

# COVER SHEET

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**S.E.C. Registration Number**

A	L	L	I	E	D		C	A	R	E		E	X	P	E	R	T	S	(	A	C	E	)							
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**(Company's Full Name)**

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B	A	S	A	K		P	A	R	D	O		C	E	B	U		C	I	T	Y									
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(Business address: No. Street City / Town / Province)

Geanie Cerna-Lopez

### Contact Person

032-3833454**Company Telephone Number**

1	2
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Month

3	1
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Day

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FORM TYPE

0	4
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Month

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Day

Fiscal Year

## Annual Meeting

SEC FORM 17-A

Secondary License Type, If Applicable

M	S	R	D
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Dept. Requiring this Doc.				

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Amended Articles Number/Section

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**Total No. of Stockholders**

	Total African

Domestic

Borrowings

## Foreign

**Top be accomplished by SEC Personnel concerned**

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LCU

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**CASHIER**

**CASHIER**

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-A, *AS AMENDED***

**ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended ... December 31, 2019
2. SEC Identification Number ... CS201421675
3. BIR Tax Identification No. ...008-899-890-000
4. Exact name of issuer as specified in its charter...Allied Care Experts (ACE) Medical Center-Cebu Inc.
5. Philippines  
Province, Country or other jurisdiction of  
incorporation or organization
6.  (SEC Use Only)  
Industry Classification Code:
7. 982 N. Bacalso Avenue, Brgy Basak, Pardo, Cebu City 6000  
Address of principal office Postal Code
8. (032) 383-3454  
Issuer's telephone number, including area code
9. 92-C East Capitol Road, Cebu City, Philippines 6000  
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Founder Shares	<u>600</u>
Common Shares	<u>169,746</u>
Total Outstanding Shares (exclusive of Treasury Shares)	<u>170,346</u>
Debt Outstanding	<u>Php 700 Million</u>

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

Yes [ ] No [ ☒ ]

If yes, state the name of such stock exchange and the classes of securities listed therein:

\_\_\_\_\_

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and [SRC Rule 17.1](#) thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that 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 ☐ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

**APPLICABLE ONLY TO ISSUERS INVOLVED IN  
INSOLVENCY/SUSPENSION OF PAYMENTS PROCEEDINGS  
DURING THE PRECEDING FIVE YEARS:**

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

Yes ☐ ]

No ☐ ]

**PART I - BUSINESS AND GENERAL INFORMATION**

**Item 1. Business**

**A. Business Development**

Allied Care Experts (ACE) Medical Center – Cebu, Inc. (herein referred to as the "Company") was organized and incorporated under the Philippine laws and registered with the Securities and Exchange Commission on November 7, 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 business such as but without restriction to clinical laboratories, diagnostic centers, ambulatory clinic, 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 who may not be connected with the hospitals and whose services shall be freely and individually contracted by the patients.

The principal office address of the Company is located 982 N. Bacalso Avenue, Basak Pardo, Cebu City. The Company has yet to start its commercial operations and is now on the final stage of its construction of the medical facility (hospital). The hospital building includes leasable clinical facilities for medical and dental practitioners, who are shareholders of the Company.

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

ACE Medical Center - Cebu will set up a tertiary health care facility with an organized, systematic, cost-effective, sympathetic, and holistic approach to its goal in providing the best quality and justifiable medical services to its clients and stakeholders. ACE Medical Center - Cebu will be an 8-storey 176-bed capacity hospital with 3 basement parking and a helipad, with total floor area of 25,325 sq.m. constructed in a 3,948 sq.m. property located in the center of South Cebu City, along Bacalzo St., Barangay Basak, Pardo. It will be a multidisciplinary specialty medical facility that will house medical specialists who are subscribers to the capital stock of the Corporation.

The Company's target date of commencement of its business operations is on the last quarter of 2020. Its medical facility is now on its final stage of installation of medical equipment. The hospital building includes medical facilities to be assigned to medical and dental practitioners who are shareholders of the Company.

#### Competition and Business Analysis

The Company belongs to the industry which caters to the need of the public and medical specialist for hospital facilities. The geographic area of competition is within Cebu City and over the five (5) kilometer radius to the north and the south where the following hospitals are operating:

HOSPITAL	LOCATION	BED CAPACITY	CATEGORY	LEVEL CLASSIFICATION
St Anthony Mother & Child Hospital	Mambaling	25	Public	Level I
Adventist Hospital	San Nicolas	100	Private	Level II
St. Vincent General Hospital	Sambag I	100	Private	Level II
Sacred Heart Hospital	Sambag II	150	Private	Level II
Chong Hua Hospital	Capitol	660	Private	Level III
Cebu Doctors' University Hospital	Capitol	300	Private	Level III
Talisay District Hospital	Talisay	250	Public	Level II
Vicente Sotto Memorial Medical Center	Sambag II	1,200	Public	Level III
Cebu Velez General Hospital	Cogon - Ramos	200	Private	Level III
Visayas Community Medical Center	Cogon - Ramos	200	Private	Level III

The Company's bigger competitors are located in the north of Cebu City; on the other hand, the Company's hospital is located in the southern part where it will be directly competing with only the smaller hospitals. The reasonable price, quality of medical care and facilities of the Company will be its edge over its competitors.

The principal suppliers of the Corporation are the following:

1. Siemens AG – CT-Scan
2. Shimadzu – X-Ray
3. General Electric Company – Mammogram
4. Mitsubishi – Elevators
5. FEPA Engineering – Air Conditioners
6. Zafire Distributors Inc – Clinical Laboratory equipment
7. Health Solutions Enterprises Inc – Ultrasound Machines, Operating Room Lights
8. MedRec Inc - Auxillary System, network switches, PABX
9. Phelps Dodge Philippines Energy Products Corporation – Electrical wires
10. Steel Asia Manufacturing Corporation – Steel Bars

The Company is not expected to be dependent upon one or a limited number of suppliers for its hospital equipment.

#### Government Regulation

ACE Medical Center - Cebu, Inc. has secured the necessary permits to construct the Hospital. Other permits acquired are from the local government unit.

In the course of its pre-operation stage, ACE Medical Center – Cebu, Inc. will secure permits and licenses from national and local government entities particularly the License to Operate (LTO) from the Department of Health (DOH), and Hazardous Waste Permit from Department of Environment and Natural Resources (DENR). The Building Permit and Occupancy Permit will be issued by the Cebu City Office of the Building Official and Business Permit from BPLO of Cebu City.

The License to Operate (LTO) will be secured after the full construction of the Hospital and the necessary Occupancy Permit from the Building Official has been issued. The Department of Health (DOH) will need to conduct ocular inspection of the facilities of the Hospital, as well as the pre-operation procedures of ACE Medical Center - Cebu, to ensure it is compliant with the standards of the Department prior to issuance of the LTO. Currently, it has secured a license from the Food and Drug Administration expiring on November 2020.

The Company has secured the required Environmental Compliance Certificate (ECC) from the DENR.

#### Total Number of Employees

##### **Total Number of Full Time-Employees (As of December 31, 2019):**

	<b>CBA</b>	<b>Non-CBA</b>	<b>Total</b>
Rank and File	-	5	5
Supervisors	-	4	4
Managers and Top Management	-	0	0
<b>Total</b>	<b>-</b>	<b>9</b>	<b>9</b>

It is expected that the hiring of personnel will increase for the ensuing year as soon as the hospital commences its operation.

## Risk Management

### **Difficulty to Collect from Patients**

The Company (like all other hospitals) allocate funds from possible uncollectible of revenues from some patients and “charity” cases. Agencies which should be tapped to help indigent patients are PCSO, DSWD, LGU, and Malasakit Program. Affiliation with HMO's, PHIC, and other industrial companies are other measures to mitigate the risk.

### **Limited Resources/Losses**

The Issuer mitigates such risk through availing of the credit line facility with the Land Bank of the Philippines (LBP) totaling to P850,000,000.00 (Php 500M for Hospital Building, equipment and Php 350M for medical equipment). As of December 31, 2019, the company has already drawn P700 million out of the existing credit line facility from LBP.

In addition, LBP has approved an additional working capital loan facility amounting to Php 50M. available anytime, for any additional funding requirement of ACEMC- Cebu.

DBP has also approved a credit line facility of Php 70 Million.

### **Healthcare Infections**

The Hospital is equipped with 9 isolation units, 1 for the emergency Room, 2 for every patient floor – 5<sup>th</sup> to 7<sup>th</sup> floor, 1 for NICU, 1 for ICU.

Infection Control Committee will be in charge if prevention and control of infections.

### **Key Personnel**

Once operational, the Issuer will maintain a competitive compensation package, retention program and benefits for its Management and Key Officers as approved by the Board. The Human Resources Department will likewise maintain a program that will enhance and develop the career path of key officers and employees to ensure continued stay and loyalty to the Company.

### **Government Regulations**

The Company must comply with local and national rules and regulations. If the Company fails to comply with a rule or regulation it may be subject to fines or other penalties, or its permit or license may be revoked or suspended.

### **Taxation**

Existing tax rates may increase in the future or existing tax exemptions and deductions may likewise be revoked, adversely affecting the Company's revenues. Similarly, such tax rates may decrease, or new exemptions and deductions may be created, to the Company's benefit. Strict compliance with government rules and regulations will be practiced to avoid penalties.

### **Litigation/Administrative Actions**

The Company may be exposed to litigation expenses relating to the hospital operations, matters involving its Board of Directors and Management, on policies implemented and its management decisions. The hospital being a corporation is also exposed to litigation involving its shareholders. A continued litigation or adverse decision may substantially affect the Company's finances.

The Company can mitigate said risk by proper implementation of hospital policies and government statutory requirements.

**Disaster risks/pandemics**

The Company has a Disaster Risk Management Committee which meets regularly to handle possible disasters or pandemics. The hospital is equipped with 2 generators. Computer system is with Cloud back up. Adequate UPS is installed to prevent malfunction of medical equipment. Server Room is in the 4<sup>th</sup> floor to avoid damage due to flooding. Network is designed to prevent loss of data and possible hacking. The Hospital will be acquiring Firewall to safeguard the information system.

**Hazardous material events, e.g. chemical/radiological exposure**

The Company will engage a DENR-accredited agency to collect hazardous waste and material. Proper segregation of waste will be strictly implemented.

**Item 2. Properties****A. Principal Properties Owned**

The following properties are acquired in the name of the Company

**a) Land**

Location	Land Area	Current and Intended Use	Cost
Center of South Cebu City, along Bacalzo St. at Barangay Basak, Pardo, Cebu City	4,430 sq.m	Operations	Php 108,620,536.00

**b) Transportation Equipment**

Asset Code	Model No.	Current and Intended Use	Cost
10033	Van - Toyota Ace	Operations	Php 1,707,178.00

**c) Office Furniture and Equipment**

10031	Office Furniture and Fixtures	Operations	Php 361,361.00
10031	Additions	Operations	10,396,532.00
			Php 10,757,893.00

d) Construction in progress

Construction in progress as of December 31, 2019 and 2018 amounted to Php 840,678,891 and Php 653,853,797, respectively. This represents the total cost incurred to date for the construction of the Hospital's building and facilities.

Movements in construction in progress at December 31 consist of:

	2019	2018
Balance at beginning of period	Php 653,853,797	Php 438,696,644
Additional construction costs incurred	208,034,205	195,003,941
Capitalized borrowing costs	(21,209,111)	20,153,212
Construction in progress	Php 840,678,891	Php 653,853,797

Total estimated project cost is set at Php866,679,269. Per engineering estimates, the percentage of completion of the building and related facilities is estimated at 97%. Construction started at February 2, 2016 and the target date of completion is set at September 30, 2019.

Additional disclosures are reflected in Note 8 in the Notes to the Financial Statements.

	2019	2018
e.) Medical Equipment	Php 91,171,463	0

B. Leased Properties (Lease Contracts)

As of December 31, 2019, the company does not have any outstanding lease agreements. There are 69 clinics to be assigned to medical practitioners.

C. Limitations on Property

The Company obtained a credit line from Landbank amounting to ₱505-million, ₱465- million to finance the construction of the hospital building and ₱35-million to be used for the acquisition of various medical machineries & equipment. The total amount drawn from the credit facility, as at December 31, 2019 505 million. The loans are guaranteed by the Company's land and construction-in-progress, under real estate mortgage.



D. Properties to be Acquired

The following are the list of properties to be acquired in 2020:

<b>PARTICULAR</b>	<b>ESTIMATED COST</b>
<b>Seismic Accelograph</b>	1,100,000
Hospital Information Management System	1,000,000
Admin Equipment And Furnitures	2,000,000
Rehab Center	2,780,000
Diagnostic Center	15,500,000
Clinical Microscopy	1,000,000
Pharmacy Equipment	1,000,000
Hematology	500,000
Clinical Chemistry	1,000,000
Computer Hardwares	1,000,000
<b>Total</b>	<b>26,880,000.00</b>

## PART II – SECURITIES OF THE REGISTRANT

### A. Market Price of and Dividends on Registrant's Common Equity and Related Stockholder Matters

#### (1) Market Information

The Company's common equity are sold through its own internal staff. The shares are sold in tranches for easier administration and on a first-come, first-served basis, subject to pre-qualification procedures. The high and low sales prices by quarter for the last two (2) years are as follows:

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter		1st Quarter
<i>Market Price</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>
High	200,000	300,000	200,000	300,000	300,000	300,000	300,000	300,000	300,000
Low	200,000	300,000	200,000	300,000	200,000	300,000	300,000	300,000	300,000

The price as of March 20, 2020 (latest practicable trading date) is P300,000.00.

#### (2) Holders

There are approximately 1,649 holders of common shares and 54 holders of founder shares of the Company as of 31 December 2019.

#### Top 20 Stockholders (As of 31 May 2020)

<i>STOCKHOLDER</i>	<i>NATIONALITY</i>	<i>NUMBER OF SHARES</i>	<i>PERCENT OF OWNERSHIP</i>
1. Enriquez, Amado Manuel Jr. C.	Filipino	Founder – 60 Common – 14,940 Total – 15,000	8.79%
2. Chan, Velma T.	Filipino	Founder – 20 Common – 4,986 Total – 5,006	2.93%
3. Cerna Lopez, Geanie	Filipino	Founder – 10 Common – 2,490 Total – 2,500	1.46%
4. Co, Luisito R.	Filipino	Founder – 10 Common – 2,490 Total – 2,500	1.46%
5. De Leon, Roberto M.	Filipino	Founder – 10 Common – 2,490 Total – 2,500	1.46%
6. Gigataras, Roland Mark M.	Filipino	Founder – 10 Common – 2,490 Total – 2,500	1.46%
7. Gonzalez, Julio L.	Filipino	Founder – 10 Common – 2,490 Total – 2,500	1.46%
8. Limotlimot, Floram C.	Filipino	Founder – 10 Common – 2,490 Total – 2,500	1.46%

9. Luna, Joy C.	Filipino	Founder – 10 Common – 2,490 Total – 2,500	1.46%
10. Mata, John M.	Filipino	Founder – 10 Common – 2,490 Total – 2,500	1.46%
11. Molon, Nicolas S.	Filipino	Founder – 10 Common – 2,490 Total 2,500	1.46%
12. Nolasco, Felix P.	Filipino	Founder – 10 Common – 2,490 Total – 2,500	1.46%
13. Zozobrado, Evangeline Y.	Filipino	Founder – 10 Common – 2,490 Total – 2,500	1.46%
14. Briones, Wyben R.	Filipino	Founder – 10 Common – 1,990 Total – 2,000	1.17%
15. Antigua, Neonita C.	Filipino	Founder – 10 Common – 1,190 Total – 1,200	0.70%
16. Samoy, Marietta T.	Filipino	Founder – 10 Common – 2,490 Total – 2,500	1.46%
17. Orillaza, Generoso M.	Filipino	Founder – 10 Common – 2,490 Total – 2,500	1.46%
18. Libre, Ma. Asuncion Hipolita B.	Filipino	Founder – 10 Common – 2,490 Total – 2,500	1.46%
19. Enriquez, Michael Edward R.	Filipino	Founder – 10 Common – 2,490 Total – 2,500	1.46%
20. Enriquez, Miguel R.	Filipino	Founder – 10 Common – 2,490 Total – 2,500	1.46%
<b>Total</b>		<b>63,206</b>	<b>37.05%</b>

### (3) Dividends

#### Dividend Information on the Two Most Recent Fiscal Years

No dividends were declared in 2018 since the Company does not have any retained earnings as it is still in its pre-operating stage.

However, there is restriction as of December 31, 2019 that would limit the company to pay dividends in the future, unless otherwise appropriation is made as approved by the Board of Directors.

There is no recent sale of unregistered or exempt securities.

## PART III. FINANCIAL INFORMATION

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

#### Management's Discussion and Analysis

The following table shows the financial highlights of the Company for the years then ended December 31, 2019, 2018 and 2017:

	<i>As of December 31 ( In Thousands)</i>		
	<i>2019</i>	<i>2018</i>	<i>2017</i>
<b>Income Statement Data</b>			
Total Revenues	0	0	0
Gross Profit			
Operating Income	0	0	0
Net Income (Loss) *	(24,629,712)	(14,852,294)	(19,679,949)
<b>Total Resources</b>	<b>1,274,941,249</b>	1,005,121,417	705,484,121

### KEY PERFORMANCE INDICATORS

*Sample Data	Dec. 31, 2019	Dec. 31, 2018	Dec. 31, 2017
<b>1. Liquidity</b> <b>a. Quick ratio</b> - capacity to cover its short-term obligations using only its most liquid assets. $[(\text{cash} + \text{cash equiv.} + \text{A/R}) / \text{current liabilities}]$ <ul style="list-style-type: none"> <li>- Forecasted ratio</li> <li>- Remarks: The quick ratio for the period is higher than forecast due to higher quick assets.</li> </ul>	.90:1	2.52:1	1.12:1
<b>b. Current ratio</b> - capacity to meet current obligations out of its liquid assets. $(\text{current assets} / \text{current liabilities})$ <ul style="list-style-type: none"> <li>- Forecasted ratio</li> <li>- Remarks: The current ratio for the period is higher than forecast due to higher quick assets.</li> </ul>	1.36:1	4.77:1	2.68:1
<b>2. Solvency</b> <b>a. Debt to equity ratio</b> - indicator of which group has the greater representation in the assets of the Company. $(\text{long-term debt} / \text{equity})$ <ul style="list-style-type: none"> <li>- Forecasted ratio</li> <li>- Remarks: There is no exposure to long term debt.</li> </ul>	1.77:1	1.23:1	4.59:1
	<b>Dec. 31, 2019</b>	<b>Dec. 31, 2018</b>	<b>Dec. 31, 2017</b>
<b>2. Profitability</b> <b>a. Net profit margin</b> - ability to generate surplus for stockholder $(\text{net income} / \text{sales})$ <ul style="list-style-type: none"> <li>- Forecasted ratio</li> <li>- Remarks: The Company's Net Profit Margin target was met.</li> </ul>	N/A	N/A	N/A
<b>b. Return on equity</b> - ability to generate returns on investment of stockholders. $(\text{net income} / \text{stockholders equity})$ <ul style="list-style-type: none"> <li>- Forecasted ratio</li> <li>- Remarks: The Company's Return on Equity forecast was achieved.</li> </ul>	N/A	N/A	N/A

<b>3. Leverage</b>			
<b>b. Debt to total asset ratio</b> - the proportion of total assets financed by creditors. (total debt / total assets) - Forecasted ratio - Remarks: Debt to asset ratio was met due to higher total assets than forecast.	.64:1	.55:1	.82:1
<b>c. Asset to equity ratio</b> - indicator of the overall financial stability of the Company. (total assets / equity) - Forecasted ratio - Remarks: The Company is financially stable and is capable of internally financing its obligations.	2.77:1	2.24:1	5.59:1
<b>4. Interest Rate Coverage Ratio</b>			
<b>a. Interest rate coverage ratio</b> - measure of the company's ability to meet its interest payments (earnings before interest and taxes / interest expense) - Forecasted ratio - Remarks: The Company has no exposure to long-term debt.	N/A	N/A	N/A

### **2019 COMPARED TO 2018**

The Net Loss is increased substantially due to the finance costs incurred during the year as shown in the statement of comprehensive and Notes to Financial Statements.

2018 vs 2019

Net loss from operation in 2018 of Php 14.8 Million increased by 69 % to Php 25.1 Million in 2019 as the company still has not operated its business and will still open in the 2<sup>nd</sup> half of 2020.

While it has managed to keep its general and administrative expenses down slightly from Php 21.6 Million to Php 21.9 Million, it has now carried finance cost to loan of 11.4M for the completion of its building and purchase of hospital equipment from Php 775 Million to Php 1.069 Billion in 2019. The NOLCO tax benefit of Php 3.3 Million for losses available for 2019 could not be availed yet while not yet in operation.

### **2018 COMPARED TO 2017**

The Net Loss in 2018 is reduced by the interest income and income tax benefit as shown in the statement of comprehensive income and notes to Financial Statements.

Net loss in 2017 of Php 19.6 Million reduced to Php 14.8 Million in 2018 maintaining expenses at same level. With cash and cash equivalent were up from Php 63 Million to Php 115 Million in 2018 due to loans availed for the construction of the building and sale of shares of Php 5.9 Million under subscription receivable with total loans availed at Php 260 Million. Total non-current asset as of December 31, 2018 stood at Php 775 Million up 40% from Php 221 Million in 2017. Total asset stood at Php 1,005,121,417 as of December 31, 2018.

## 2017 COMPARED TO 2016

The Net Loss in 2017 is increased substantially due the penalties imposed by the regulator, promotional expenses and salaries and allowances expenses as shown in the Notes to Financial Statements.

Total asset of the company grew in 2017 to Php 702,781M from Php 388M, 618 in 2016 from loan borrowing of Php 195 Million for the continued construction of the building with construction-in-progress at Php 466 Million as well as due to the company's increased capitalization of Php 30 Million accumulated losses invariably grew to Php 23,741,359 from Php 4,061,410 in 2016. The company also borrowed additional duns from its founders in the amount of Php 1,156,155.

There are no known trends, events or uncertainties that have material impact on liquidity. Nevertheless, Management still continues to pursue intensive collection efforts to reduce accounts receivables and improve cash management.

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

The Company continues to spend for regular capital expenditures as the construction of the hospital facility is going on.

The Company intends to commence its business operations in the last quarter of 2020 when its hospital facility will be completed and is ready for use.

The financial condition or results of operations of the Company are not affected by any seasonal change.

## B. Information on Independent Accountant

The Company's external auditor is the auditing firm of Minerva and Company, CPAs. The Board of Directors will recommend, based on the recommendation of the Audit Committee, composed of Ms. Neonita Antigua (Chairman), DR. Mearthur Salonga and Dr. Luisito Co. subject to stockholders' approval, the Company's external auditor for the fiscal year 2020.

- a. The Audit committee evaluates proposals based on the quality of service, commitment for deadline and fees. The committee may require a presentation from each proponent to clarify some issues.
- b. MINERVA AND COMPANY CPA'S, represented by its engagement partner, Mr. Elmer P. Minerva, is the external auditor of the Company for the most recently completed year 2019. Pursuant to SRC Rule 68 (3) (b) (iv) of the Amended Implementing Rules and Regulations of the Securities Regulation Code (SRC) (re: rotation of external auditors), the Company has not engaged Mr. Elmer P. Minerva for more than five years.
- c. Representatives of MINERVA AND COMPANY, CPAs are expected to be present during the stockholders' meeting. The representatives will have the opportunity to make statements if they desire to do so and will be available to respond to appropriate questions from the security holders.
- d. During the two (2) most recent fiscal years or any subsequent interim period, the independent auditor has not resigned nor was dismissed or has declined to stand for reappointment after the completion of the current audit.
- e. The aggregate annual external audit fees billed for each of the last two (2) fiscal years for the audit of the registrant's annual financial statements or services that are normally provided by the external auditor are as follows:

For the year 2019	- P 300,000.00 (billed and paid in 2019)
For the year 2018	- P150,000.00 (accrued and paid as of 2019)

- f. The above audit fees are inclusive of the following: (a) audit, other assurance and related services by the External Auditor that are reasonably related to the performance of the audit or review of the Company's financial statements (P300,000.00); and (b) All Other Fees, including estimated out of pocket expenses accrued by the Company as of June 15, 2020 (P39,000.00).

Prior to the commencement of the audit, the Audit Committee shall discuss, review and recommend with the external auditors the nature, scope and fees of the audit.

## **PART IV – MANAGEMENT AND CERTAIN SECURITY HOLDERS**

### **(A) Directors, Executive Officers**

#### **(1) Directors**

There are fifteen (15) members of the Board, two (2) of whom are independent directors. The term of office of each member is one (1) year; to hold office until the next succeeding annual stockholders' meeting and until his/her successor is elected and qualified. The following are the current members of the Board of Directors:

The following are the current members of the Board of Directors:

1. Enriquez, Amado Manuel Jr. C.
2. Lopez, Geanie Cerna
3. Gigataras, Roland Mark M.
4. Co, Luisito R.
5. Chan, Velma T.
6. Gonzalez, Julio L.
7. Briones, Wyben R.
8. Limotlimot, Floram C.
9. Luna, Joy C.
10. Nolasco, Felix P.
11. De Leon, Roberto M.
12. Molon, Nicolas S.
13. Zozobrado, Evangeline Y.
14. Antigua, Neonita C.
15. Mata, John M.

Name	Business and Professional Work Experience
Enriquez, Amado Manuel Jr. C. 66 years old, Filipino	Chairman of the Board – Manila East Medical Center (2007-2008, 2017); Paranaque Doctors Hospital (2012-2017); ACE Medical Center Baypointe, Subic (2007-2011); Unihealth Paranaque Hospital (2014- 2017); Alaminos Medical Center Foundation (2001- present)  Founding Chairman – ACE Medical Center Valenzuela, ACE Medical Center Baliwag, ACE Medical Center Pateros, ACE Medical Center Malolos, ACE Medical Center Mandaluyong, ACE Medical Center Palawan, ACE Medical Center Iloilo, ACE Medical Center Tacloban, ACE Medical Center Bohol, ACE Medical Center Dumaguete, ACE Medical Center Bacolod, ACE Medical Center General Santos, ACE Medical Center CDO, ACE Medical Center Dipolog, ACE Medical Center Zamboanga, ACE Medical Center Butuan  Active consultant in Cardiovascular-Thoracic Surgery – St. Lukes Medical Center, Manila East Medical Center, ACE Medical Center Hospitals.

Gigataras, Roland Mark M. 44 years old, Filipino	<p>Director – ACE MC Cebu (2015-present) Vice-Chairman – ACE MC – Cebu (2015-present)</p> <p>Practicing Neurosurgeon at: Cebu Velez General Hospital Chong Hua Hospital (FuenteOsmena, Cebu) Chong Hua Hospital (Mandaue City, Cebu) Perpetual Succour Hospital Cebu Doctors' University Hospital Cebu South General Hospital Mendero Medical Center Cebu North General Hospital Seamen's Hospital University of Cebu Medical Center Gullas Memorial Hospital Visayas Community Medical Center Sacred Heart Hospital St. Vincent General Hospital Adventist Hospital Cebu City Medical Center Vicente Sotto Memorial Medical Center</p>
Cerna-Lopez, Geanie C. 65 years old, Filipino	<p>President - Las Pinas City Medical Center Medical Director- Unihealth Paranaque Management Consultant - Medical Center Muntinlupa Past President - Medical Center Muntinlupa (2016) Past Hospital Admin - UniHealth Paranaque Hospital (2016) and Las Pinas City Medical Center(2016) Past president Paranaque Doctors Hospital (2015)</p>
Co, Luisito R. 51 years old, Filipino	<p>Director – ACE MC Cebu (2014-present) Vice-President – ACE MC – Cebu (2014-present)</p> <p>Surgeon: Sacred Heart Hospital St. Vincent General Hospital PerpetualSuccour Hospital Cebu South General Hospital Visayas Community Medical Center</p>
Chan, Velma T. 53 years old, Filipino	<p>Director – ACE MC- Cebu (2014-present) Assistant Corporate Secretary – ACE MC – Cebu (2014-2015) Corporate Secretary – ACE MC – Cebu (2016-present)</p> <p>Pediatric Intensive Care Consultant: Chong Hua Hospital Cebu (Velez) General Hospital Visayas Community Medical Center Perpetual Succour Hospital Sacred Heart Hospital St. Vincent General Hospital</p>
Gonzalez, Julio L. 69 years old, Filipino	<p>Director – ACE MC- Cebu (2017 -present)</p> <p>General Pediatrician at Chong Hua Hospital, Perpetual Succour Hospital, Visayas Community Medical Center, Cebu Puericulture Center and Maternity House, University of Cebu Medical Center</p>
Limotlimot, Floram C. 62 years old, Filipino	<p>Director – ACE MC Cebu (2014-present) Assistant Treasurer – ACE MC – Cebu (2014-2015) Corporate Treasurer – ACE MC – Cebu (2016-present)</p> <p>Standard Chartered Bank 2008-2012 VP Visayas Philippine</p>



	National Bank 2012- 2017 AVP Cebu Main BPI 1998-2008 Sr. Manager Far East Bank and Trust Co. 1974-1998 SEC Certified Fixed Income Salesman & Broker Insurance Commission Certified Insurance Agent Civil Service Eligibility
Luna, Joy C. 52 years old, Filipino	Director – Manila East Medical Center (2005- present); Diliman Doctors Hospital (2015-present); Allied Care Experts Medical Center Cebu (2014-present); Pharmacy Director – Manila East Medical Center (MEMC) (2002-present); Head, Central Supplies Dept. – MEMC (2002-present); Head, Professional Dev't. and Training Dept. – MEMC (2014-present); Head, Pharmacy Dept. – Ace Medical Center Valenzuela (2014-present)
De Leon, Roberto M. 67 years old, Filipino	Chairman – Unihealth-Baypointe Hospital & Medical Center, Inc. (Subic Bay Freeport Zone) 2017 President – Unihealth-Valenzuela Hospital & Medical Center (2017) Medical Director – YGEIA Medical Center Chairman, Dept. of Surgery – ACE Medical Center Valenzuela; Uni-Health Paranaque Hospital and Medical Center (2017)
Zozobrado, Evangeline Y. 66 years old, Filipino	Pediatric Consultant - Asian Hospital and Medical Center (2002-present) Corp. Secretary - Medical Center Muntinlupa (2016-2017), ACE Baliwag (2012-present) Medical Director - Las Pinas City Medical Center (2014-2016) Hospital Administrator – Diliman Doctors Hospital (2017) Pediatric Consultant - Paranaque Doctors Hospital, University of Perpetual Help System Dalta Hospital and Medical Center
Briones, Wyben R. 66 years old, Filipino	Practicing Neurosurgeon at: Cebu Velez General Hospital Chong Hua Hospital (Fuente Osmena, Cebu) Chong Hua Hospital (Mandaue City, Cebu) Perpetual Succour Hospital Cebu Doctors' University Hospital Visayas Community Medical Center Sacred Heart Hospital St. Vincent General Hospital University of Cebu (UC) Medical Center Mactan Doctors Hospital
Molon, Nicolas S. 73 years old, Filipino	Doctor of Medicine. Specialty – Anesthesiology. Founding Chairman – ACE MC Cebu. Chairman: Calamba Doctors Hospital (1994 - present), MEMC (2002 – 2010), Marikina Valley Medical Center (2009 -2015), Diliman Doctors Hospital (2011-2016), BDMC (2010 - 2015), Medical Center Imus (2000 – 2009). President – Metrosouth Medical Center (1996 – 1999).
Nolasco, Felix P. 67 years old, Filipino	Doctor of Medicine. Specialty – ENT-Head and neck Surgery, Maxillofacial Trauma Surgery. Consultant – Asian Hospital and Medical Center, Manila Doctors Hospital. President, Baypoint Hospital and Medical Center, SBMA, 2013 to 2016. Medical Director, Unihealth Paranaque Hospital and Medical Center, 2014 to 2016. Administrator, Unihealth Paranaque Hospital and Medical Center, 2017 to present. Vice-Chairman, ACE Valenzuela, 2015; ACE Baliwag, 2015. Vice-President, ACE Medical Center – Bohol, 2016 – present.
Antigua, Neonita C. 60 years old, Filipino	Bachelor of Science, Major in Accountancy. Passed - Licensure Exam of Life and Non-life Insurance. Passed - Licensure Exam of Real Estate Broker. Former Vice-President Quota International – Mandaue Chapter. Treasurer – Royale Cebu Estates Homeowners Association.

Mata, John M. 52 years old, Filipino	Doctor of Medicine. Specialty – Urology. Consultant – Chong Hua Hospital, Perpetual Succor Hospital, Cebu Velez General hospital, Vicente Sotto Memorial Hospital, Miller Hospital, North General Hospital, Vicente Gullas Medical Center, Visayas Community Medical Center, Sacred Heart Hospital, UC Medical Center, in Cebu.
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## **(2) Executive Officers**

The Company's key executive officers as of 31 December 2019 are as follows:

Dr. Geanie Cerna-Lopez	- President
Luisito R Co	- Vice-President
Ms. Floram C. Limotlimot	- Treasurer
Dr. Velma T. Chan	- Corporate Secretary

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

## **INCUMBENT OFFICERS**

1. **AMADO MANUEL C. ENRIQUEZ, JR.** – Chairman, see foregoing Director's Profile
2. **GEANIE CERNA-LOPEZ** – President, see foregoing Director's Profile
3. **ROLAND MARK M. GIGATARAS** – Vice-Chairman, see foregoing Director's Profile
4. **LUISITO R. CO** – Vice-President, see foregoing Director's Profile
5. **FLORAM C. LIMOTLIMOT** – Treasurer, see foregoing Director's Profile
6. **VELMA T. CHAN** – Corporate Secretary, see foregoing Director's Profile
7. **EVANGELINE Y. ZOZOBRADO** – Assistant Treasurer, see foregoing Director's Profile
8. **MARIETTA T. SAMOY** – Assistant Secretary, see foregoing Director's Profile

## **(3) Significant Employees**

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

## **(4) Family Relationships**

Except for Ms. Floram Limotlimot (Corporate Treasurer) and Ms. Joy Luna (Director), there are no other family relationships up to the fourth civil degree either by consanguinity or affinity among directors, executive officers, persons nominated or chosen by the Company to become directors, or executive officers, any security holder of certain record, beneficial owner or management.

#### **(5) Certain Relationships and Related Transactions**

During the last two (2) years, no director of the Company has received or become entitled to receive any benefit by reason of any contract with the Company, a related corporation, a firm of which the director is a member or a company of which a director has a substantial financial interest.

There are no transactions in the last two (2) years or proposed transactions to which the Company was or is to be a party, in which any of the following persons had or is to have a direct or indirect material interest:

- i. Any director or executive officer of the Corporation;
- ii. Any nominee for election as a director;
- iii. Any security holders;
- iv. Any member of the immediate family of the preceding persons.

#### **(6) Involvement in Certain Legal Proceedings**

The following directors are parties to legal proceedings in their capacity as directors of the Company:

1. Geanie Cerna-Lopez
2. Velma T. Chan
3. Luisito R Co
4. Roberto M. De Leon
5. Amado Manuel C. Enriquez
6. Floram Limotlimot
7. Roland Mark Gigataras
8. Joy C. Luna
9. Nicolas S. Molon
10. Felix P. Nolasco
11. Evangeline Y Zozobrado

#### **Civil Case No. R-CEB-18-00601-CV, Branch XI, Cebu City**

##### **(Complaint for Issuance of Certificate of Stock, Declaration of Sale in Installment as Subscription Contract, Declaration of Rights or Pre-Emption, and for Attorney's Fees)**

– Ferdinand Kionosala vs. Allied Care Experts (ACE) Medical Center-Cebu, Inc., Geanie Cerna-Lopez, Velma T. Chan, Luisito R. Co, Maita Cruz, Roberto M. De Leon, Amado Manuel C. Enriquez Jr., Floram C. Limotlimot, Roland Mark M. Gigataras, Joy C. Luna, Nicolas S. Molon, Felix P. Nolasco, Generoso M. Orillaza, Ronald L. Ramiro, Marietta T. Samoy and Evangeline Y. Zozobrado.

Status: Plaintiff filed a Motion for Partial Summary Judgment on May 2, 2018; respondents filed their Opposition to the Motion on May 15, 2018; the motion is still pending resolution

#### **Civil Case No. R-CEB-18-01248-CV, Branch XI, Cebu City**

##### **(Declaration of Sale in Installment as Subscription Contract, Declaration of Rights of Pre-Emption, and Attorney's Fees) - Dax Matthew M. Quijano, Rose Marie P. Quijano,**

Eric Y. Cheung, Girlie Cheung and Candice Joy A. Sia vs. Geanie Cerna-Lopez, Velma T. Chan, Luisito R. Co, Maita Cruz, Roberto M. de Leon, Amado Manuel C. Enriquez, Jr., Floram C. Limotlimot, Nicolas S. Molon, Felix P. Nolasco, Generoso M. Orillaza, Ronald L. Ramiro, Marietta T. Samoy and Evangeline Y. Zozobrado.

Status: Respondents ACE, Velma Chan, Luisito Co, Floram Limotlimot and Mark Gigataras. No summons were issued against the other respondents.

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

Status: Respondents filed their Comment to the Petition last January 7, 2019; the Plaintiffs as filed their Reply; Awaiting for Court to issue Notice of Pre-trial.

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

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

**SUMMARY COMPENSATION TABLE**

(a)	(b)	(c)	(d)	(e)
Name & Principal Position	Year	Salary	Bonus	Other Compensation
<b>A. Geanie Cerna-Lopez</b> President				
<b>B. Luisito R Co</b> Vice President				
<b>C. Floram Limotlimot</b> Treasurer				
<b>D. Velma T.. Chan</b> Secretary				
<b>E. Aggregate For The Above Named CEO &amp; Officers</b>	<b>2020 Estim.</b>	0	0	0
	<b>2019</b>	0	0	0
	<b>2018</b>			
<b>F. Aggregate For The Officers And Directors As A Group</b>	<b>2020 Estim.</b>	0	0	0
	<b>2019</b>	0	0	0
	<b>2018</b>	0.00	0.00	0.00

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

On November 9, 2019, the Board approved the grant of Php 4,400,000 to two management personnel in connection with the processing of the Company's secondary license.

The Company has no registered, non-contributory retirement plan.

The Company has no existing options, warrants or rights to purchase any securities.

**(C) Security Ownership of Certain Record and Beneficial Owners**

- (1) The persons known to the registrant to be directly or indirectly the record or beneficial owner of more than 5% of the registrant's voting securities as of 31 May 2020, are as follows:

<b>Title of Class</b>	<i>Name, Address of record owner and Relationship with Issuer</i>	<b>Name of Beneficial Owner and Relationship with Record Owner</b>	<b>Citizenship</b>	<b>No. of Shares Held</b>	<b>Percent</b>
Common Founder	Marilyn R. Enriquez	Amado Manuel C. Enriquez, Jr. / Husband, Father	Filipino	Founder – 90 Common – 22,410 Total – 22,500	13.19%
Common Founder	Michael Edward R. Enriquez				
Common Founder	Miguel Antonio R. Enriquez				
Common Founder	Edna R. Molon	Nicolas S. Molon / Husband, Father, Brother-in-Law	Filipino	Founder – 50 Common – 12,450 Total – 12,500	7.32%
Common Founder	Jan Noel R. Molon				
Common Founder	Myla Noreen R. Molon				
Common Founder	Flordelis M. Nasol				

- (2) Security Ownership of Directors and Management as of 31 May 2020:

<b>(1) Title of Class</b>	<b>(2) Name of Beneficial Owner</b>	<b>Position</b>	<b>(3) Amount and Nature of Beneficial Ownership</b>	<b>(4) Citizenship</b>	<b>(5) Percentage (%) of Class</b>
	<b>Board of Directors:</b>				
Common Founder	Amado Manuel C. Enriquez, Jr.	Director	Direct – 15,000 Founder – 60 Common – 14,940  Indirect – 7,500 Founder – 30 Common – 7,470	Filipino	13.19%
Common Founder	Geanie Cerna-Lopez	Director	Direct – 2,500 Founder – 10 Common – 2,490  Indirect – 2,500 Founder – 10 Common – 2,490	Filipino	2.93%
Common Founder	Luisito R. Co	Director	Direct – 2,500 Founder – 10 Common – 2,490	Filipino	1.46%
Common Founder	Roland Mark M. Gigataras	Director	Direct – 2,500 Founder – 10 Common – 2,490	Filipino	1.46%
Common Founder	Velma T. Chan	Director	Direct – 5,006 Founder – 20 Common – 4,986	Filipino	2.93%
Common Founder	Julio L. Gonzalez	Director	Direct – 2,500 Founder – 10 Common – 2,490	Filipino	1.46%

Common Founder	Wyben R. Briones	Director	Direct – 2,000 Founder -10 Common-1,990  Indirect – 500 Common - 500	Filipino	1.46%
Common Founder	Floram C. Limotlimot	Director	Direct – 2,500 Founder – 10 Common – 2,490  Indirect – 2,500 Founder – 10 Common – 2,490	Filipino	2.93%
Common Founder	Joy C. Luna	Director	Direct – 2,500 Founder – 10 Common – 2,490  Indirect – 5,000	Filipino	4.40%
Common Founder	Nicolas S. Molon	Director	Direct – 2,500 Founder – 10 Common – 2,490  Indirect -10,000 Founder – 40 Common-9,960	Filipino	7.32%
Common Founder	Roberto M. De Leon	Director	Direct – 2,500 Founder – 10 Common – 2,490  Indirect – 2,500 Founder – 10 Common – 2,490	Filipino	2.93%
Common Founder	Felix P. Nolasco	Director	Direct – 2,500 Founder – 10 Common – 2,490  Indirect – 2,500 Founder – 10 Common –2,490	Filipino	2.93%
Common Founder	Evangeline Y. Zozobrado	Director	Direct – 2,500 Founder – 10 Common – 2,490  Indirect – 5,000 Founder – 20 Common-4,980	Filipino	4.40%
Common Founder	Neonita C. Antigua	Director	Direct – 1,200 Founder – 10 Common-1,190  Indirect – 1,300 Common-1,300	Filipino	1.46%
Common Founder	John M. Mata	Director	Direct – 2,500 Founder – 10 Common – 2,490	Filipino	1.46%
<b>Total for Directors</b>			<b>90,006</b>		<b>52.76%</b>

<b>Executive Officers:</b>					
Common Founder	Cerna-Lopez, Geanie	President	Direct – 2,500 Founder – 10 Common – 2,490  Indirect – 2,500 Founder – 10 Common – 2,490	Filipino	2.93%
Common Founder	Floram C. Limotlimot	Treasurer	Direct – 2,500 Founder – 10 Common – 2,490  Indirect – 2,500 Founder – 10 Common – 2,490	Filipino	2.93%
Common Founder	Velma T. Chan	Secretary	Direct – 5,006 Founder – 20 Common – 4,986	Filipino	2.93%
<b>Total for Officers</b>			<b>15,006</b>		<b>8.80%</b>
	<b>Directors and Exec. Officers as a Group</b>		<b>90,006</b>		<b>52.76%</b>

(3) The following directors and management own directly or indirectly 2.0% or more of the outstanding capital stock of the Company:

- Amado Manuel C. Enriquez Jr.,
- Geanie Cerna Lopez
- Velma T. Chan
- Floram C. Limotlimot
- Joy C. Luna
- Nicolas S. Molon
- Roberto m. de Leon
- Felix P. Nolasco
- Evangeline Y. Zozobrado

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

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

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

#### **(D) Certain Relationships and Related Transactions**

The Company has no transactions with related parties as of December 31, 2019.

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

## **PART V – CORPORATE GOVERNANCE**

The Company adheres to the principles of good governance as provided in its Manual on Corporate Governance (MCG); the directors, officers and employees are guided by the Company's mission and vision as well as the principles under the Company's MCG.

The Board created the following committees: Nominations Committee, Audit Committee and Compensation and Remuneration Committee.

There were no major deviations from the adopted Manual on Corporate Governance.



**PART VI - EXHIBITS AND SCHEDULES**

## (a) Exhibit

\* 2019 Audited Financial Statements

## (b) Reports on SEC Form 17-C

<b>DATE</b>	<b>EVENT REPORTED</b>
March 14, 2019	Approval on the changes in the Plan of Distribution of ACE Medical Center – Cebu, Inc.
April 14, 2019	Election of Board of Directors and Officers 2019-2020
	Approval on the change the official address of Allied Care Experts (ACE) Medical Center – Cebu Inc from “92-C East Capitol Road, Cebu City, Philippines 6000” to “982 N. BACALSO AVENUE, BRGY. BASAK, PARDO, CEBU CITY, PHILIPPINES 6000”.
June 30, 2019	Declaration for commencement of business
September 14, 2019	Approval on the resignation of Atty. Joseph Baduel as Compliance Officer effective June 30, 2019
	Appointment of Atty. Rosalina Tividad-Tesorio as the new Compliance Officer
	Creation of Audit Committee and Compensation Committee, and appointment of its Members.

## SIGNATURES

Pursuant to the requirements of Section 17 of the Securities Regulation Code and Section 141 of the Corporate Code of the Philippines, this amended annual report has been signed on behalf of the issuer, by the following persons in the capacities and on the dates indicated.



**GEANIE CERNA-LOPEZ**  
President



**VELMA T. CHAN**  
Corporate Secretary



**FLORAM C. LIMOTLIMOT**  
Treasurer

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Chief Finance Officer/Accounting Manager

**SUBSCRIBED AND SWORN** to before me this \_\_\_<sup>th</sup> day of June 2020, affiants exhibiting to me their Tax Identification Number (TIN)/Social Security System (SSS) ID Nos., as follows:

<b>AFFIANTS</b>	<b>TIN/SSS Nos.</b>
Geanie Cerna-Lopez	
Floram C. Limotlimot	
Velma T. Chan	PRC # 0082300

**NOTARY PUBLIC**

Doc. No. \_\_\_\_\_  
Page No. \_\_\_\_\_  
Book No. \_\_\_\_\_  
Series of 2020. \_\_\_\_\_

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

**Allied Care Experts (ACE) Medical Center-Cebu Inc.  
982 N. Bacalso Avenue, Basak Pardo, Cebu City  
Attention: The Corporate Secretary**

# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C	S	2	0	1	4	2	1	6	7	5
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Company Name

A	L	L	I	E	D		C	A	R	E		E	X	P	E	R	T	S		(	A	C	E	)					
M	E	D	I	C	A	L		C	E	N	T	E	R		-		C	E	B	U	,		I	N	C	.			

Principal Office ( No./Street/Barangay/City/Town)Province)

N	.		B	A	C	A	L	S	O		A	V	E	N	U	E													
B	A	S	A	K	,		P	A	R	D	O	,		C	E	B	U		C	I	T	Y		6	0	0	0		

Form Type

A	A	F	S
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Department requiring the report

S	E	C	
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Secondary License Type, If Applicable

M	S	R	D
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## COMPANY INFORMATION

Company's Email Address

n/a
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Company's Telephone Number/s

(034) 349-2704
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Mobile Number

N/A
-----

No. of Stockholders

1703
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Annual Meeting  
Month/Day

2nd Sunday of April
---------------------

Fiscal Year  
Month/Day

December/31
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## CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Floram C. Limotlimot
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Email Address

<a href="mailto:florlims451@gmail.com">florlims451@gmail.com</a>
--

Telephone Number/s

(034) 349-2704
----------------

Mobile Number

09173260073
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Contact Person's Address

N. Bacalso Avenue, Basak Pardo, Cebu City 6000
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**Note 1 :** In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

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





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

The Management of **ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – CEBU, INC.** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended **December 31, 2019**. Management is likewise responsible for all information and representations contained in the financial statements accompanying the **Annual Income Tax Return** covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended **December 31, 2019** and the accompanying Annual Income Tax Return are in accordance with the books and records of **ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – CEBU, INC.** complete and correct in all material respects. Management likewise affirms that:

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

  
**AMADO MANUEL C. ENRIQUEZ JR., MD**  
Chairman of the Board

  
**GEANIE CERNA LOPEZ, MD**  
President/CEO

  
**MS. FLORAM C. LIMOTLIMOT**  
Treasurer/Chief Finance Officer

Signed this 13<sup>th</sup> of June, 2020.



## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

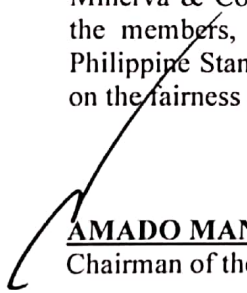
The management of **ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – CEBU, INC.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Minerva & Company, Certified Public Accountants, the independent auditors appointed by the members, has audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the members, has expressed its opinion on the fairness of presentation upon completion of such audit.

  
**AMADO MANUEL C. ENRIQUEZ JR., MD**  
Chairman of the Board

  
**GEANIE CERNA LOPEZ, MD**  
President/CEO

  
**MS. FLORAM C. LIMOTLIMOT**  
Treasurer/Chief Finance Officer

Signed this 13<sup>th</sup> day of June, 2020

## INDEPENDENT AUDITORS' REPORT

### THE BOARD OF DIRECTORS AND STOCKHOLDERS

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

N. Bacalso Avenue, Basak, Pardo  
Cebu City 6000

#### *Opinion*

We have audited the financial statements of Allied Care Experts (ACE) Medical Center – Cebu, Inc. (the “Company”), which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of comprehensive income, statements of changes in stockholders’ equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with the Philippine Financial Reporting Standards (PFRSs).

#### *Basis for Opinion*

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

#### *Emphasis of Matter*

Without modifying our opinion, we draw attention to Note 15 to the financial statements, wherein the Company repurchased from six (6) shareholders a total of sixty-three (63) of its common shares from its issued and outstanding common capital stock during the year at a total cost of Php1.30million. These were reported as treasury shares in the statement of changes in stockholder’s equity, however, there were no appropriations of retained earnings made on these shares as the Company is still at an accumulated deficit position. The Company received an Order from Securities and Exchange Commission (SEC) directing the Company to return the value of investment to shareholders who opted to withdraw and who were part of the one thousand five hundred thirty-three (1,533) shareholders in the initial list submitted to SEC in October 2017. The six (6) shareholders who withdrew their investments were part of the 1,533 shareholders.

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Valuation of Construction in Progress account

The Company being in its pre-operating stages, transactions pertaining to the construction of the medical facility accounted for most of the Company’s transactions during the year. These transactions had the foremost effect on the account balances of the Company such as cash and cash equivalents, property and equipment, advances to contractors, retention payable, borrowing costs, and other expenses. As at December 31, 2019, the Company’s “Construction in Progress” for its medical facility (hospital) amounted to Php840.68 million. This accounted for sixty-six (66%) of the Company’s total assets. Given the major effect on the account balances of these construction-related transactions, we considered this area to be a key audit matter with our focus being on the proper valuation of the Construction-in-Progress account and correctness of the charges to this account. Details as to the movements of this account are disclosed under Note 8 to the financial statements.

### *Audit Response*

We obtained and reviewed relevant documents supporting the valuation of the Company's "Construction in Progress". We confirmed the purchases made by vouching the Company's files for check vouchers. We reviewed the contracts entered into by the Company with their contractors and ensured that the terms and conditions indicated therein were observed by the involved parties. For cross-referencing purposes on the remaining contract price to be paid to the contractors, we obtained the subsidiary ledgers for each contractor maintained by the Company. Also, physical inspection of the medical facility (hospital) was made available by the Company.

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

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

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

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

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

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

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

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

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



*Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties and license fees in Note 23 to the financial statements is presented for the purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statement. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**MINERVA & COMPANY, CPAs**

PRC/BOA Reg. Cert. No. 4870 – Valid until 10.08.2022

SEC Accred. No. PA-A-172-F – Valid until 06.30.2020

BSP Accredited (MB Approved) – Valid until 11.26.2020

BIR Accred. No. 13-011018-002-2019 – Valid until 11.18.2022

NEA Accred. No. 2019-07 -00062 – Valid until 07.21.2022

CDA CEA No. 0068-AF – Valid until 10.16.2020



**ELMER P. MINERVA**

CPA Board Cert. No. 82086

PTR No. 1590890 dated 01.10.2020

T.I.N. 130-291-145

SEC Accred. No. PA-A-875-A – Valid until 06.30.2020

BSP Accredited (MB Approved) – Valid until 11.26.2020

BIR Accred. No. 13-021018-002-2019 – Valid until 11.07.2022

June 15, 2020

Cebu City, Philippines

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

**STATEMENTS OF FINANCIAL POSITION**

As at December 31, 2019 and 2018  
(Amounts Expressed in Philippine Pesos)

		2019		2018
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents (Notes 2,5,20)	PHP	111,632,559	PHP	115,395,192
Subscription receivable (Notes 2,6)		22,135,667		5,930,000
Prepayments and other current assets (Notes 2,7)		70,877,851		108,749,970
		204,646,077		230,075,162
NON-CURRENT ASSETS				
Property and equipment, net (Notes 2,3,8)		1,052,297,409		764,204,289
Deferred tax assets (Notes 2,18)		17,997,763		10,841,966
		1,070,295,172		775,046,255
TOTAL ASSETS	PHP	1,274,941,249	PHP	1,005,121,417
LIABILITIES AND STOCKHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable and other current liabilities (Notes 2,11,20)	PHP	59,483,717	PHP	4,101,185
Income tax payable (Notes 2,18)		2,073		-
Current portion of long-term debts (Notes 2,4,10,20)		26,702,733		4,462,366
Due to contractors (Notes 2,9,20)		63,243,983		39,673,017
		149,432,506		48,236,568
NON-CURRENT LIABILITIES				
Long-tem debts, net of current portion (Notes 2,4,10,20)		665,511,959		497,970,798
Advances from related parties (Notes 2,4,19,20)		-		9,503,555
		665,511,959		507,474,353
STOCKHOLDERS' EQUITY		459,996,784		449,410,496
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	PHP	1,274,941,249	PHP	1,005,121,417

(See accompanying Notes to Financial Statements)

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

**STATEMENTS OF COMPREHENSIVE INCOME**  
For the Years Ended December 31, 2019 and 2018  
(Amounts Expressed in Philippine Pesos)

	<b>2019</b>		<b>2018</b>	
<b>REVENUE</b>	PHP	-	PHP	-
<b>DIRECT COSTS</b>		-		-
<b>GROSS PROFIT</b>		-		-
<b>OTHER INCOME</b> <i>(Notes 2,16)</i>		1,098,490		1,221,021
<b>TOTAL INCOME</b>		1,098,490		1,221,021
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b> <i>(Notes 2,17)</i>		(21,439,698)		(22,841,164)
<b>FINANCE COST</b> <i>(Note 10)</i>		(11,442,228)		-
<b>NET LOSS BEFORE TAX</b>		(31,783,436)		(21,620,143)
<b>INCOME TAX BENEFIT</b> <i>(Notes 2,18)</i>		7,153,724		6,767,849
<b>NET LOSS</b>		(24,629,712)		(14,852,294)
<b>OTHER COMPREHENSIVE INCOME</b>		-		-
<b>TOTAL COMPREHENSIVE LOSS</b>	PHP	(24,629,712)	PHP	(14,852,294)

(See accompanying Notes to Financial Statements)

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

**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

For the Years Ended December 31, 2019 and 2018

(Amounts Expressed in Philippine Pesos)

	<b>2019</b>	<b>2018</b>
<b>CAPITAL STOCK</b> <i>(Notes 2,12)</i>		
Authorized capital stock - 240,000 shares at Php1,000 par value		
Balance at beginning of year	PHP 165,950,000	PHP 150,000,000
Additional fully paid-up shares issued during the year	1,489,000	15,950,000
Balance at end of year	167,439,000	165,950,000
<b>TREASURY SHARES, at cost</b> <i>(Notes 2,15)</i>	(1,303,000)	-
<b>SUBSCRIBED CAPITAL STOCK</b> <i>(Notes 2,13)</i>	2,970,000	710,000
<b>SHARE PREMIUM</b> <i>(Notes 2,14)</i>	354,710,000	321,940,000
<b>ACCUMULATED DEFICIT</b>		
Balance, beginning of year	(39,189,504)	(23,741,359)
Expired deferred tax asset <i>(Notes 18,21)</i>	-	(595,851)
Net loss	(24,629,712)	(14,852,294)
Balance, end of year	(63,819,216)	(39,189,504)
<b>STOCKHOLDERS' EQUITY</b>	PHP 459,996,784	PHP 449,410,496

(See accompanying Notes to Financial Statements)

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

**STATEMENTS OF CASH FLOWS**

For the Years Ended December 31, 2019 and 2018  
(Amounts Expressed in Philippine Pesos)

	<b>2019</b>	<b>2018</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss before tax	PHP (31,783,436)	PHP (21,620,143)
Adjustments for non-cash transactions:		
Interest expense	11,442,228	-
Interest income ( <i>Notes 5,8,16</i> )	(3,007,234)	(1,202,355)
Unrealized foreign exchange loss (gain)	13,706	(18,666)
Depreciation ( <i>Notes 8,17</i> )	299,969	242,990
Operating loss before working capital changes	(23,034,767)	(22,598,174)
Decrease (increase) in:		
Prepayments and other current assets	37,872,119	(20,569,977)
Increase (decrease) in:		
Accounts payable and other current liabilities	54,302,395	(17,095,251)
Due to contractors	23,570,966	4,392,106
Cash generated by operations	92,710,713	(55,871,296)
Interest income received	3,007,234	1,202,355
Net cash generated from (used in) operating activities	95,717,947	(54,668,941)
<b>CASH FLOW FROM INVESTING ACTIVITY</b>		
Acquisition of property and equipment ( <i>Note 8</i> )	(263,109,378)	(193,655,695)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from bank loans	195,000,000	260,000,000
Payment of bank loans	(4,462,366)	-
Interest paid	(36,401,908)	(22,981,644)
Proceeds from subscription of shares	20,313,333	54,994,372
Purchase of treasury shares	(1,303,000)	-
Proceeds from (payment of) advances from related parties	(9,503,555)	8,347,400
Net cash generated from financing activities	163,642,504	300,360,128
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(3,748,927)	52,035,492
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	(13,706)	18,666
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	115,395,192	63,341,034
<b>CASH AND CASH EQUIVALENTS, end of year</b>	PHP 111,632,559	PHP 115,395,192

(See accompanying Notes to Financial Statements)

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

### **NOTES TO FINANCIAL STATEMENTS**

As at and for the Year Ended December 31, 2019

(With Comparative Figures for 2018)

(Amounts Expressed in Philippine Pesos)

#### **1. Corporate Information**

Allied Care Experts (ACE) Medical Center – Cebu, Inc. (the “Company”) was organized and incorporated under the Philippine laws and registered with the Securities and Exchange Commission (SEC) on November 7, 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 business such as but without restriction to clinical laboratories, diagnostic centers, ambulatory clinic, 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 licenses physicians or surgeons who may or who may not be connected with the hospitals and whose services shall be freely and individually contracted by the patients.

The registered office address of the Company is at N. Bacalso Avenue, Basak Pardo, Cebu City.

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

The financial statements of the Company as at and for the year ended December 31, 2019 were authorized for issue by the Board of Directors (BOD) on June 13, 2020. The BOD is empowered to make revisions even after the date of issue.

#### **Commercial Operations**

In view of the COVID outbreak, the Company has moved its target date of start of commercial operations to the last quarter of 2020. It is now on the final stage of its construction of the medical facility (hospital). The hospital building includes leasable clinical facilities for medical and dental practitioners, who are shareholders of the Company.

#### **2. Summaries of Significant Accounting Policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated.

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

The accompanying financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). PFRSs are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board (IASB).

## 2.2 Basis of Preparation

The financial statements of the Company have been prepared under historical cost basis except for financial assets and liabilities at fair value through profit or loss (FVTPL) and financial assets and liabilities at fair value through other comprehensive income (FVOCI). The financial statements are presented in Philippine pesos, which is the Company's functional currency. All amounts are rounded to the nearest Philippine peso, except when otherwise indicated. Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

The accompanying financial statements have been prepared on a going concern basis, which contemplate the realization of assets and settlement of liabilities in the normal course of business.

## 2.3 Changes in Accounting Policies

The accounting policies adopted in the preparation of financial statements are consistent with those of the previous financial year except with respect to the adoption of the following new and amended standards and Philippine Interpretations which became effective on or after January 1, 2019. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. Unless otherwise indicated, these new and revised accounting standards have no impact to the Company.

- PFRS 16 supersedes Philippine Accounting Standard (PAS) 17, *Leases*, Philippine Interpretation IFRIC-4, *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

Lessor accounting under PFRS 16 is substantially unchanged from the prescribed accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two (2) types of leases: operating and finance leases. PFRS 16 requires lessees and lessors to make more extensive disclosures than under PAS 17.

The adoption of PFRS 16 has had no impact on the Company as the Company did not enter into any lease contracts during the year.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatment*

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12, *Income Taxes*. It does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The entity is required to determine whether to consider each certain tax treatments separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Based on the Company's assessment, it has no material uncertain tax treatments, accordingly, the adoption of this Interpretation has no significant impact on the financial statements

- Amendments to PFRS 9: *Prepayment Features with Negative Compensation*

Under PFRS 9, a debt instrument can be measured at amortized cost or at FVOCI, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments had no impact on the financial statements of the Company.

- Amendments to PAS 19: *Plan Amendment, Curtailment or Settlement*

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

These amendments had no impact on the financial statements of the Company.



- Amendments to PAS 28: *Long-term interests in associates and joint ventures*

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

These amendments have had no impact on the financial statements as the Company's practice is already in line with the amendment.

- Annual Improvements to PFRSs 2015-2017 Cycle

- Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

These amendments have had no impact on the financial statements of the Company as there is no transaction where control is obtained.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognized those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

These amendments had no impact on the financial statements of the Company because no financial instruments classified as equity.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

Since the Company's current practice is in line with these amendments, it had no impact on the financial statements of the Company.

## 2.4 Future Accounting Changes

The Financial Reporting Standards Council (FRSC) has adopted the following amendments and interpretations to current Philippine Financial Reporting Standards (PFRS) which is set to be effective after 2019. The Company will adopt these amendments in PFRSs when these become effective. Except as otherwise indicated, the Company does not expect the adoption of these new and amended PFRSs to have significant impact on its financial statements.

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

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

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Company.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

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

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

- Adoption of PFRS 17, *Insurance Contracts*

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

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

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

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.

PFRS 17 is not applicable to the Company since it is not engaged in providing insurance nor issuing insurance contracts.

## 2.5 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of an entity and a financial liability or equity instrument of another entity.

### *Date of Recognition*

The Company recognizes a financial asset or a financial liability in the financial position when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

## 2.6 Financial Assets

### *Initial Recognition and Measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and FVTPL.

The classification at initial recognition depends on the contractual cash flow characteristics of financial assets and the Company's business model for managing them. The initial measurement of financial assets, except for those classified as FVTPL, includes the transaction cost. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are SPPI on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

### *Subsequent Measurement*

For purposes of subsequent measurement, financial assets are classified in four (4) categories:

- Financial assets at amortized cost (debt instrument);
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instrument);
- Financial assets at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at FVTPL

The Company measures financial assets at amortized cost if both of the following conditions are met:

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

Financial assets at amortized cost are subsequently measured using effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Financial assets at amortized cost are classified as current assets when the Company expects to realize the asset within 12 months from reporting date. Otherwise, these are classified as noncurrent assets.

The Company's financial assets at amortized cost consist of cash in bank (*see Note 5*).

The Company has no financial assets at FVOCI (debt and equity instruments) and financial assets at FVTPL as at December 31, 2019 and 2018.

### 2.7 Impairment of Financial Assets

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

ECLs are recognized in 2 stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company establishes 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.

The Company considers a financial asset in default when contractual payments are 360 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

As at December 31, 2019 and 2018, the Company has not recognized any impairment on its financial assets.

## 2.8 Financial Liabilities

### *Initial Recognition and Measurement*

Financial liabilities are measured at amortized cost, except for the following:

- Financial liabilities measured at FVTPL;
- Financial liabilities that arise when a transfer of a financial assets does not qualify for derecognition or when the Company retains continuing involvement;
- Financial guarantee contracts;
- Commitments to provide a loan at a below market interest rate; and
- Contingent consideration recognized by an acquirer in accordance with PFRS 3

### *Subsequent Measurement*

A financial liability may be designated at FVTPL if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch):

- If a host contract contains 1 or more embedded derivatives; or
- If a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at FVTPL, the movement in fair value attributable to changes in the Company's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in OCI.

The Company's financial liabilities measured at amortized cost include accounts and other current liabilities excluding withholding tax payable and statutory contributions payable, long-term debts, due to contractors and advances from related parties (see Notes 9, 10, 11, and 19).

The Company has no financial liabilities at FVTPL and derivatives designated as hedging instruments in an effective hedge.

## 2.9 Derecognition of Financial Asset and Liability

### *Financial Asset*

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

- a) the contractual rights to the cash flows from the financial asset expire; or
- b) the Company transfer the contractual rights to receive cash flows of the financial asset in a transaction in which it either:
  - i. transfers substantially all the risks and rewards of ownership of the financial asset; or
  - ii. the Company neither transfers nor retains substantially all risks and rewards of ownership of the financial asset and the Company has not retained control.

When the Company retains the contractual rights to receive the cash flows of a financial asset but assumes a contractual obligation to pay those cash flows to 1 or more entities, the Company treats the transaction as a transfer of a financial asset if the Company:

- Has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset;
- Is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and
- Has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay.

Where the Company has transferred its rights to receive cash flows from an asset or has entered in to pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

#### *Financial Liability*

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. Where 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 profit or loss.

#### 2.10 Classification of Financial Instruments Between Liability and Equity

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

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

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability. The components of issued financial instruments that contain both liability and equity elements are deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

#### *Modification of contractual cash flows*

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial assets as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (of credit-adjusted EIR for purchased or original credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

## 2.11 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the financial position 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. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

## 2.12 "Day 1" Difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss unless it qualifies for recognition as some other type of asset.

In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

## 2.13 Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured and disclosed in the financial statements are categorized within the fair value hierarchy.

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

Fair value measurements disclosures are presented in Note 20 to the financial statements.

#### 2.14 Subscription receivable

Subscription receivable represents the amounts not yet paid by the stockholders from their initially subscribed shares.

#### 2.15 Prepayments and Other Current Assets

Prepayments and other current assets are primarily comprised of advances to contractors, advances to suppliers, input VAT, prepaid withholding tax and others. Prepayments and other current assets that are expected to be realized for no more than 12 months after the balance sheet date are classified as current assets; otherwise, these are classified as other noncurrent assets. These are recorded as assets and expensed when utilized or expired.

#### 2.16 Property and equipment

Property and equipment are measured initially at its cost. Property and equipment, after initial recognition are carried at its cost less any accumulated depreciation and any accumulated impairment losses. Land is carried at cost and is not depreciated.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Management.



Directly attributable costs can include the (1) costs of employee benefits (as defined in PAS 19, Employee Benefits) arising directly from the construction or acquisition of the item of property and equipment; (2) cost of site preparation; (3) initial delivery and handling; (4) installation and assembly; (5) costs of testing whether the asset is functioning properly, after deducting the net proceeds from selling any items produced while bringing the asset to that location and condition; and (6) professional fees.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

If there is an indication that there has been a significant change since the last annual reporting date in the pattern by which an entity expects to consume an asset's future economic benefits, the entity shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect the new pattern. The entity shall account for the change as a change in an accounting estimate.

Factors such as a change in how an asset is used, significant unexpected wear and tear, technological advancement, and changes in market prices may indicate that the residual value or useful life of an asset has changed since the most recent annual reporting date. If such indicators are present, an entity shall review its previous estimates and, if current expectations differ, amend the residual value, depreciation method or useful life. The entity shall account for the change in residual value, depreciation method or useful life as a change in an accounting estimate.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from the derecognition of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss when the item is derecognized, such gain is not recognized as revenue.

Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

## 2.17 Impairment of Non-financial Assets

The Company's property and equipment are subject to impairment testing. All other individual assets are tested for impairment only whenever events or changes in circumstances indicate that the carrying amount may not be fully recoverable.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less cost to sell, and value in use, based on an internal evaluation of discounted cash flow. Impairment loss is charged pro-rata to other assets in the cash-generating unit.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of impairment loss.

## 2.18 Stockholders' Equity

Total equity comprises of capital stock, subscribed capital stock, share premium, treasury shares, retained earnings (deficit) and other comprehensive income.

### *Capital stock*

Capital stock is the amount of authorized shares that were subscribed and paid up by the stockholders.

It is measured at par value of all the shares issued.

When shares are sold at a premium, the difference between the proceeds and par value is credited to share premium account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settle the liability of the Company, the shares shall be measured either at fair value of the shares issued or fair value of the liability settled, whichever is more reliably determined.

Direct costs incurred related to equity issuance are debited to share premium. If additional paid-in capital is not sufficient, the excess is charged against an equity reserve account.

### *Subscribed capital stock*

Subscribed capital stock is the total capital stock subscribed by stockholders which are payable over a period of time.

### *Share premium*

Share premium pertains to the total excess amount of market value over the par value of one (1) share.

### *Retained earnings (deficit)*

Retained earnings (deficit) include all current and prior period results of operations as disclosed in the statement of comprehensive income.

### *Treasury shares*

Treasury shares represent issued Company shares which were subsequently repurchased. These are recorded at cost and shown in the statements of financial position as a deduction from equity. Any difference between the carrying amount and the consideration, if reissued, is recognized as share premium.

## 2.19 Provisions, Contingent Assets and Contingent Liabilities

### *Provisions*

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When the time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

#### *Contingent assets*

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote or the amount to be provided for cannot be measured reliably, no liability is recognized in the financial statements. Similarly, possible inflows of economic benefits to the company that do not yet meet the recognition criteria of an asset are considered contingent asset, hence, are not recognized in the financial statements since this may result in the recognition of income that may never be realized. These are disclosed where an inflow of economic benefits is probable. On the other hand, any reimbursement that the Company can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

#### *Contingent liabilities*

Contingent liabilities are not recognized because their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. These are disclosed, unless the possibility of an outflow of resources embodying benefits is remote.

## 2.20 Revenue Recognition

The Company recognizes revenue from mainly from office leases, patient services, and sale of pharmaceutical products.

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control of a product or service to a customer. The following specific recognition criteria must also be met before revenue is recognized.

#### *Revenue from patient services*

Revenue from patient services is recognized when services are rendered. Transaction price of revenue from patient services, which excludes discounts, returns, rebates and sales taxes, is normally received over time. Revenue is recognized based on the state of completion of the contract. The Management have assessed that the stage of completion determined as the proportion of the total time expected to render the service that has elapsed at the end of the reporting period is an appropriate measure of progress towards complete satisfaction of the performance obligation. Payment for such services is not due from the customer until the services are complete.

#### *Sale of pharmaceutical products*

Revenue from sale of pharmaceutical products is recognized when medicines are charged to patients. The amount of transaction price allocated to the goods sold are recognized when control over the goods has passed to the customer, which happens at the time of sale. The amount of transaction price allocated to the points issued is deferred and recognized as revenue when the points are redeemed or have expired, whichever comes earlier.

Revenues outside the scope of PFRS 15:

*Interest income*

Interest income is recognized as the interest accrues using the EIR method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

*Other income*

Other income is recognized when there are incidental economic benefits, other than the usual business operations, that will flow to the Company and can be measured reliably.

## 2.21 Expense Recognition

Costs and expenses are recognized in the statement of comprehensive income when a decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in the statement of comprehensive income: on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the reporting period as an asset.

Expenses in the statement of comprehensive income are presented using the function of expense method. Direct costs are expenses incurred that are associated with the company's revenues which include operations and maintenance and depreciation of fixed assets. Operating expenses are costs attributable to general and administrative activities and finance costs incurred by the Company.

## 2.22 Foreign Currency-denominated Transactions

The financial statements are presented in Philippine Peso which is the Company's functional and presentation currency. Transactions in foreign currency are initially recorded at the exchange rate at the date of transaction. Outstanding foreign currency-denominated monetary assets and liabilities are translated using the applicable exchange rate at balance sheet date. Exchange differences arising from translation of foreign currency monetary items at rates different from those at which they were originally recorded are recognized in profit or loss.

## 2.23 Borrowing Costs

Borrowing costs are recognized as expense in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset and borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

## 2.24 Income Taxes

Income tax expense is composed of current and deferred tax. Income tax expense is recognized in profit or loss, except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case it is recognized in equity or other comprehensive income.

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

Deferred income tax liabilities, if any, are recognized for all taxable temporary differences. Deferred income tax assets are recognized for all deductible temporary differences and carry forward benefits of unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and carry forward of NOLCO can be utilized.

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

Deferred tax asset and liabilities, if any, are measured at the tax rates expected in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax relating to items not recognized in profit or loss are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

## 2.25 Employee Benefits

Employee benefits are all forms of consideration given by the Company in exchange for services rendered by employees, including directors and Management. Employee benefits have four types as follows:

### *Short-term Benefits*

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Company to its employees include salaries and wages, social security contributions, short-term compensated absences, bonuses and other non-monetary benefits, if any.

### *Termination Benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either; terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting date are discounted to present value.

### *Post-employment Benefits*

The Company will provide all mandated post-employment benefits to entitled employees equivalent to the provision mandated by law.

As at December 31, 2019 and 2018, the Company did not recognize retirement liability and retirement benefit expense as these are not yet material to the Company.

## 2.26 Related Party Disclosures

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (1) individual owning, directly or indirectly through one or more intermediaries, control, or are controlled by, or under common control with, the company; (2) associates; and (3) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the company and close members of the family of any such individual.

The key Management personnel of the company and post-employment benefit plans for the benefit of Company's employees, if any, are also considered to be related parties. However, during the years presented, the Company did not recognize any key Management personnel compensation.

## 2.27 Events after the Reporting Period

Events after the reporting period include all events up to the date when the financial statements are authorized for issue. Events that provide evidence of conditions that existed at the statement of financial position date (adjusting events) are recognized by the Company in its financial statements. Events that are indicative of conditions that arose after statement of financial position date (non-adjusting events) are disclosed in the notes to financial statements when material.

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

The Company's financial statements prepared in accordance with Philippine Financial Reporting Standards require Management to make judgments and estimates that affect amounts reported in the financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under circumstances. Actual results may ultimately differ from these estimates.

### 3.1 Critical Management Judgments in Applying Accounting Policies

In the process of applying the Company's accounting policies apart from those involving estimation, which have the most significant effect on the amounts reported in the financial statements and accompanying notes. Management has made the following judgments based on its evaluation of relevant facts and circumstances as at the date of the Company's financial statements:

#### *Determination of Functional Currency*

PAS 21 requires Management to use its judgment to determine the Company's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events, and conditions that are relevant to the entity.

In making this judgment, the Company considers the following:

- the currency that mainly influences prices for financial instruments and services (this will often be the currency in which prices for its financial instruments and services are denominated and settled);
- the currency in which funds from financing activities are generated; and
- the currency in which receipts from operating activities are usually retained.

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency is determined to be the Philippine Peso (Php). It is the currency of the primary economic environment in which the Company operates.

### 3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of reporting period, that have significant risks of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

#### *Estimating Useful Lives of Property and Equipment*

The Company estimates the useful lives of its property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. If there is an indication that there has been a significant change since the last annual reporting date in the pattern by which Company expects to consume an asset's future economic benefits, it shall review its present depreciation method and, if current expectations differ, change the depreciation method to reflect new pattern. The Company shall account for the change as a change in an accounting estimate.

Factors such as a change in how an asset is used, significant unexpected wear and tear, technological advancement, and changes in market prices may indicate that the residual value or useful life of an asset has changed since the most recent annual reporting date. If such indicators are present, an entity shall review its previous estimates and, if current expectations differ, amend the residual value, depreciation method or useful life. The entity shall account for the change in residual value, depreciation method or useful life as a change in an accounting estimate.

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

Transportation equipment	5 - 10 years
Office furniture and fixtures	5 years

Based on Management's assessment as at December 31, 2019, there is no change in estimated useful life of property and equipment during the year. Actual results, however, may vary due to changes in estimates brought about by changes in factors mentioned above.

As at December 31, 2019 and 2018, the carrying amount of property and equipment amounted to Php1,052.30 million and Php764.20 million, respectively (*see Note 8*).

#### *Estimating Impairment of Non-financial Assets*

The Company assesses whether there are any indicators of impairment for all non-financial assets, other than goodwill, at each balance sheet date. These non-financial assets (right-of-use assets, property and equipment, investment properties, and intangible assets) are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

The factors that the Company considers important which would trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

The preparation of the estimated future cash flows involves significant judgments and estimates. While the Company believes that the assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future impairment charges.

As at the end of the reporting period, based on the assessment of the Company, there are no indications of impairment of its non-financial assets.

#### **4. Financial Risk Management Objectives and Policies**

##### **4.1 Objectives and Policies**

The main purpose of the Company's principal financial instruments is to fund its operational and capital expenditures. The Company's risk Management is coordinated and in close cooperation 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 activities expose it to a variety of financial risks: credit risk, interest rate sensitivity risk and liquidity risk. The Company's overall risk Management program seeks to minimize potential adverse effects on the financial performance of the Company. The policies for managing specific risks are summarized below.

##### **4.2 Capital Management**

###### *Governance Framework*

The Company has established a risk Management function with clear terms of reference and with the responsibility for developing policies on market, credit, liquidity and operational risk. It also supports the effective implementation of policies.

The policies define the Company's identification of risk and its interpretation, limit structure to ensure the appropriate quality and diversification of assets to the corporate goals and specify reporting requirements.

###### *Capital Management Framework*

The Company's capital Management objectives are to ensure its ability to continue as a going concern. The Company monitors the basis of the carrying amount of equity as presented on the face of the statement of financial position.

The Company's risk Management function has developed and implemented certain minimum stress and scenario tests for identifying the risks to which the Company are exposed, quantifying their impact on the volatility of economic capital. The results of these tests, particularly, the anticipated impact on the realistic statement of financial position and statement of comprehensive income, are reported to the Company's risk Management function. The risk Management function then



considers the aggregate impact of the overall capital requirement revealed by the stress testing to assess how much capital is needed to mitigate the risk of insolvency to a selected remote level.

The Company considers the amount paid in by the stockholders as capital. The Company has total authorized capital stock of 240,000 shares at Php1,000 par value. For the years ended December 31, 2019 and 2018, the Company's capital stock amounted to Php167.44 million and Php165.95 million representing 167,439 shares and 165,950 shares at Php1,000 par value, respectively. Further, subscribed capital stock for the years then ended amounted to Php2.97 million and Php0.71 million, respectively.

#### *Regulatory Framework*

The operations of the Company are also subject to the regulatory requirements of SEC. Such regulations not only prescribe approval and monitoring of activities but also impose certain restrictive provisions.

### 4.3 Management of Financial Risk

#### *Financial Risks*

The Company is exposed to financial risks through its financial assets and financial liabilities. The most important components of financial risks which the Company is exposed of are credit risk, interest rate sensitivity risk and liquidity risk.

#### *Credit Risk*

The Company's credit risk is primarily attributable to its cash and cash equivalents.

The Company manages the level of credit risk it accepts through comprehensive credit risk policy setting out assessment and determination of what constitutes credit risk for the Company; setting up exposure limits by each counterparty or group of counterparties, geographical and industry segments; reporting of credit risk exposures and breaches to the monitoring authority; monitoring compliance with credit risk policy and review of credit risk policy for pertinence and changing environment.

The table below shows the maximum exposure to credit risk for the components of the 2019 statements of financial position. The maximum exposure is shown gross, without taking into account collateral and other credit enhancement.

	<b>2019</b>		<b>2018</b>	
Cash and cash equivalents*	Php	111,625,559	Php	115,393,192

\* Excludes petty cash fund amounting to Php7,000 and Php2,000 as at December 31, 2019 and 2018, respectively.

The Company has no financial assets other than cash and cash equivalents.

The following tables provide information regarding the credit risk exposure of the Company by classifying assets according to the Company's credit ratings of debtors:

		Neither Past Due Nor Impaired		Past Due But Not Impaired	Past Due and Impaired
		High Grade	Standard Grade		
December 31, 2019	Total				
Cash and cash equivalents*	Php 111,625,559	Php 111,625,559	Php -	Php -	Php -

\* Excludes petty cash amounting to Php7,000.

December 31, 2018	Total	Neither Past Due Nor Impaired		Past Due But Not	Past Due and
		High Grade	Standard Grade	Impaired	Impaired
Cash and cash equivalents*	Php 115,393,192	Php 115,393,192	Php -	Php -	Php -

\* Excludes petty cash amounting to Php2,000.

The Company uses the following criteria to rate credit quality:

Class	Description
High Grade	Financial assets that have a recognized foreign or local third-party rating or instruments which carry guaranty/collateral.
Standard Grade	Financial assets of companies that have the apparent ability to satisfy its obligations in full

Cash are classified as high grade, since these are deposited or transacted with reputable banks which have low probability of insolvency.

#### 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 trade and other receivables to assure necessary liquidity.

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 borrowings from related parties, if there is any.

The table below summarizes the maturity profile of the Company's financial instruments at December 31.

December 31, 2019	Total	Less than 3 months	3 months to 1 year	More than 1 year to 5 years	More than 5 years
<b>Financial asset</b>					
Cash and cash equivalents	Php 111,625,559	Php 111,625,559	Php -	Php -	Php -
<b>Financial liabilities</b>					
Accounts payable and other current liabilities					
Accounts payable	Php 55,080,912	Php 55,080,912	Php -	Php -	Php -
Interest payable	3,512,240	3,512,240	-	-	-
Accrued expenses	223,007	223,007	-	-	-
	58,816,159	58,816,159	-	-	-
Long-term debts	692,214,692	-	26,702,733	133,513,665	531,998,294
Due to contractors	63,243,983	-	63,243,983	-	-
	Php 122,060,142	Php 58,816,159	Php 63,243,983	Php -	Php -

December 31, 2018	Total	Less than 3 months	3 months to 1 year	More than 1 year to 5 years	More than 5 years
<b>Financial asset</b>					
Cash and cash equivalents	Php 115,393,192	Php 115,393,192	Php -	Php -	Php -
<b>Financial liabilities</b>					
Accounts payable and other current liabilities					
Interest payable	Php 2,432,103	Php 2,432,103	Php -	Php -	Php -
	2,432,103	2,432,103	-	-	-
Due to contractors	39,673,017	-	39,673,017	-	-
Long-term debts	502,433,164	-	4,462,366	22,311,830	475,658,968
Advances from related parties	9,503,555	-	-	9,503,555	-
	Php 554,041,839	Php 2,432,103	Php 44,135,383	Php 31,815,385	Php 475,658,968

### Market Risk

Market risk refers to the risk that changes in market prices, such as foreign exchange rates, interest rates and other market prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk Management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company's exposure to market risk pertains to interest rate risk. There has been no change to the Company's exposure to market risks or the manner in which it manages and measures the risk.

### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's fair value and cash flows interest rate risk mainly arise from bank loans with floating interest rates. The Company is expecting to substantially reduce the level of bank loans over time. Internally generated funds coming from its cash generating units and from its franchising business will be used to pay off outstanding debts and consequently reduce the interest rate exposure.

Interest of financial instruments classified as floating rate is repriced at intervals of 30 days and 90 days. The other financial instruments of the Company, other than bank loans, are noninterest-bearing and are therefore not subject to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's income before income tax (through the impact on floating rate borrowings):

	December 31, 2019		December 31, 2018	
	Increase/ Decrease in Basis Points	Effect on Income Before Income Tax	Increase/ Decrease in Basis Points	Effect on Income Before Income Tax
Bank loans - floating interest rate	+100	Php 6,922,147	+100	Php 5,024,332
	-100	(6,922,147)	-100	(5,024,332)

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

### Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Company's foreign exchange exposure arises from holding foreign currency-denominated cash. In order to balance this exposure, the Company maintains a foreign currency accounts in a reputable commercial bank. The Company does not enter into derivatives to hedge the exposure.

The Company's cash denominated in foreign currency and converted into Peso using the closing exchange rates at each balance sheet date are summarized below.

	December 31, 2019				December 31, 2018			
	US Dollar		Peso		US Dollar		Peso	
Cash in banks	USD	10,633	Php	540,144	USD	10,539	Php	554,156

As at December 31, 2019 and 2018, the closing functional currency exchange rate is Php50.80 and Php52.58 to USD1, respectively.

## 5. Cash and Cash Equivalents

Cash and cash equivalents at December 31 consist of:

	2019		2018	
Petty cash fund	Php	7,000	Php	2,000
Cash in bank		31,625,559		9,223,214
Short-term placement		80,000,000		106,169,978
	Php	111,632,559	Php	115,395,192

*A reasonable amount of petty cash fund is maintained by the Company to facilitate small amount of disbursements that are not covered by checks, such as transportation, office supplies, and other payments as defined by Management.*

*Cash in banks earn interest at the prevailing bank deposit rates.*

*Short-term placements have terms of 1 to 3 months and earn effective interest of 3.75% per annum in 2019 and 3.00% 2018.*

*Interest income earned from cash in bank and short-term placements amounted to Php1,027,196 in and Php1,202,355 in 2019 and 2018, respectively (see Note 16).*

## 6. Subscription Receivable

Subscription receivable as at December 31, 2019 and 2018 amounted to Php22,135,667 and Php5,930,000, respectively. This includes receivables from sale of blocks of shares at a premium of Php200,000 or Php300,000 per block. Each block is equivalent to 10 shares at Php1,000 par value.

*This account refers to the unpaid portion of the subscribed shares of various investors in consonance 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 (12) months. This amount will be reclassified to equity upon collection.*

## 7. Prepayments and Other Current Assets

Prepayments and other current assets as at December 31 consist of:

		2019		2018
Advances to contractors	Php	32,248,410	Php	49,200,184
Advances to suppliers		22,829,000		56,500,319
Input VAT		12,610,487		1,943,324
Prepaid withholding tax on compensation		2,065,963		-
Deferred input VAT		877,286		1,106,143
Other receivables		246,705		-
	Php	70,877,851	Php	108,749,970

*Advances to contractors represent the advanced down payment made relating to the construction contract for the hospital building which shall be recouped based on the percentage of completion as recomputed during progress billings.*

*Advances to suppliers represent the amount paid as down payment for the medical equipment purchased which are yet to be delivered by the suppliers.*

*Input VAT represents the unclaimed or unapplied portion of value added tax paid by the Company to its suppliers. These shall be applied against the output VAT generated on the succeeding periods.*

*Prepaid withholding tax on compensation represents the excess payment of the Company for withholding taxes on compensation of its employees. This will be applied against withholding taxes on compensation in the subsequent periods until fully utilized.*

*Deferred input VAT represents input VAT arising from purchases of capital goods exceeding Php1 million to be amortized and claimed over its useful life or 60 months whichever is lower.*

*Other receivables represent the Company's security deposit for rent and due from its officers and employees.*

## 8. Property and Equipment, net

Property and equipment as at December 31 consist of:

		2019	Additions	2018
<b>COST</b>				
Land	Php	108,620,536	Php -	Php 108,620,536
Transportation equipment		1,707,178	-	1,707,178
Office furniture and equipment		10,757,893	10,396,532	361,361
Medical Equipment		91,171,463	91,171,463	-
Construction-in-progress		840,678,891	208,034,205	653,853,797
		1,052,935,961	309,602,200	764,542,872
<b>ACCUMULATED DEPRECIATION</b>				
Transportation equipment		420,157	206,760	213,397
Office furniture and equipment		218,395	93,209	125,186
		638,552	Php 299,969	338,583
<b>CARRYING AMOUNT</b>	Php	1,052,297,409		Php 764,204,289

		2018	Additions	2017
<b>COST</b>				
Land	Php	108,620,536	Php -	Php 108,620,536
Transportation equipment		1,707,178	-	1,707,178
Office furniture and equipment		361,361	-	361,361
Construction-in-progress		653,853,797	215,157,153	438,696,644
		764,542,872	215,157,153	549,385,719
<b>ACCUMULATED DEPRECIATION</b>				
Transportation equipment		213,397	170,718	42,679
Office furniture and equipment		125,186	72,272	52,914
		338,583	Php 242,990	95,593
<b>CARRYING AMOUNT</b>				
	Php	764,204,289		Php 549,290,126

*The Company's land property is stated at cost. Further, medical equipment purchased during the year were not yet depreciated as these are still required to be installed and tested by certified operators.*

*Construction-in-progress include net capitalized borrowing costs amounting to Php22,537,904 and Php20,153,212 in 2019 and 2018, respectively.*

As at December 31, 2019, and 2018, the "estimated percentage of completion" and the "estimated cost to complete" of the Construction in progress are as follows:

	2019	2018
Estimated percentage of completion	97%	82%
Estimated costs to complete	Php 25,335,357	Php 147,444,370

During the development of the properties, the borrowing costs on interest-bearing advances and loans were capitalized. Capitalized borrowing costs, net of interest income arising from temporary investment of the loan proceeds, are as follows:

	2019	2018
Interest expense	Php 24,517,942	Php 20,343,432
Interest income	(1,980,038)	(190,220)
	Php 22,537,904	Php 20,153,212

*The Company's land and construction-in-progress with aggregate carrying amount of Php948.75 million as at December 31, 2019 is mortgaged to secure the Php696 million loan (see Note 10).*

*Depreciation expenses amounting to Php299,969 and Php242,990 in 2019 and 2018, respectively, were charged to general and administrative expenses (see Note 17).*

*Management has assessed that there are no indications of impairment loss on the carrying amount of the property and equipment. The carrying amounts of property and equipment approximate its recoverable amounts.*

## 9. Due to Contractors

Due to contractors as at December 31 consist of:

		2019		2018
Retention payable	Php	61,296,539	Php	37,340,669
Professional fees payable		1,947,444		2,332,348
	Php	63,243,983	Php	39,673,017

*Retention payable pertains to amounts withheld by the project owner equivalent to 10% of progress accomplishments as provided in the respective construction contract of each project, which will only be remitted after a certain period of time after turnover of the project and acceptance by Company.*

*Professional fees payable refer to unpaid balances of the contract price for the architectural design and services of the hospital.*

## 10. Long-term Debts

Long-term debts as at December 31 consist of:

		2019		2018
Long-term debts	Php	695,537,634	Php	505,000,000
Discount on loans payable		(3,322,943)		(2,566,836)
		692,214,692		502,433,164
Current portion of long-term debts		26,702,733		4,462,366
Long-term debts, net of current portion	Php	665,511,959	Php	497,970,798

Movements of long-term debts are as follows:

		2019		2018
Beginning	Php	502,433,164	Php	243,913,350
Availments		195,000,000		260,000,000
Payments		(4,462,366)		-
Discount on loans		(1,521,875)		(1,950,000)
Amortization of discount		765,769		469,814
	Php	692,214,692	Php	502,433,164

### Loans from Landbank

*The Company obtained credit lines with various drawdown dates from Landbank on September 1, 2016 amounting to Php465 million payable in ten (10) years and Php35 million payable in seven (7) years, and on August 24, 2018 amounting to Php350 million payable in seven (7) years. The purpose of the Php465 million term loan was to finance the construction of the hospital building while the Php35 million and Php350 million term loans were for the acquisition of various medical machines and equipment. As at December 31, 2019, Php415 million were already drawn from the Php465 million credit line, the Php35 million credit line was not drawn yet, and Php285 million were already drawn from the Php350 million credit line.*

*These loans are secured by a real estate mortgage, covering the Company's land including all other existing and future improvements thereon (see Note 8). The credit line for the construction of the hospital building was provided with 3 years grace period on the principal payments, while the credit lines 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 provides certain restrictions and requirements which include, among others, the maintenance of financial ratios (current ratio of 1:1 and debt-to-equity ratio of 80:20), the percentage of ownership of specific shareholders, the creation of property encumbrances and the additional guarantees for the incurrence of additional long-term indebtedness.*

*In 2019 and 2018, the Company has fully complied with the financial covenants.*

Borrowing costs capitalized, net of interest income, amounted to Php22.54 million and Php20.15 million in 2019 and 2018, respectively (see Note 8). Borrowing costs related to loan availments for acquisition of medical equipment were not capitalized but were charged to interest expense amounted to Php11.44 million in 2019 and nil in 2018.

#### *Loans from Development Bank of the Philippines*

*On November 13, 2019, the Company was granted a credit line amounting to Php70 million with the Development Bank of the Philippines for working capital purposes. As at December 31, 2019, there were no drawdowns from this credit line. This is secured by a real estate mortgage of the Company's land and all other improvements thereon.*

## **11. Accounts Payable and Other Current Liabilities**

Accounts payable and other current liabilities as at December 31 consist of:

	2019	2018
Accounts payable	Php 55,080,912	Php -
Interest payable	3,512,240	2,432,103
Withholding tax payable - expanded	658,437	1,669,082
SSS/PHIC/HDMF payables	9,121	-
Accrued expenses	223,007	-
	Php 59,483,717	Php 4,101,185

*Accounts payable pertains to the unpaid balance on various medical equipment purchased during the year.*

*Interest payable pertains to accrued interest for loan payables on bank.*

*Withholding taxes payable - expanded include taxes withheld at source on income payments to supplier payable which are expected to be settled in the immediate succeeding month.*

*Accrued expenses represent accruals for janitorial services, allowances, and electricity charges.*

## **12. Capital Stock**

The Company has an authorized capital stock of Php240 million representing 240,000 shares at Php1,000 par value. For the year ended December 31, 2019, issued capital stock amounted to Php167.44 million representing 167,439 shares, with 63 shares held in treasury (see Note 15). For the year ended December 31, 2018, issued and outstanding capital stock amounted to Php165.95 million representing 165,950 shares.



*The Company has fifty-four (54) founder shareholders as at December 31, 2019 and fifty-five (55) founder shareholders as at December 31, 2018, each owning 100 or more shares. The Founders have the exclusive 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.*

#### *Increase in Authorized Share Capital*

The Company's shareholders, representing two-thirds (2/3) of the outstanding shares, and majority of the members of the Board of Directors, held meeting on November 12, 2016 to approve the increase of the authorized capital stock to Php240 million representing 240,000 shares at Php1,000 par value from Php120 million representing 120,000 shares at Php1,000 par value. This was approved by SEC on May 22, 2017.

### **13. Subscribed Capital Stock**

Subscribed capital stock for the years ended December 31, 2019 and 2018 amounted to Php2,970,000 and Php710,000 comprising of 297 blocks and 71 blocks, respectively. Each block is sold at a premium of Php200,000 or Php300,000. Each block is equivalent to 10 shares at Php1,000 par value and sold at a premium of Php20,000 or Php30,000 per share.

### **14. Share Premium**

Share premium for the years ended December 31, 2019 and 2018 amounted to Php354.71 million and Php321.94 million, respectively.

*This amount pertains to the excess amount of the market value over par value multiplied by the total number of shares subscribed for the year ended.*

### **15. Treasury Shares**

In 2019, the Company repurchased a total of sixty-three (63) common shares from the Company's issued and outstanding common capital stock at a total cost amounting to Php1.30 million. Of this amount, three (3) shares were repurchased at par, one (1) block was repurchased at Php300,000, and the remaining five (5) blocks were repurchased at Php200,000 per block.

There were no transactions recognized for treasury shares in 2018.

The Company obtained an order from SEC directing them to return the value of investment, upon written request of investors. This Order applies to the one thousand five hundred thirty-three (1,533) shareholders in the initial list submitted to SEC. In line with this order, the Company returned the value of the sixty-three (63) common shares of the six (6) shareholders who withdrew their investment and was part of the 1,533 shareholders, despite the accumulated deficit and without the requirement of capital appropriation.

*These treasury shares are stated at acquisition cost and are deducted from equity.*

## 16. Other Income

Other income for the years ended December 31 consist of:

		2019		2018
Interest income	Php	1,027,196	Php	1,202,355
Unrealized foreign exchange gain (loss)		(13,706)		18,666
Sale of metal scrap		85,000		-
	Php	1,098,490	Php	1,221,021

*Interest income pertains to interest earned from savings bank deposits in peso and dollar accounts net of final tax of 20% and 15.0%, respectively.*

## 17. General and Administrative Expenses

General and administrative expenses for the years ended December 31 consist of:

		2019		2018
Directors' allowances	Php	4,820,693	Php	6,130,147
Management fees (Note 19)		4,400,000		-
Salaries and wages		2,368,000		1,595,904
Professional fees		1,921,895		1,959,252
Transportation and travel		1,558,628		185,847
Taxes and licenses		1,459,325		5,156,581
Office supplies		1,232,211		2,543,733
Promotional expenses		1,231,588		1,535,000
Light, water and communications		657,941		316,858
Meeting and conferences		573,559		2,201,481
Depreciation		299,969		242,990
SSS/PhilHealth/Pag-IBIG contributions		224,578		-
Bank service charge		75,030		450
Repairs and maintainance		68,357		6,306
Penalties and surcharges of regulators		2,000		289,563
Miscellaneous		545,924		677,052
	Php	21,439,698	Php	22,841,164

## 18. Income Tax

Income tax is calculated using the Regular Corporate Income Tax (RCIT) rate of 30% on taxable income on given reporting periods. In computing income tax due, the Company compares and uses as basis the higher amount between RCIT and Minimum Corporate Income Tax (MCIT).

A minimum corporate income tax (MCIT) of two percent (2%) of the gross income as at the end of the taxable year is imposed upon any domestic corporation, beginning the fourth (4th) taxable year immediately following the taxable year in which such corporation commenced its business operations. The MCIT shall be imposed whenever such corporation has zero or negative taxable income or whenever the amount of minimum corporate income tax is greater than the normal tax due from such corporation.

A Net Operating Loss Carry-Over (NOLCO) can also be claimed as deduction from taxable income or as deduction against income tax liabilities within three years following the year the net operating loss was incurred.

(a) Income Tax Benefit from Net Operating Loss

		2019		2018
Net loss before tax	Php	(31,783,436)	Php	(21,620,143)
Add (Deduct):				
Permanent Differences:				
Income already subjected to final tax		(1,027,196)		(1,202,355)
Tax arbitrage		427,998		-
Nondeductible expenses		5,135,132		289,563
Temporary Differences:				
Unrealized foreign exchange loss (gain)		13,706		(18,666)
Unrealized foreign exchange gain (loss) last year deemed realized as loss in the current year		18,666		(7,894)
Taxable income		(27,215,130)		(22,559,495)
x Applicable RCIT rate		30%		30%
	Php	(8,164,539)	Php	(6,767,849)

(b) Minimum Corporate Income Tax

		2019		2018
Total gross income	Php	1,098,490	Php	1,221,021
Add (deduct):				
Income already subjected to final tax		(1,027,196)		(1,202,355)
Unrealized foreign exchange loss (gain)		13,706		(18,666)
Unrealized foreign exchange gain last year deemed realized in the current year		18,666		-
Taxable income		103,666		-
x MCIT rate		2%		2%
	Php	2,073	Php	-

(c) Deferred Tax Asset

Movements of the deferred tax asset are as follows:

		2019		2018
Balance, beginning of year	Php	10,841,966	Php	4,669,968
Deferred tax (expense) benefit - P&L/RE				
Net operating loss		8,164,539		6,767,849
Expired portion of NOLCO		(1,014,927)		(595,851)
Unrealized foreign exchange loss		4,112		-
Minimum corporate income tax		2,073		-
		7,155,797		6,171,998
Balance, end of year	Php	17,997,763	Php	10,841,966

The deferred tax asset for the expired portion of NOLCO were directly charged to retained earnings in 2018. However, for the current year, the same has been charged to profit or loss. No restatement of comparative figures was made as this will have no effect in the beginning balances of retained earnings or stockholder's equity (*see Note 21*).

Deferred tax asset as at December 31 consist of:

		2019		2018
NOLCO	Php	17,991,578	Php	10,841,966
MCIT		2,073		-
Unrealized foreign exchange loss		4,112		-
	Php	17,997,763	Php	10,841,966

(d) Net operating loss Carry Over (NOLCO)

This account represents net operating losses carried over to succeeding taxable reporting periods. This can be claimed as deductions from taxable income and as credit against income tax liabilities within three (3) years from date of incurrence. Details are as follows:

Year Incurred	Amount	Year of Expiration	At December 31, 2018	Expired in Current Year	At December 31, 2019
2019	Php 27,215,130	2022	Php -	Php -	Php 27,215,130
2018	22,559,495	2021	22,559,495	-	22,559,495
2017	10,197,301	2020	10,197,301	-	10,197,301
2016	3,383,089	2019	3,383,089	3,383,089	-
	Php 63,355,015		Php 36,139,885	Php 3,383,089	Php 59,971,926

(f) Income Tax Benefit

		2019		2018
Current income tax expense	Php	(2,073)	Php	-
Deferred income tax benefit		7,155,797		6,767,849
	Php	7,153,724	Php	6,767,849

Income tax benefit in 2018 did not include the expired portion of NOLCO as this was directly charged to retained earnings. However, had the amount been charged to profit or loss, the income tax benefit in 2018 would have been lower by P595,851 (*see Note 21*).

(g) Income Tax Payable

Income tax payable at MCIT as at December 31, 2019 and 2018 amounted to Php2,073 and nil, respectively. There were no income tax credits and payments applied during the year.

(e) Effective Tax Rate

The reconciliation of the statutory income tax rate to the Company's effective income tax rate are as follows:

	2019	2018
Applicable statutory income tax rate	-30.0%	-30.0%
Reconciling items:		
Interest income already subjected to final tax	-1.0%	-1.7%
Tax arbitrage	0.4%	0.0%
Nondeductible expenses	5.3%	0.4%
Unrealized foreign exchange loss	0.0%	0.0%
Realized foreign exchange gain	0.0%	0.0%
	-25.3%	-31.3%

## 19. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

The details of the Company's related parties are summarized below:

Related Party	Relationship	Transactions	Transaction Amounts	Outstanding balance	Terms	Condition
Founders	Investor	Advances from founders	2019 Php (8,347,400)	Php -	Non-interest bearing	Unsecured
			2018 8,347,400	8,347,400		
Shareholders	Investor	Advances from shareholders	2019 (1,156,155)	-	Non-interest bearing	Unsecured
			2018 -	1,156,155		
			2019 Php (9,503,555)	Php -		
			2018 8,347,400	9,503,555		

Significant transactions with related parties are the following:

### *Advances from Founders*

The Company made several advances from its founders. The amount advanced from the founders were used to defray the Company's pre-operation expenditures. These are non-interest bearing and unsecured. These were fully paid in 2019.

### *Advances from Shareholders*

In 2017, the BOD decided to raise funds amounting to Php1,156,155 for working capital purposes. These advances were non-interest bearing and unsecured. This amount was fully paid in 2019.

### *Key Management Personnel*

There were no compensation paid to the key management personnel in 2019 and 2018.

Other benefits paid to two (2) management personnel in 2019 were management fees amounting to Php4,400,000 for services rendered in securing secondary license of the Company (*see Note 17*).

## 20. Financial Instruments

Fair values are determined by reference to market-based evidence, which is the amount for which the financial assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

As at December 31, 2019 and 2018, there are no financial instruments that are measured at fair value.

Except as detailed in the following table, the Management considers that the carrying amounts of financial instruments recognized approximate their fair values:

		2019				2018					
		Fair Value Heirarchy		Carrying Value		Fair Value		Carrying Value		Fair Value	
Financial assets											
Cash and cash equivalents*	Level 1	Php	111,625,559	Php	111,625,559	Php	115,393,192	Php	115,393,192		
		Php	111,625,559	Php	111,625,559	Php	115,393,192	Php	115,393,192		
Financial liabilities											
Accounts payable and other											
current liabilities**	Level 3	Php	58,816,159	Php	58,816,159	Php	4,101,185	Php	4,101,185		
Long-term debts	Level 2		692,214,692		692,214,692		502,433,164		502,433,164		
Due to contractors	Level 3		63,243,983		63,243,983		39,673,017		39,673,017		
Advances from related parties	Level 3		-		-		9,503,555		9,503,555		
		Php	814,274,834	Php	814,274,834	Php	555,710,921	Php	555,710,921		

\* Excludes petty cash fund amounting to Php7,000 and Php2,000 as at December 31, 2019 and 2018, respectively.

\*\* Excludes withholding tax payable and statutory contributions payable totalling Php667,558 and Php1,669,082 as at December 31, 2019 and 2018, respectively.

## 21. Comparatives and Presentation

The application of the accounting policy for the following transaction item in 2018 have been corrected in 2019 to conform to the 2019 preparation and fair presentations of financial statements in accordance with the appropriate financial reporting framework in reference to the PFRSs.

Transaction item	Financial Statement Presentation		Transaction amount	
	2019	2018	2019	2018
Expired portion of NOLCO	As deduction to income tax benefit	As deduction to accumulated deficit	Php1,014,927	Php595,851

Management assessed that the correction made is not material and does not affect the fair presentation of the financial statements as at and for the years ended December 31, 2019 and 2018. With this, there were no restatement made for the beginning balances and comparative figures. However, had the 2019 financial statement presentation for the “expired portion of NOLCO” was adopted in the 2018 financial statement, the “Accumulated Deficit” and the “Total Stockholder’s Equity” would have been the same. Likewise, the “Income Tax Benefit” and the “Net Loss” of the “Statement of Comprehensive Income” would have been lower by Php595,851.

## 22. Events After the Reporting Period

In preparing financial statements, the Company has evaluated and disclosed all material subsequent events up to the date of auditors’ report, which is the date that the financial statements were authorized for issue.

Subsequent to the end of the reporting period, the COVID-19 outbreak was declared as a pandemic by the World Health Organization in March 2020. As the outbreak of COVID-19 occurred after December 31, 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period, and accordingly no adjustments have been made to the financial statements as at December 31 2019 for the impacts of COVID-19.

The outbreak of COVID-19 in early 2020 and the response of governments in dealing with the pandemic has had significant impact on the domestic financial markets and economic activity, as well as globally.

Initial assessment of the Management is that the Company will not have a significant impact on its plan to commence operations in 2020 and as a healthcare service provider, its services will be essential in this COVID-19 outbreak. Management will pay close attention to the development of the COVID-19 outbreak and evaluate further its impact on the financial position and operating results of the business.

### **23. Supplementary Information Required Under Revenue Regulations No. 15-2010**

In compliance with the requirements set forth under Revenue Regulations (RR) No. 15-2010 hereunder as the information of taxes and license fees paid or accrued as at and for the year ended December 31, 2019:

#### **(a) Revenue**

The Company has not yet started commercial operation for the periods ended December 31, 2019 and 2018, thus it has not yet reported any revenue.

#### **(b) Input VAT**

	Amount	
Balance, beginning of year	Php	3,049,467
Current year's domestic purchases		
Purchase of capital goods not exceeding Php1 million		115,197
Purchase of domestic goods other than capital goods		763,108
Domestic purchases of services		9,560,000
Total available input VAT		13,487,772
Input VAT closed to expense during the year		-
Input VAT applied to output VAT remitted during the year		-
Balance, end of year	Php	13,487,772

#### **(c) Withholding taxes**

	Amount	
Withholding tax - expanded	Php	1,534,010
Withholding tax - compensation		62,907
	Php	1,596,917

#### **(d) Taxes and Licenses**

	Amount	
Percentage tax	Php	543,616
Final tax		601,103
Documentary stamp		286,840
Annual registration		500
Others		27,266
	Php	1,459,325

\* \* \* \*

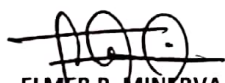
**SUPPLEMENTARY STATEMENT OF INDEPENDENT AUDITORS**

**THE BOARD OF DIRECTORS AND STOCKHOLDERS**  
**ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – CEBU, INC.**  
N. Bacalso Avenue, Basak Pardo  
Cebu City 6000

We have audited the financial statements of **ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – CEBU, INC.** for the years ended December 31, 2019 and 2018, on which we have rendered the attached report dated June 15, 2020.

In compliance with SRC Rule 68, we are stating that the Company has fifty-four (54) stockholders owning 100 or more shares as of December 31, 2019, as disclosed in Note 12 to the financial statements.

**MINERVA & COMPANY, CPAs**  
PRC/BOA Reg. Cert. No. 4870 – Valid until 10.08.2022  
SEC Accred. No. PA-A-172-F – Valid until 06.30.2020  
BSP Accred. (MB Approved) – Valid until 11.26.2020  
BIR Accred. No. 13-011018-002-2019 – Valid until 11.18.2022  
NEA Accred No. 2019-07 -00062 – Valid until 07.21.2022  
CDA CEA No. 0068-AF – Valid until 10.16.2020



**ELMER P. MINERVA**  
CPA Board Cert. No. 82086  
PTR No. 1590890 dated 01.10.2020  
T.I.N. 130-291-145  
SEC Accred. No. PA-A-875-A – Valid until 06.30.2020  
BSP Accred. (MB Approved) – Valid until 11.26.2020  
BIR Accred. No. 13-021018-002-2019 – Valid until 11.07.2022

June 15, 2020  
Cebu City, Philippines



**THE BOARD OF DIRECTORS AND STOCKHOLDERS**  
**ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – CEBU, INC.**  
N. Bacalso Avenue, Basak, Pardo  
Cebu City 6000

We have audited, in accordance with Philippine Standards on Auditing, the financial statements of ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - CEBU, INC. for the year ended December 31, 2019 and have issued our report dated June 15, 2020.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules listed in the Index to the Financial Statements, are presented in compliance with the Securities Regulations Code (SRC) Rule 68 and is not a required part of the basic financial statements. Such schedules are the responsibility of the Company's management. They have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

**MINERVA & COMPANY, CPAs**  
PRC/BOA Reg. Cert. No. 4870 – Valid until 10.08.2022  
SEC Accred. No. PA-A-172-F – Valid until 06.30.2020  
BSP Accredited (MB Approved) – Valid until 11.26.2020  
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June 15, 2020  
Cebu City, Philippines

**ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – CEBU, INC.**  
**As of December 31, 2019**

The following is a list of Philippine Financial Reporting Standards and interpretations which is applicable and not applicable to the Company. This is in compliance with Par.4J of SRC Rule 68 as amended.

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2019		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics				
<b>PFRSs Practice Statement Management Commentary</b>				
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards			
	✓ Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
<b>PFRS 2</b>	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
<b>PFRS 3 (Revised)</b>	Business Combinations			✓
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations			✓
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓
<b>PFRS 7</b>	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition			✓
	Amendments to PAS 39 and PFRS 7:	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2019		Adopted	Not Adopted	Not Applicable
	Reclassification of Financial Assets			
	✓ Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 8	Operating Segments			✓
PFRS 9	Financial Instruments	✓		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
PFRS 10	Consolidated Financial Statements			✓
PFRS 11	Joint Arrangements			✓
PFRS 12	Disclosure of Interests in Other Entities			✓
PFRS 13	Fair Value Measurement	✓		
PFRS 15	Revenue from Contracts with Customers	✓		
PFRS 16	Leases	✓		
<b>Philippine Accounting Standards</b>				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Balance Sheet Date	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
PAS 17	Leases	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2019		Adopted	Not Adopted	Not Applicable
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
PAS 19 (Amended)	Employee Benefits	✓		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Consolidated and Separate Financial Statements	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting			✓
PAS 36	Impairment of Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2019		Adopted	Not Adopted	Not Applicable
	Liabilities			
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Transfers of Investment Property	✓		
PAS 41	Agriculture			✓
<b>Philippine Interpretations</b>				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease			✓
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	<i>Scope of PFRS 2</i>			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	<i>Interim Financial Reporting and Impairment</i>			✓
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2019		Adopted	Not Adopted	Not Applicable
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases - Incentives			✓
SIC-21	Income Taxes - Recovery of Revalued Non-Depreciable Assets			✓
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			✓
SIC-29	Service Concession Arrangements: Disclosures.			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

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From: eafs@bir.gov.ph

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Hi ACEMEDICALCEBU57,

### Valid files

- EAFS008899890AFS2019.pdf
- EAFS008899890ITR2019.pdf

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Transaction Code: **AFS-2019-A9E9HJJC02WR1V232Q4111ZX404QXWYXST**

Submission Date/Time: **Jun 30, 2020 01:32 PM**

Company TIN: **008-899-890**

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- The submission is without prejudice to the right of the BIR to require additional document, if any, for completion and verification purposes;
- The hard copies of the documents submitted through this facility shall be submitted when required by the BIR in the event of audit/investigation and/or for any other legal purpose.

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