₱ - |
| Miscellaneous income | 1,391,151 | - | 675,283 | - |
| Interest income | 193,298 | 840,823 | 75,125 | 44,276 |
| Unrealized forex gain/(loss) | - | (5,961) | - | - |
| | ₱ 4,335,742 | ₱ 834,862 | ₱ 2,595,476 | ₱ 44,276 |

NOTE 21 - INCOME TAXES

Income tax expense (benefit) for the nine months ended September 30, 2021 and 2020 consists of:

| | <u>January to September</u> | | <u>July to September</u> | |
|----------|---|-----------------------------|---|-----------------------------|
| | 30-Sept-2021 (Unaudited) | 30-Sept-2020 (Unaudited) | 30-Sept-2021 (Unaudited) | 30-Sept-2020 (Unaudited) |
| Current | ₱ | ₱ | ₱ | ₱ |
| Deferred | (17,866,687) | - | (511,813) | - |
| | ₱ (17,866,687) | ₱ - | ₱ (321,241) | ₱ - |

Reconciliation between statutory tax and effective tax follows:

| | <u>January to September</u> | | <u>July to September</u> | |
|---|---|-----------------------------|---|-----------------------------|
| | 30-Sept-2021 (Unaudited) | 30-Sept-2020 (Unaudited) | 30-Sept-2021 (Unaudited) | 30-Sept-2020 (Unaudited) |
| Income tax at statutory rate | ₱ (17,838,297) | ₱ (2,783,842) | ₱ (315,008) | ₱ 1,204,929 |
| Tax effects of income subject to final tax | (48,324) | (252,247) | (18,781) | (13,283) |
| Tax effect of non-deductible interest expense | 19,934 | - | 12,548 | - |
| Tax effect of non-deductible penalties | - | 8,700 | - | 8,700 |
| Tax effect of unrecognized DTA on NOLCO | - | 3,027,389 | - | 1,209,512 |
| Effective income tax | ₱ (17,866,687) | ₱ - | ₱ (321,241) | ₱ - |

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

| | <u>January to September</u> | | <u>July to September</u> | |
|--------------------------------------|---|-----------------------------|---|-----------------------------|
| | 30-Sept-2021 (Unaudited) | 30-Sept-2020 (Unaudited) | 30-Sept-2021 (Unaudited) | 30-Sept-2020 (Unaudited) |
| Loss before tax | ₱ (71,353,188) | ₱ (9,279,474) | (1,260,033) | (4,016,431) |
| Permanent differences: | | | | |
| Interest income | (193,298) | (840,823) | (75,125) | (44,276) |
| Interest expense | 79,736 | - | 50,193 | - |
| Fines and penalties | | 29,000 | | 29,000 |
| Temporary differences: | | | | |
| Unrealized forex (gain)/loss (PY) | (31,261) | - | - | - |
| Taxable loss | ₱ (71,498,011) | ₱ (10,091,297) | (1,284,965) | (4,031,707) |
| Minimum Corporate Income Tax: | | | | |
| Taxable gross income | ₱ (13,190,601) | ₱ - | 19,057,191 | - |
| Tax rate | 1% | 2% | 1% | 2% |
| | - | - | 190,572 | - |

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| Tax due (Higher of RCIT or MCIT) | - | - | 190,572 | - |
| Less: Tax credits | - | - | - | - |
| Prior Year's Excess Credit | - | - | - | - |
| Creditable taxes | (205,963) | - | (205,963) | - |
| Prepaid income tax | ₱ (205,963) | ₱ - | (15,931) | - |

Details of DTA follows:

| | 30-Sept-2021 (Unaudited) | 31-Dec-2020 (Audited) |
|--|-------------------------------------|----------------------------------|
| DTA arising from NOLCO | ₱ 42,614,552 | ₱ 24,738,489 |
| DTA arising from MCIT | 2,901 | 2,901 |
| DTA arising from unrealized forex loss | - | 9,378 |
| | ₱ 42,617,453 | ₱ 24,750,768 |

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

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

| Date Incurred | Date of Expiration | Amount | Applied | Expired | Balance |
|---------------|--------------------|----------------------|------------|------------|----------------------|
| 30-Sept-2021 | 2026 | ₱ 71,498,011 | | | ₱ 71,498,011 |
| 31-Dec-2020 | 2025 | 32,687,003 | ₱ - | ₱ - | 32,687,003 |
| 31-Dec-2019 | 2022 | 27,215,130 | - | - | 27,215,130 |
| 31-Dec-2018 | 2021 | 22,559,495 | - | - | 22,559,495 |
| | | ₱ 153,959,639 | ₱ - | ₱ - | ₱ 153,959,639 |

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

Details of MCIT follow:

| Date Incurred | Date of Expiration | Amount | Applied | Expired | Balance |
|---------------|--------------------|----------------|------------|------------|----------------|
| 31-Dec-2020 | 2023 | ₱ 828 | ₱ - | ₱ - | ₱ 828 |
| 31-Dec-2019 | 2022 | 2,073 | - | - | 2,073 |
| | | ₱ 2,901 | ₱ - | ₱ - | ₱ 2,901 |

NOTE 22 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Liquidity Risk

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

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

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

The table below summarizes the maturity profile of the Company's financial liabilities as of September 30, 2021 and December 31, 2020 based on contractual undiscounted payment.

| September 30 2021 (Unaudited) | | | |
|---|----------------------|----------------------|----------------------|
| | Within 1 year | Above 1 Year | Total |
| Trade and other payables | ₱ 54,903,942 | ₱ - | ₱ 54,903,942 |
| Loans payable | 118,884,122 | 722,337,216 | 841,221,338 |
| Retention and professional fees payables | 35,179,066 | - | 35,179,066 |
| | ₱ 208,967,130 | ₱ 722,337,216 | ₱ 931,304,346 |
| December 31, 2020 (Audited) | | | |
| | Within 1 Year | Above 1 Year | Total |
| Trade and other payables | ₱ 33,899,379 | ₱ - | ₱ 33,899,379 |
| Loans payable | 101,626,957 | 712,337,216 | 813,964,173 |
| Retention and professional fees payables | 39,738,068 | - | 39,738,068 |
| | ₱ 175,264,404 | ₱ 712,337,216 | ₱ 887,601,620 |

**Trade and other payables excludes government statutory payables amounting to ₱6,720,473 and ₱4,249,502 for 2020 and 2019, respectively.*

Market Risks

Interest Rate Risk

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

The Company's financial instrument that are exposed to cash flow interest rate risk pertains to its bank loans which are subject to interest rate repricing. (See Note 15)

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

| Increase/Decrease in Interest Rate | Effect on Income Before Income Tax | |
|------------------------------------|------------------------------------|--------------------------|
| | 30-Sept-2021 (Unaudited) | 31-Dec-2020 (Audited) |
| +1% | ₱ (8,053,998) | ₱ (8,156,881) |
| -1% | 8,053,998 | 8,156,881 |

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

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

Foreign Currency Risk

The Company's exposure to the risk for changes in foreign exchange is not significant. It relates only to the Company's dollar bank deposit amounting to ₱509,750 and ₱505,627 as of September 30, 2021 and December 31, 2020, respectively.

Credit Risk

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

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

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

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

The tables below show the credit quality per class of financial asset and an aging analysis of past due but not impaired accounts as of September 30, 2021 and December 31, 2020.

Credit Quality per Class of Financial Asset

| September 30, 2021 (Unaudited) | | | | | | |
|--------------------------------|-------------------------------|----------------|-------------------|---------------------------|------------|---------------------|
| | Neither Past Due nor Impaired | | | | | |
| | High Grade | Standard Grade | Substandard Grade | Past Due but not Impaired | Impaired | Total |
| Cash in banks | ₱ 35,366,501 | ₱ - | ₱ - | ₱ - | ₱ - | ₱ 35,366,501 |
| Trade and other receivables | 26,660,470 | - | - | - | - | 26,660,470 |
| | ₱ 62,026,971 | ₱ - | ₱ - | ₱ - | ₱ - | ₱ 62,026,971 |

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

| December 31, 2020 (Audited) | | | | | |
|-----------------------------|-------------------------------|----------------|-------------------|---------------------------|---------------------|
| | Neither Past Due nor Impaired | | | | Total |
| | High Grade | Standard Grade | Substandard Grade | Past Due but not Impaired | |
| Cash in banks | P 80,624,153 | P- | P- | P- | P 80,624,153 |
| Receivables | 1,555,270 | - | - | - | 1,555,270 |
| | <u>P 82,179,423</u> | <u>P-</u> | <u>P-</u> | <u>P-</u> | <u>P 82,179,423</u> |

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

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

| | 30-Sept-2021 (Unaudited) | 31-Dec-2020 (Audited) |
|-----------------------------|---|--|
| Cash in banks | P 35,366,501 | P 80,624,153 |
| Trade and other receivables | 26,660,470 | 1,555,270 |
| | <u>P 62,026,971</u> | <u>P 82,179,423</u> |

Cash excludes cash on hand amounting to P455,000 and P179,411 in September 30, 2021 and December 31, 2020.

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

(a) Cash

The credit risk for cash is considered negligible, since the counterparties are reputable banks with high quality external credit ratings. Included in the cash are cash in banks which are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 for every depositor per banking institution.

(b) Trade and other receivables

The Company did not recognized allowance for credit losses due to the fact that the collectability of contractual cash flows expected from these financial instruments is reasonably assured.

NOTE 23 - CAPITAL MANAGEMENT

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

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

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

| | 30-Sept-2021 (Unaudited) | 31-Dec-2020 (Audited) |
|----------------------|---|--|
| Liabilities | ₱ 938,024,819 | ₱ 888,339,710 |
| Equity | 474,755,933 | 480,868,433 |
| Debt-to-Equity Ratio | 1.98:1 | 1.85:1 |

The Company is not subjected to externally imposed capital requirements.

NOTE 24 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table sets forth the carrying values and estimated fair values of financial assets and liabilities recognized as of September 30, 2021 and December 31, 2020:

| | | September 30, 2021 (Unaudited) | | | |
|---|------------------------|---------------------------------------|--------------------|----------------------|-----------|
| | | Fair Value | | | |
| | | Quoted prices | Significant | Significant | |
| | | in active | observable | unobservable | |
| | | markets | inputs | inputs | |
| | | (Level 1) | (Level 2) | (Level 3) | |
| Note | Carrying Amount | | | | |
| Assets for which fair values are disclosed: | | | | | |
| Cash in banks | 6 | ₱ 35,366,501 | ₱- | ₱ 35,366,501 | ₱- |
| Trade and other receivables | 7 | 26,660,470 | - | 26,660,470 | - |
| | | ₱ 62,026,971 | ₱- | ₱ 62,026,971 | ₱- |
| Liabilities for which fair values are disclosed: | | | | | |
| Financial liabilities at amortized cost: | | | | | |
| Trade and other payables | 13 | ₱54,903,615 | ₱- | ₱54,903,615 | ₱- |
| Loans payable | 15 | 841,221,338 | - | 841,221,338 | - |
| Retention and professional fees payable | 14 | 35,179,066 | - | 35,179,066 | - |
| | | ₱ 931,304,019 | ₱- | ₱ 931,304,019 | ₱- |
| December 31, 2020 (Audited) | | | | | |
| Fair Value | | | | | |
| | | Quoted prices | Significant | Significant | |
| | | in active | observable | unobservable | |
| | | markets | inputs | inputs | |
| | | (Level 1) | (Level 2) | (Level 3) | |
| Note | Carrying Amount | | | | |
| Assets for which fair values are disclosed: | | | | | |
| Cash in banks | 6 | ₱ 80,624,153 | ₱- | ₱ 80,624,153 | ₱- |
| Receivables | 7 | 1,555,270 | - | 1,555,270 | - |
| | | ₱ 82,179,423 | ₱- | ₱ 82,179,423 | ₱- |
| Liabilities for which fair values are disclosed: | | | | | |
| Financial liabilities at amortized cost: | | | | | |
| Trade and other payables | 13 | ₱ 33,899,379 | ₱- | ₱ 33,899,379 | ₱- |
| Loans payable | 15 | 813,964,173 | - | 813,964,173 | - |
| Retention and professional fees payable | 14 | 39,738,068 | - | 39,738,068 | - |
| | | ₱ 887,601,620 | ₱- | ₱ 887,601,620 | ₱- |

*Trade and other payables excludes government statutory payables amounting to ₱149,875 and ₱737,262 for 2020 and 2019, respectively.

NOTE 25 - OTHER MATTERS

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

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

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

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

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

The key assumptions concerning the future and other key sources of estimation used the preparation of the unaudited interim financial statements are consistent with those followed in preparation of the Company's annual financial statements as of and for the year ended December 31, 2020.

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

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

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

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

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

There are no material contingencies and any other events or transactions that are material to an understanding of the current interim period.

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION
As of September 30, 2021**

**ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – CEBU, INC.
N. Bacalso Avenue, Basak Pardo, Cebu City**

| | | |
|--|----------|--------------------------------|
| Unappropriated Retained Earnings (Deficit), as adjusted to available for dividend distribution, beginning of the year | | <u>(₱87,570,273)</u> |
| Add: Net income actually earned/realized during the period | | <u>(53,486,501)</u> |
| Less: Non-actual/unrealized income net of tax | | |
| • Equity in net income of associate/joint venture | - | |
| • Unrealized foreign exchange gain - (after tax except those attributable to Cash and Cash Equivalents) Unrealized actuarial gain | - | |
| • Fair value adjustment (mark-to-market gains) | - | |
| • Fair value adjustment of Investment Property resulting to gain | - | |
| • Adjustment due to deviation from PFRS-gain | - | |
| • Other unrealized gains or adjustments to retained earnings as a result of certain transactions accounted for under PFRS | - | |
| Sub-total | <u>-</u> | |
| Add: Non-actual losses | | |
| • Depreciation or revaluation increment (after tax) | - | |
| • Adjustment due to deviation from PFRS/GAAP - loss | - | |
| • Loss on fair value adjustment of investment property (after tax) | - | |
| Sub-total | <u>-</u> | - |
| Net income actually earned during the period | | (53,486,501) |
| Add (Less): | | |
| • Dividend declarations during the period | - | |
| • Appropriations of Retained Earnings during the period | - | |
| • Reversals of appropriations | - | |
| • Effects of prior period adjustments | - | |
| • Treasury Shares | - | |
| Sub-total | <u>-</u> | <u>-</u> |
| TOTAL RETAINED EARNINGS, END OF YEAR AVAILABLE FOR DIVIDEND DECLARATION | | <u><u>₱ - nil -</u></u> |

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - CEBU INC.
FINANCIAL SOUNDNESS INDICATORS

For The Nine Months Ended September 30, 2021, Year Ended December 31, 2020 and Nine Months
 Ended September 30, 2020

Current Ratio

| | September 30, 2021 (Unaudited) | December 31, 2020 (Audited) |
|---------------------------|---|--|
| Total current assets | ₱ 189,843,403 | ₱ 178,630,714 |
| Total current liabilities | 215,687,603 | 176,002,494 |
| Current ratio | 0.88:1 | 1.015:1 |

Quick Ratio

| | September 30, 2021 (Unaudited) | December 31, 2020 (Audited) |
|---------------------------|---|--|
| Total liquid asset | ₱ 113,300,253 | ₱ 126,141,453 |
| Total current liabilities | 215,687,603 | 176,002,494 |
| Quick ratio | 0.525:1 | 0.717:1 |

Working Capital to Total Asset

| | September 30, 2021 (Unaudited) | December 31, 2020 (Audited) |
|-----------------------|---|--|
| Working capital | ₱ (25,844,200) | ₱ 2,628,220 |
| Total liabilities | 938,024,819 | 888,339,710 |
| Working capital ratio | -0.028:1 | 0.003:1 |

Solvency Ratio

| | September 30, 2021 (Unaudited) | December 31, 2020 (Audited) |
|-------------------------------|---|--|
| Net income (loss) after tax + | ₱ (23,980,419) | ₱ (21,447,246) |
| Depreciation/Amortizaion | | |
| Total liabilities | 938,024,819 | 888,339,710 |
| Solvency ratio | -0.026:1 | -0.024:1 |

Debt-to-equity Ratio

| | September 30, 2021 (Unaudited) | December 31, 2020 (Audited) |
|----------------------|---|--|
| Total liabilities | ₱ 938,024,819 | ₱ 888,339,710 |
| Total equity | 474,755,933 | 480,868,433 |
| Debt-to-equity ratio | 1.976:1 | 1.847:1 |

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - CEBU INC.
FINANCIAL SOUNDNESS INDICATORS

For The Nine Months Ended September 30, 2021, Year Ended December 31, 2020 and Nine Months
 Ended September 30, 2020

Asset-to-equity Ratio

| | September 30, 2021 (Unaudited) | December 31, 2020 (Audited) |
|-----------------------|---|--|
| Total assets | ₱ 1,412,780,752 | ₱ 1,369,208,143 |
| Total equity | 474,755,933 | 480,868,433 |
| Asset to equity ratio | 2.976:1 | 2.847:1 |

Interest Rate Coverage Ratio

| | September 30, 2021 (Unaudited) | December 31, 2020 (Audited) |
|---------------------------------------|---|--|
| Pre-tax profit (loss) before interest | ₱ (35,062,728) | ₱ (25,980,309) |
| Interest expense | 36,290,460 | 4,522,926 |
| Interest rate ratio | -0.966:1 | -5.744:1 |

Profitability Ratios

| | September 30, 2021 (Unaudited) | September 30, 2020 (Unaudited) |
|-----------------------------|---|---|
| Net profit (loss) after tax | ₱ (53,486,501) | N/A |
| Total equity | 474,755,933 | N/A |
| | -0.113:1 | N/A |

a.) Return on asset ratio

| | September 30, 2021 (Unaudited) | September 30, 2020 (Unaudited) |
|-----------------------------|---|---|
| Net income (loss) after tax | ₱ (53,486,501) | N/A |
| Average assets | 1,390,994,448 | N/A |
| | -0.038:1 | N/A |

b.) Return on equity ratio

| | September 30, 2021 (Unaudited) | September 30, 2020 (Unaudited) |
|-----------------------------|---|---|
| Net profit (loss) after tax | ₱ (53,486,501) | N/A |
| Average equity | 477,812,183 | N/A |
| | -0.112:1 | N/A |

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - CEBU INC.
FINANCIAL SOUNDNESS INDICATORS

For The Nine Months Ended September 30, 2021, Year Ended December 31, 2020 and Nine Months
 Ended September 30, 2020

c.) Gross Profit Margin Ratio

| | September 30, 2021 (Unaudited) | September 30, 2020 (Unaudited) |
|------------------------------|---|--|
| Net profit (loss) before tax | ₱ (71,353,188) | ₱ N/A |
| Gross profit | (17,333,045) | - |
| | 4.117:1 | N/A |

d.) Net Profit Margin

| | September 30, 2021 (Unaudited) | September 30, 2020 (Unaudited) |
|-----------------------------|---|--|
| Net profit (loss) after tax | ₱ (53,486,501) | ₱ N/A |
| Revenue | 84,056,768 | - |
| | -0.636:1 | N/A |