

Subject: Re: ALLIED CARE EXPERTS (ACE) MEDICAL CENTER-CEBU, INC_SEC FORM 17-Q 3RD QUARTER_21 NOVEMBER 2022

Date: Monday, November 21, 2022 at 5:04:14 PM Philippine Standard Time

From: ICTD Submission

To: corpsecacemcebu@gmail.com

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NOTICE

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For your information and guidance.

Thank you and keep safe.

COVER SHEET

C S 2 0 1 4 2 1 6 7 5

SEC Registration Number

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

(Company's Full Name)

9 8 2 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

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

**MCARTHUR CONRADO A. SALONGA JR,
M.D. / MARIETTA T. SAMOY, M.D.**

Contact Person

(032) 265-5833

(Company Telephone Number)

1 2
Month Day
(Fiscal Year)

3 1
Month Day
(Annual Meeting)

SEC FORM 17Q
(Form Type)

2nd Sunday of April
Month Day
(Annual Meeting)

PERMIT TO SELL SECURITIES
(Secondary License Type, if Applicable)

MSRD
Dept. Requiring this Doc.

Amended Articles Number/Section

2062
Total No. of Stockholders

Total Amount of Borrowings

Domestic
Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please use BLACK ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended ...**September 30, 2022**
2. Commission Identification Number. **CS201421675**
3. BIR Tax Identification No. **008-899-890**
4. Exact name of issuer as specified in its charter
Allied Care Experts (ACE) Medical Center – Cebu, Inc.
5. Province, country or other jurisdiction of incorporation or organization
Cebu, Philippines
6. Industry Classification Code: (SEC Use Only)
7. Address of issuer's principal office Postal Code
N. Bacalso Avenue, Basak Pardo, Cebu City **6000**
8. Issuer's telephone number, including area code
(032) 383-3454
9. Former name, former address and former fiscal year, if changed since last report
Not Applicable
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of each Class	Number of shares of common stock outstanding and amount of debt outstanding
COMMON SHARE, P1,000 PAR VALUE	172,726 shares / P1,026,778,541

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

Yes [] No

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

12. Indicate by check mark whether the registrant:

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

Yes No []

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

Yes No []

PART I-FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited financial statements of Allied Care Experts (ACE) Medical Center – Cebu, Inc. (the Company) as at and for the nine months ended September 30, 2022 (with comparative figures as at December 31, 2021 (Audited) and for the nine months ended September 30, 2021 (Unaudited) are filed as part of this form 17-Q as Annex A.

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

FINANCIAL CONDITION

	September 30, 2022 (Unaudited)		December 31, 2021 (Audited)		Horizontal Analysis		Vertical Analysis	
					Inc(Dec)	%age	September 30, 2022	December 31, 2021
ASSETS								
Current Assets								
Cash	₱ 5,915,004	₱ 27,742,265	₱ (21,827,261)	-79%	0%	2%		
Trade and other receivables	26,426,589	16,756,531	9,670,058	58%	2%	1%		
Subscription receivable	44,744,656	59,540,781	(14,796,125)	-25%	3%	4%		
Inventories	18,777,342	17,909,672	867,670	5%	1%	1%		
Prepayments and other current assets	52,435,782	56,194,140	(3,758,358)	-7%	4%	4%		
Total Current Assets	148,299,373	178,143,389	(29,844,016)	-17%	10%	12%		
Non-current Assets								
Property and equipment, net	1,214,848,278	1,202,230,244	12,618,034	1%	85%	84%		
Intangible assets	1,819,659	1,409,331	410,328	29%	0%	0%		
Deferred tax asset	65,196,338	46,763,315	18,433,023	39%	5%	3%		
Total Non-Current Assets	1,281,864,275	1,250,402,890	31,461,385	3%	90%	88%		
Total Assets	₱ 1,430,163,648	₱ 1,428,546,279	₱ 1,617,369	0%	100%	100%		
LIABILITIES AND EQUITY								
Current Liabilities								
Trade and other payables	₱ 120,000,217	₱ 85,161,226	₱ 34,838,991	41%	8%	6%		
Loans payable - current	125,601,852	80,000,000	45,601,852	57%	9%	6%		
Advances from shareholders	41,300,000	26,500,000	14,800,000	56%	3%	2%		
Retention payable	23,215,320	33,212,650	(9,997,330)	-30%	2%	2%		
Total Current Liabilities	310,117,389	224,873,876	85,243,513	38%	22%	16%		
Non-Current Liabilities								
Loans payable - non current	716,661,152	761,221,338	(44,560,186)	-6%	50%	53%		
Total Liabilities	1,026,778,541	986,095,214	40,683,327	4%	72%	69%		
Equity								
Share capital	172,726,000	172,296,000	430,000	0%	12%	12%		
Share premium	477,526,706	461,096,706	16,430,000	4%	33%	32%		
Subscribed capital stock	4,225,000	4,455,000	(230,000)	-5%	0%	0%		
Treasury shares	(3,318,000)	(2,915,000)	(403,000)	14%	0%	0%		
Accumulated Deficits	(247,774,599)	(192,481,641)	(55,292,958)	29%	-17%	-13%		
Equity, Net	403,385,107	442,451,065	(39,065,958)	-9%	28%	31%		
Total Liabilities and Equity	₱ 1,430,163,648	₱ 1,428,546,279	₱ 1,617,369	0%	100%	100%		

As of September 30, 2022, the assets of the Company amount to ₱1,430,163,648 which is 0.11% or ₱1,617,369 higher than the December 31, 2021 balance of ₱1,428,546,279. The increase was due to the increased in trade and other receivables, inventories, property and equipment, intangible assets and deferred tax assets. This was negated by the decreased in cash, subscription receivable, and prepayments and other current assets.

The decreased in Cash by ₱21,827,261 was primarily due to purchase of inventory supplies and higher cost of expenses incurred compared to last year coupled with increase in uncollected revenue. Cost of sales and services and operating expenses are higher than revenue which resulted to loss for the period of ₱55M. The company acquired property and equipment amounting to ₱43.5M. These disbursements were partly funded by the collection of subscription and additional advances from shareholders.

The increased in trade and other receivables by ₱9,670,058 was mainly due to increase of uncollected revenue from PhilHealth, receivables from patients and reimbursements from DSWD availed by patients and increase in advances to consultants and employees. This is negated by the increase in allowance for credit losses.

The decreased in subscription receivable by ₱14,796,125 was primarily due to payment of subscriptions during the first, second, and third quarter of 2022 negated by additional subscriptions.

The increased in inventories by ₱867,670 was mainly due to increase in hospital supplies, dietary supplies, and office supplies. This is negated by the decrease in laboratory and housekeeping supplies.

The decreased in prepayments and other current assets by ₱3,758,358 was primarily due to decrease in advance payment to suppliers and prepaid withholding tax and negated by the increase in input vat and prepaid income tax.

The increase in property and equipment by ₱12,618,034 was due to acquisitions made net of depreciation amounting ₱30,919,604.

The increase in Intangible asset pertains mainly to the additions with total amount of ₱578,424 negated by amortization of the information system for the first, second, and third quarter of the 2022.

Deferred tax asset increased by ₱18,433,023 due to recognition of DTA for losses incurred by the Company in first, second, and third quarter of 2022.

Total liabilities increased by ₱40,683,327. The increase was primarily due to increase in trade and other payables, proceeds of additional loans and advances from shareholders which was negated by retention payable.

Trade and other payables increased by ₱34,838,991, primarily due to significant increase in trade payables, accrued expenses and payable to government.

The increased in advances from shareholders amounting to ₱14.8M pertains mainly to additional advances in first, second, and third quarter of 2022.

The decreased in retention payable amounting to ₱9,997,330 was due to partial payments made to contractors.

The increased in loans payables was primarily to additional loan obtained from LBP amounting to ₱2,500,000. On May 18, 2022, LBP approved the Company's request for the deferment of the principal repayments for Term Loan 1 and Term Loan 3 amounting to ₱17,222,222. The principal repayment for Term Loan 1 amounting to ₱5,000,000 due on September 2022 will be spread equally during the remaining amortization period to commence on December 1, 2022. The principal repayments for Term Loan 3 amounting to ₱6,111,111 per quarter due on May 24, 2022 and August 24, 2022 will be spread will be spread equally during the remaining amortization period to commence on November 24, 2022.

The decreased in equity was primarily due to the net loss incurred by the Company on its first, second, and third quarter of operations net of additional subscriptions for the quarter.

Material Changes in Financial Condition

a. Cash decreased by ₱21.8M Due to purchase of inventory supplies and higher cost of expenses incurred compared to last year coupled with increase in uncollected revenue. Cost of sales and services and operating expenses are higher than revenue which resulted to loss for the period of ₱55M. The company acquired property and equipment amounting to ₱43.5M. These disbursements were partly funded by the collection of subscription and additional advances from shareholders.
b. Trade and other receivables increased by ₱9.67M Due to increase of uncollected revenue from PhilHealth, receivables from patients and reimbursements from DSWD availed by patients and increase in advances to consultants and employees. This is negated by the increase in allowance for credit losses.
c. Subscription receivable decreased by ₱14.79M. Due to payment of subscriptions during the first, second, and third quarter of 2022 negated by additional subscriptions.
d. Inventories increased by ₱868K Due to increase in hospital supplies, dietary supplies and office supplies. This is negated by the decrease in laboratory and housekeeping supplies.
e. Prepayments and other current assets decreased by ₱3.76M Due to increase in input vat and prepaid income tax and negated by the decrease of advance payment to suppliers and prepaid withholding taxes.
f. Property and equipment increased by ₱12.618M Due to acquisitions made for the period amounting to ₱43,537,638 negated by depreciation amounting to ₱30,919,604.
g. Intangible assets increased by ₱410K Pertains mainly to the additions on information system negated by amortization for the first, second, and third quarter of the 2022.
h. Deferred tax asset increased by ₱18.433M Due to recognition of DTA for losses incurred by the Company in first, second, and third quarter of 2022.
i. Trade and other payables increased by ₱34.8M Primarily due to the significant increase in trade payables, accrued expenses and government payables.
j. Advances from shareholders increased by ₱14.8M Due to additional advances obtained in the first, second, and third quarter of 2022.
k. Retention payable decreased by ₱9.997M Due to partial payments made to contractors.
l. Loans payable increased by ₱2.5M Due to additional loan obtained from LBP.
m. Equity decreased by ₱39.06M Primarily due to the net loss incurred by the Company on its first, second, and third quarter of operations net of additional subscriptions for the quarter.

RESULTS OF OPERATIONS

The following table shows the consolidated financial highlights of the Company for the nine months ended September 30, 2022 and 2021:

	For the nine months ended		Horizontal Analysis		Vertical Analysis	
	30-Sep-22	30-Sep-21	Inc (Dec)	%age	30-Sep-22	30-Sep-21
Revenue	₱ 112,433,534	₱ 84,056,768	₱ 28,376,766	34%	100%	100%
Other income	4,348,438	4,335,742	12,696	0%	4%	5%
Cost of sales and services	(118,680,921)	(101,389,813)	17,291,108	17%	-106%	-121%
Operating expenses	(43,395,893)	(22,065,425)	21,330,468	97%	-39%	-26%
Finance costs	(28,431,138)	(36,290,460)	(7,859,322)	-22%	-25%	-43%
Income tax benefit	18,433,023	17,866,687	566,336	3%	16%	21%
Net loss	₱ (55,292,957)	₱ (53,486,501)	₱ 1,806,456	3%	-49%	-64%

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

Revenue generated for the nine months period amounts ₱112.4M. This was from Hospital fees and sales of medicines, net of discounts. This increased by 34%. The Company is in its second year of operation, revenues are expected to be higher compared to its first year of operation in 2021.

Other income increased by 0.29%. The Company is in its second year of operation, income are expected to be higher compared to its first year of operation in 2021. This is primarily due to significant increase of income from cafeteria.

Cost of sales and services for the nine months period ended September 30, 2022 amounted to ₱118.68M. This increased by 17% in direct relation with the increase in revenue in the first and, second, and third quarter of 2022 compared to first, second, and third quarter of 2021. The major component of the cost of sales and services are medicines and supplies, depreciation, salaries and wages, utilities, professional fees and housekeeping.

Operating expenses increased by 97%. The increase was primarily attributable to the increase in officers compensation, salaries and wages, utilities, taxes and licenses, repairs and maintenance, training and development, meetings and conferences, statutes, professional fee, credit losses and transportation and travel. This is negated by decrease in directors' allowance, depreciation and bank service charges.

Decrease in finance costs by 22% compared to 2021 was due to partial settlement of loans and restructuring of loan balance due to request for deferment of loan payments in 2022.

Income tax benefit increased by 3.2%. This is primarily due to lower losses incurred in first, second and third quarter of 2022 resulting to lower taxable loss and tax benefit.

Loss for the nine months ended September 30, 2022 is lower than losses suffered for the nine months ended September 30, 2021, this was mainly due to the higher revenue earned for the period. The Company is in its second year of operation, results of operation are expected to be more favorable compared to its first year of operation in 2021. To mitigate the losses, the Company has strengthened its marketing efforts and relationships with its Medical Staff to increase utilization which would translate to better revenue.

Material Changes in Operating Results

a. Revenue increased by 34%

The Company is in its second year of operation, revenues are expected to be higher compared to its first year of operation in 2021.

b. Cost of sales and services increased by 17%

This is in direct association with the increase in revenue in the first, second, and third quarter of 2022 compared to first, second, and third quarter of 2021. The major component of the cost of sales and services are medicines and supplies, depreciation, salaries and wages, utilities, professional fees and housekeeping.

c. Operating Expenses increased by 97%

The increase was primarily attributable to the increase in officers' compensation, salaries and wages, utilities, taxes and licenses, repairs and maintenance, meetings and conferences, statutes, professional fee, credit losses and transportation and travel. This is

negated by decrease in directors' allowance, depreciation and bank service charges.

d. Other income increased by 0.29%

The Company is in its second year of operation, income are expected to be higher compared to its first year of operation in 2021. This is primarily due to significant increase of income from cafeteria.

e. Finance cost decreased by 22%

Due to partial settlement of loans and restructuring of loan balance due to request for deferment of loan payments in 2022

f. Income tax benefit decreased by 3.2%

This is primarily due to lower losses incurred in first, second, and third quarter of 2022 resulting to lower taxable loss and tax benefit.

g. Loss for the period decreased by 3.4%

This was mainly due to the higher revenue earned for the period. The Company is in its second year of operation, results of operation are expected to be more favorable compared to its first year of operation in 2021

THE COMPANY'S KEY PERFORMANCE INDICATORS

	Sept 30, 2022	Sept 30, 2021
1. Liquidity		
a. Quick ratio - capacity to cover its short-term obligations using only its most liquid assets. <div style="text-align: center;">[(cash + A/R) / current liabilities]</div>	0.309:1	0.463:1
b. Current ratio - capacity to meet current obligations out of its liquid assets. <div style="text-align: center;">(current assets / current liabilities)</div>	0.478:1	0.792:1
2. Solvency		
a. Debt to equity ratio - indicator of which group has the greater representation in the assets of the Company. <div style="text-align: center;">(total liabilities / equity)</div>	2.545:1	2.229:1
3. Profitability		
a. Net profit margin - ability to generate surplus for stockholder <div style="text-align: center;">(net income / sales)</div>	(0.49):1	(0.64):1
b. Return on equity - ability to generate returns on investment of stockholders. <div style="text-align: center;">(net income / average equity)</div>	(0.13):1	(0.11):1
4. Leverage		
b. Debt to total asset ratio - the proportion of total assets financed by creditors. <div style="text-align: center;">(total debt / total assets)</div>	0.72:1	0.69:1
c. Asset to equity ratio - indicator of the overall financial stability of the Company. <div style="text-align: center;">(total assets / equity)</div>	3.545:1	3.229:1
2. Interest Rate Coverage Ratio		
a. Interest rate coverage ratio - measure of the company's ability to meet its interest payments <div style="text-align: center;">(earnings before interest and taxes / interest expense)</div> -Remarks: The Company was able to meet its interest payments. The negative result was due to loss from operations.	(1.59):1	(1.58):1

DISCUSSION AND ANALYSIS OF MATERIAL EVENTS AND UNCERTAINTIES

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

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

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

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

There were no known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. The crucial period of the Covid-19 pandemic has already passed, thus the Covid-19 patients has materially decreased, which has caused material impact on the income of the hospital.

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

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

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

PART II--OTHER INFORMATION

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

SIGNATURES

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

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

By:


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


EVANGELINE Y. ZOZOBRAO, M.D.
Treasurer

Date: November 21, 2022

Date: November 21, 2022

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

UNAUDITED FINANCIAL STATEMENTS
For the Nine Months Ended September 30, 2022
*(With Comparative Figures for December 31, 2021 and
Nine Months Ended September 30, 2021)*

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – CEBU, INC.
STATEMENTS OF FINANCIAL POSITION
As of September 30, 2022 and December 31, 2021

	<i>Notes</i>	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
<u>ASSETS</u>			
Current Assets			
Cash	4,6	₱ 5,915,004	₱ 27,742,265
Trade and other receivables	4,7	26,426,589	16,756,531
Subscription receivable	4,8	44,744,656	59,540,781
Inventories	4,9	18,777,342	17,909,672
Prepayments and other current assets	4,5,10	52,435,782	56,194,140
Total Current Assets		148,299,373	178,143,389
Non-Current Assets			
Property and equipment, net	4,5,11	1,214,848,278	1,202,230,244
Intangible assets	4,5,12	1,819,659	1,409,331
Deferred tax asset	4,5,21	65,196,338	46,763,315
Total Non-Current Assets		1,281,864,275	1,250,402,890
TOTAL ASSETS		₱ 1,430,163,648	₱ 1,428,546,279
<u>LIABILITIES AND EQUITY</u>			
Current Liabilities			
Trade and other payables	4,13	₱ 120,000,217	₱ 85,161,226
Loans payable - current	4,15	125,601,852	80,000,000
Advances from shareholders	4,22	41,300,000	26,500,000
Retention payable	4,14	23,215,320	33,212,650
Total Current Liabilities		310,117,389	224,873,876
Non-current liabilities			
Loans payable - non current	4,15	716,661,152	761,221,338
Total Liabilities		1,026,778,541	986,095,214
Equity			
Share capital	4,16	172,726,000	172,296,000
Share premium	4,16	477,526,706	461,096,706
Subscribed capital stock	4,16	4,225,000	4,455,000
Treasury shares	4,16	(3,318,000)	(2,915,000)
Accumulated Deficits	4	(247,774,599)	(192,481,641)
Equity, net		403,385,107	442,451,065
TOTAL LIABILITIES AND EQUITY		₱ 1,430,163,648	₱ 1,428,546,279

(See accompanying Notes to Financial Statements)

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – CEBU, INC.
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For The Nine Months Ended September 30, 2022 and 2021

	Notes	January to September		July to September	
		2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
REVENUES - net	4,17	₱ 112,433,534	₱ 84,056,768	₱ 45,070,866	₱ 56,386,513
COST OF SALES AND SERVICES	4,18	(118,680,921)	(101,389,813)	(46,745,284)	(39,849,673)
GROSS LOSS		(6,247,387)	(17,333,045)	(1,674,418)	16,536,840
OPERATING EXPENSES	4,19	(43,395,893)	(22,065,425)	(17,766,548)	(7,641,532)
OTHER INCOME	4,20	4,348,438	4,335,742	1,891,091	2,595,476
FINANCE COST	4,15	(28,431,138)	(36,290,460)	(2,069,704)	(12,750,817)
LOSS BEFORE TAX		(73,725,980)	(71,353,188)	(19,619,579)	(1,260,033)
INCOME TAX BENEFIT	4,21	(18,433,023)	(17,866,687)	(4,905,237)	(321,241)
LOSS FOR THE PERIOD		(55,292,957)	(53,486,501)	(14,714,342)	(938,792)
OTHER COMPREHENSIVE INCOME		-	-	-	-
TOTAL COMPREHENSIVE LOSS		<u>₱ (55,292,957)</u>	<u>₱ (53,486,501)</u>	<u>₱ (14,714,342)</u>	<u>₱ (938,792)</u>

(See accompanying Notes to Financial Statements)

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – CEBU, INC.
STATEMENTS OF CHANGES IN EQUITY
For The Nine Months Ended September 30, 2022 and 2021

	Notes	September 30	
		2022 (Unaudited)	2021 (Unaudited)
SHARE CAPITAL	4,16		
Balance at beginning of the year		₱ 172,296,000	₱ 171,981,000
Issuance		<u>430,000</u>	<u>-</u>
Balance at end of the year		<u>172,726,000</u>	<u>171,981,000</u>
SHARE PREMIUM	4,16		
Balance, beginning of the year		461,096,706	443,226,707
Additional		<u>16,430,000</u>	<u>-</u>
Balance, end of the year		<u>477,526,706</u>	<u>443,226,707</u>
SUBSCRIBED CAPITAL STOCK	4,16		
Balance, beginning of the year		4,085,000	3,520,000
Additional		570,000	-
Payments		<u>(430,000)</u>	<u>-</u>
Balance, end of the year		<u>4,225,000</u>	<u>3,520,000</u>
TREASURY SHARES	4,16		
Balance at beginning of the year		(2,915,000)	(2,915,000)
Repurchase		<u>(403,000)</u>	<u>-</u>
Balance at end of the year		<u>(3,318,000)</u>	<u>(2,915,000)</u>
ACCUMULATED DEFICITS	4		
Balance, beginning of the period		(192,481,642)	(87,570,273)
Net loss for the year		<u>(55,292,957)</u>	<u>(53,486,501)</u>
Balance, end of the period		<u>(247,774,599)</u>	<u>(141,056,774)</u>
EQUITY, net		<u>₱ 403,385,107</u>	<u>₱ 474,755,933</u>

(See accompanying Notes to Financial Statements)

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

STATEMENTS OF CASH FLOWS

For The Nine Months Ended September 30, 2022 and 2021

		<u>September 30</u>	
	<i>Notes</i>	<u>2022</u>	<u>2021</u>
		<u>(Unaudited)</u>	<u>(Unaudited)</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period		₱ (73,725,980)	₱ (71,353,188)
Adjustment to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	4,5,11	31,087,700	25,050,164
Interest income	4,20	(8,148)	(193,298)
Interest expense	4,15	28,431,138	36,290,460
Operating loss before changes in working capital		<u>(14,215,290)</u>	<u>(10,205,862)</u>
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Trade and other receivables	4,7	(9,670,058)	(25,105,200)
Inventories	4,9	(867,670)	(14,328,678)
Prepayments and other current assets	4,5,10	2,509,272	(9,725,211)
Increase (decrease) in:			
Trade and other payables	4,13	34,838,991	26,987,774
Retention and professional fees payables	4,14	(9,997,330)	(4,559,002)
Cash used in operation		<u>2,597,915</u>	<u>(36,936,179)</u>
Interest received	4,20	8,148	193,298
Interest paid	4,15	(28,431,138)	(36,290,460)
Income taxes paid	4,21	1,249,084	(828)
Net cash used in operating activities		<u>(24,575,991)</u>	<u>(73,034,169)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	4,5,11	(43,537,638)	(39,543,399)
Acquisition of intangible assets	4,5,12	(578,424)	-
Net cash used in investing activities		<u>(44,116,062)</u>	<u>(39,543,399)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares	4,16	31,426,125	41,503,751
Purchase of treasury shares	4,16	(403,000)	(1,006,000)
Proceeds from advances from shareholder	4,22	14,800,000	-
Proceeds from loans	4,15	2,500,000	60,000,000
Payment of loans	4,15	(1,458,333)	(32,742,835)
Net cash provided by financing activities		<u>46,864,792</u>	<u>67,754,916</u>
NET DECREASE IN CASH		<u>(21,827,261)</u>	<u>(44,822,652)</u>
CASH AT THE BEGINNING OF THE PERIOD		<u>27,742,265</u>	<u>80,644,153</u>
CASH AT THE END OF THE PERIOD		<u>₱ 5,915,004</u>	<u>₱ 35,821,501</u>

(See accompanying Notes to Financial Statements)

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – CEBU, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2022, December 31, 2021 and September 30, 2021

NOTE 1 - GENERAL INFORMATION

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

The Company's primary purpose is to establish, maintain, operate, own and manage hospitals, medical and related healthcare facilities and businesses such as but without restriction to clinical, laboratories, diagnostic centers, ambulatory clinics, condo-hospital, scientific research institutions and services which shall provide medical, surgical, nursing, therapeutic, paramedic or similar care, provided that purely professional, medical or surgical services shall be performed by duly qualified and licensed physicians or surgeons who may or may not be connected with the hospitals and whose services shall be freely and individually contracted by the patients.

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

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

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

Status of Operation

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

NOTE 2 - BASIS OF PRESENTATION

Statement of Compliance

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

The unaudited interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual audited financial statements as of and for the year ended December 31, 2021.

Basis of Preparation

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

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

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

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

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

NOTE 3 - ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS which the Company adopted effective for annual periods beginning on or after January 1, 2022.

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

- Amendments to PFRS 3, *Reference to Conceptual Framework* – The amendments replace the reference of PFRS 3 from the 1989 Framework to the current 2018 Conceptual Framework. The amendment included an exception that specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should refer to PAS 37, Provisions, Contingent Liabilities and Contingent Assets, or IFRIC 21, Levies, instead of the Conceptual Framework. The requirement would ensure that the liabilities recognized in a business combination would remain the same as those recognized applying the current requirements in PFRS 3. The amendment also added an explicit statement that contingent assets acquired in a business combination should not be recognized by an acquirer. The amendments should be applied prospectively.
- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds Before Intended Use* – The amendments prohibit deducting from the cost of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for its intended use. Instead, the proceeds and related costs from such items shall be recognized in profit or loss. The amendments must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when an entity first applies the amendment.
- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract* – The amendments clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling a contract comprises both the incremental costs of fulfilling that contract and an allocation of costs directly related to contract activities. The amendments apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other components of equity. Accordingly, the comparatives are not restated. Earlier application is permitted.

- Annual Improvements to PFRS 2018 to 2020 Cycle:
 - Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards - Subsidiary as a First-time Adopter* – The amendments permit a subsidiary that becomes a first-time adopter later than its parent and measures its assets and liabilities in accordance with paragraph D16 (a) of PFRS 1 to measure cumulative translation differences for all foreign operations using the amounts reported by its parent, based on the parent’s date of transition to PFRS. Earlier application of the amendments is permitted.
 - Amendments to PFRS 9, *Financial Instruments - Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities* – The amendment clarifies which fees an entity includes when it applies the ‘10 per cent’ test in assessing whether to derecognize a financial liability (i.e. whether the terms of a new or modified financial liability is substantially different from the terms of the original financial liability). These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other’s behalf. The amendments apply to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendments. Earlier application is permitted.
 - Amendments to PFRS 16, *Leases - Lease Incentives* – The amendment removes from the Illustrative Example 13 the illustration of the reimbursement of leasehold improvements by the lessor. The objective of the amendment is to avoid any potential confusion regarding the treatment of lease incentives because of how the requirements for lease incentives are illustrated.
 - Amendments to PAS 41, *Agriculture - Taxation in Fair Value Measurements* – The amendment removes the requirement for entities to exclude cash flows for taxation when measuring the fair value of a biological asset using a present value technique to ensure consistency with the requirements in PFRS 13, Fair Value Measurement. The amendment should be applied prospectively.

New and Amended PFRS Issued But Not Yet Effective

Relevant new and revised PFRS which are not yet effective for the nine months ended September 30, 2022 and have not been applied in preparing the financial statements are summarized below.

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

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current* – The amendments clarify the requirements for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The amendments also specify and clarify the following: (i) an entity’s right to defer settlement must exist at the end of the reporting period, (ii) the classification is unaffected by management’s intentions or expectations about whether the entity will exercise its right to defer settlement, (iii) how lending conditions affect classification, and (iv) requirements for classifying liabilities where an entity will or may settle by issuing its own equity instruments. The amendments must be applied retrospectively. Earlier application is permitted

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

- PFRS 17, *Insurance Contracts* – This standard will replace PFRS 4, Insurance Contracts. It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to

reinsurance contracts held and investment contracts with discretionary participation features issued. An amendment to the standard was issued to (i) reduce costs of transition by simplifying some requirements of the standard, (ii) make financial performance easier to explain, and (iii) ease transition by deferring the effectivity of the standard from 2021 to 2023 and by providing additional relief to reduce the effort required when applying PFRS 17 for the first time.

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

Deferred effectivity -

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

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

NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Instruments

Initial recognition and measurement

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

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

Classification

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

Financial Assets and Liabilities at FVPL

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

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

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

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

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

As of September 30, 2022 and December 31, 2021, the Company does not have financial assets and liabilities at FVPL.

Financial Assets at Amortized Cost

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

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

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

As of September 30, 2022 and December 31, 2021, the Company’s cash and trade and other receivables are classified under this category (see Notes 6 and 7).

Financial Assets at FVOCI

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

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

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

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

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

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

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

As of September 30, 2022 and December 31, 2021, the Company does not have any financial assets carried at FVOCI.

Financial Liabilities at Amortized Cost

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

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

As of September 30, 2022 and December 31, 2021, the Company's trade and other payables (excluding government liabilities), retention and professional fees payables, loans payable and advances from shareholders are classified under this category (see Note 13, 14, 15 and 22).

Reclassification

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

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

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

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

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

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

Impairment of Financial Assets

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

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

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

Derecognition of Financial Assets and Liabilities

Financial Assets

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

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

When the Company has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Company’s continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred

financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities

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

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

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

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

Offsetting of Financial Assets and Liabilities

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

Inventories

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

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

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

Prepayments and Other Current Assets

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

Property and Equipment

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

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

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

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

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

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

Intangible Assets

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

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

Impairment of Non-financial Assets

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

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

Loans payable

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

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

Share Capital

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

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

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

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.

Deficits

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

Revenues

Revenue recognition

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

Revenue is recognized as follows:

Hospital fees

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

Sale of drugs and medicines

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

Other income

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

Finance income

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

Expenses

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

Cost of sales and services

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

Operating expenses

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

Borrowing cost

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

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

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

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

Income Tax

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

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

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

Employee Benefits

Short-term benefits

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

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

Retirement Benefits

The Company does not have a formal retirement benefit plan. However, the Company provides retirement benefits in compliance with RA 7641. No actuarial computation was made because the Company believes that the amount of provision for employee benefits will not materially affect the fair presentation of the financial statements considering that the Company has just commenced commercial operation in 2021 and none of the employees qualifies for the five years employment under RA 7641.

Related Parties

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

Provisions and contingencies

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

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

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

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

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

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

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

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

Subsequent events

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

NOTE 5 - SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

Judgment

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

Determination of ECL on Financial Assets

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

Details about the ECL on the Company's financial assets are disclosed in Note 23.

Assessment of Impairment of Nonfinancial Assets

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

No impairment loss was recognized in the Company’s financial statements in either September 30, 2022 or December 31, 2021.

Estimates

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

Estimation of Allowance for Credit Losses

The measurement of the allowance for Credit Losses on financial assets at amortized cost is an area that requires the use of significant assumptions about the future economic conditions and credit behavior (e.g., likelihood of customers defaulting and the resulting losses). Explanation of the inputs, assumptions and estimation used in measuring Credit Losses is further detailed in Note 23.

Estimating useful lives of property and equipment

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

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

<u>Description</u>	<u>Useful Lives</u>
Building	50 years
Medical equipment	5 - 10 years
Transportation equipment	5 years
Office furniture and fixtures	5 years
Dietary tools and equipment	3 – 5 years

Determination of Realizable Amount of Deferred Tax Assets

The Company reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Management assessed that the deferred tax assets recognized as of September 30, 2022 and December 31, 2021 will be fully utilized in the coming years. The carrying value of deferred tax assets as of those dates is disclosed in Note 21.

NOTE 6 - CASH

This account consists of:

	<u>30-Sept-22</u> <u>(Unaudited)</u>	<u>31-Dec-2021</u> <u>(Audited)</u>
Cash on hand	₱ 307,673	₱ 1,655,000
Cash in banks	5,607,331	26,087,265
	<u>₱ 5,915,004</u>	<u>₱ 27,742,265</u>

Cash in banks generally earn interest at bank deposit rates. Interest income earned from cash in banks amounted to ₱8,148, ₱71,203 and ₱193,298 for the nine months ended September 30, 2022,

year ended December 31, 2021 and nine months ended September 30, 2021, respectively, and is presented under other income in the statements of comprehensive income. (Note 20)

NOTE 7 - TRADE AND OTHER RECEIVABLES

This account consists of:

	30- Sept-2022 (Unaudited)	31-Dec-2021 (Audited)
Trade receivables	₱ 27,915,568	₱ 19,884,434
Other receivables	3,219,665	469,446
	31,135,233	20,353,880
Allowance for credit losses	(4,708,644)	(3,597,349)
	₱ 26,426,589	₱ 16,756,531

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

Other receivables pertain to cash advances to consultants and employees which are collectible thru deduction from professional fees and salaries. It also includes receivable claims from SSS for employee benefits.

A reconciliation of the allowance for expected credit losses as of September 30, 2022 and December 31, 2021 is shown below:

	30-Sept-2022 (Unaudited)	31-Dec-2021 (Audited)
Balance at January 1	₱ 3,597,349	₱ -
Credit losses	1,111,295	3,597,349
Recovery of allowance	-	-
Balance, December 31	₱ 4,708,644	₱ 3,597,349

NOTE 8 - SUBSCRIPTION RECEIVABLE

Subscription receivable pertains to the unpaid portion of the subscribed shares of various investors in relation to the approval of the Company’s secondary license to sell its common shares to the public pursuant to Section 12 of the Securities Regulation Code (SRC). This is to be collected within the next twelve months. This amounted to ₱44,744,656 and ₱59,540,781 as of September 30, 2022 and December 31, 2021, respectively.

NOTE 9 - INVENTORIES

This account consists of:

	30-Sept-2022 (Unaudited)	31-Dec-2021 (Audited)
Hospital supplies	₱ 14,959,291	₱ 8,322,800
Laboratory supplies	2,915,974	8,816,051
Housekeeping supplies	331,171	376,215
Dietary supplies	296,053	217,323
Office supplies	274,853	177,282
	₱ 18,777,342	₱ 17,909,672

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

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

The Company recognized as expense, inventories costing ₱26,743,641, ₱49,328,273 and ₱38,148,181 for the nine months ended September 30, 2022, year ended December 31, 2021 and nine months ended September 30, 2021, respectively.

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

NOTE 10 - PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

	30-Sept-2022	31-Dec-2021
	(Unaudited)	(Audited)
Input VAT	₱ 34,990,217	₱ 27,862,464
Deposits	13,870,435	25,887,454
Prepaid withholding tax on compensation	1,819,431	1,937,607
Prepaid income tax (Note 21)	1,755,699	506,615
	₱ 52,435,782	₱ 56,194,140

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

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

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

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

NOTE 11 - PROPERTY AND EQUIPMENT, net

A reconciliation of the carrying amounts at the beginning and end of the nine months ended September 30, 2022 and year ended December 31, 2021 of property and equipment is shown below:

September 30, 2022 (Unaudited)							
	<u>Land</u>	<u>Building</u>	<u>Transportation Equipment</u>	<u>Office, Furniture and Fixtures</u>	<u>Medical Equipment</u>	<u>Dietary Tools and Equipment</u>	<u>Total</u>
Cost							
1-Jan-22	₱ 108,620,536	₱940,297,161	₱ 3,436,396	₱ 12,316,051	₱ 180,001,462	₱686,368	₱1,245,357,974
Additions	-	-	328,705	40,732,923	2,476,010	-	43,537,638
Disposals	-	-	-	-	-	-	-
31-Sept-22	<u>108,620,536</u>	<u>940,297,161</u>	<u>3,765,101</u>	<u>53,048,974</u>	<u>182,477,472</u>	<u>686,368</u>	<u>1,288,895,612</u>
Accumulated Depreciation							
1-Jan-22	-	18,805,943	1,619,589	4,473,263	18,000,146	228,789	43,127,730
Depreciation	-	14,028,017	553,086	2,709,975	13,500,108	128,418	30,919,604
Disposals	-	-	-	-	-	-	-
31-Sept-22	<u>-</u>	<u>32,833,960</u>	<u>2,172,675</u>	<u>7,183,238</u>	<u>31,500,254</u>	<u>357,207</u>	<u>74,047,334</u>
Carrying amounts							
31-Dec-21	<u>₱ 108,620,536</u>	<u>₱921,491,218</u>	<u>₱ 1,816,807</u>	<u>₱ 7,842,788</u>	<u>₱162,001,316</u>	<u>₱457,579</u>	<u>₱1,202,230,244</u>
Carrying amounts							
31-Sept-22	<u>₱ 108,620,536</u>	<u>₱ 907,463,201</u>	<u>₱ 1,592,426</u>	<u>₱ 45,865,736</u>	<u>₱ 150,977,218</u>	<u>₱ 329,161</u>	<u>₱1,214,848,278</u>

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December 31, 2021 (Audited)

	Land	Building	Transportation Equipment	Office, Furniture and Fixtures	Medical Equipment	Dietary Tools and Equipment	Total
Cost							
1-Jan-21	₱ 108,620,536	₱935,201,133	₱ 3,201,263	₱ 16,674,659	₱ 103,505,510	₱-	₱1,167,203,101
Additions	-	5,096,028	235,133	33,132,404	39,126,073	565,235	78,154,873
Disposals	-	-	-	-	-	-	-
Reclassification	-	-	-	(37,491,012)	37,369,879	121,133	-
31-Dec-21	<u>108,620,536</u>	<u>940,297,161</u>	<u>3,436,396</u>	<u>12,316,051</u>	<u>180,001,462</u>	<u>686,368</u>	<u>1,245,357,974</u>
Accumulated Depreciation							
1-Jan-21	-	-	932,310	2,010,053	-	-	2,942,363
Depreciation	-	18,805,943	687,279	2,463,210	18,000,146	228,789	40,185,367
Disposals	-	-	-	-	-	-	-
31-Dec-21	-	<u>18,805,943</u>	<u>1,619,589</u>	<u>4,473,263</u>	<u>18,000,146</u>	<u>228,789</u>	<u>43,127,730</u>
Carrying amounts							
31-Dec-20	<u>₱ 108,620,536</u>	<u>₱935,201,133</u>	<u>₱ 2,268,953</u>	<u>₱ 14,543,473</u>	<u>₱103,505,510</u>	<u>₱121,133</u>	<u>₱1,164,260,738</u>
31-Dec-21	<u>₱ 108,620,536</u>	<u>₱921,491,218</u>	<u>₱1,816,807</u>	<u>₱ 7,842,788</u>	<u>₱162,001,316</u>	<u>₱457,579</u>	<u>₱1,202,230,244</u>

The Company's land and building with a total carrying value of ₱1,016,083,737 and ₱1,030,111,754 as of September 30, 2022 and December 31, 2021, respectively, were used as collateral for the loan. (Note 15)

The Company's medical equipment with a carrying amount of ₱150,977,218 and ₱162,001,316, as of September 30, 2022 and December 31, 2021, respectively, were used as collateral for the loan. (Note 15)

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

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

	30- Sept-2022 (Unaudited)	31-Jun-2021 (Unaudited)
Cost of sales and services	₱ 28,209,629	₱ 15,177,595
Operating expenses	2,709,975	2,005,316
	<u>₱ 30,919,604</u>	<u>₱ 17,182,911</u>

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

NOTE 12 - INTANGIBLE ASSET

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

A reconciliation of the carrying amounts at the beginning and end of September 30, 2022 and December 31, 2021 is shown below:

	30-Sept-2022 (Unaudited)	31-Dec-2021 (Audited)
Cost		
Beginning	₱ 1,565,923	₱ 1,565,923
Additions	578,424	-
End	<u>2,144,347</u>	<u>1,565,923</u>

Accumulated amortization		
Beginning	156,592	-
Amortization expense	<u>168,096</u>	<u>156,592</u>
End	<u>324,688</u>	<u>156,592</u>
Carrying amount, December 31	<u>₱ 1,819,659</u>	<u>₱ 1,409,331</u>

No impairment losses were recognized in September 30, 2022 and December 31, 2021. The amortization of intangible asset is presented as part of operating expenses. The Company's intangible asset is expected to be amortized over its useful life of five (5) years. (Note 19)

NOTE 13 - TRADE AND OTHER PAYABLES

This account consists of:

	<u>30-Sept-2022</u> <u>(Unaudited)</u>	<u>31-Dec-2021</u> <u>(Audited)</u>
Trade payable	₱ 94,591,575	₱ 63,799,403
Accrued expenses	22,465,151	20,304,200
Payable to government	<u>2,943,491</u>	<u>1,057,623</u>
	<u>₱ 120,000,217</u>	<u>₱ 85,161,226</u>

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

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

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

NOTE 14 - RETENTION PAYABLE

Retention payable pertains to amounts withheld by the Company on its payment to the contractor. This is equivalent to 10% of progress billing as provided in the construction contract of the projects. This will be remitted after turnover of the project and acceptance by Company. This amounted to ₱23,215,320 and ₱33,212,650 as of September 30, 2022 and December 31, 2021, respectively.

NOTE 15 - LOANS PAYABLE

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

	<u>30-Sept-2022</u> <u>(Unaudited)</u>	<u>31-Dec-2021</u> <u>(Audited)</u>
Current	₱ 125,601,853	₱ 80,000,000
Non-current	<u>716,661,152</u>	<u>761,221,338</u>
Total	<u>₱ 842,263,005</u>	<u>₱ 841,221,338</u>

Land Bank of the Philippines

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

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₱35,000,000 and ₱350,000,000 term loans were for the acquisition of various medical machines and equipment. As of September 30, 2022, all amounts are fully drawn.

These loans are secured by a real estate mortgage, covering the Company’s land and building, including all other existing and future improvements thereon. The credit line for the construction of the hospital building was provided with 3 years grace period on the principal payments, while the credit line for the acquisition of various medical machines and equipment was provided with 2 years grace period. Interest at stated rate is 6% per annum.

The Company’s land and building with a total carrying value of ₱1,016,083,737 and ₱1,030,111,754 as of September 30, 2022 and December 31, 2021, respectively, were used as collateral for the loan. (Note 11)

The Company’s medical equipment with a carrying amount of ₱150,977,218 and ₱162,001,316 as of September 30, 2022 and December 31, 2021, respectively were used as collateral for the loan. (Note 11)

The loan agreement with the bank provides certain restrictions and requirements with respect to, among others, maintenance of debt-to-equity ratio of 80:20, percentage of ownership of specific shareholders and additional guarantees for the incurrence of additional long-term indebtedness. As of September 30, 2022 and December 31, 2021, the Company is compliant with the terms of its loan agreement.

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

On September 20, 2021, the Company applied for the renewal of short-term loan amounting to ₱50,000,000 for working capital purposes.

On May 17, 2022, the Company obtained additional loan from LBP amounting to ₱2,500,000 for working capital purposes.

Movement of loans payable is as follows:

	30-Sept-2022 (Unaudited)	31-Dec-2021 (Audited)
Beginning balance	₱ 841,221,338	₱ 813,964,173
Proceeds	2,500,000	60,000,000
Payments	(1,458,333)	(32,742,835)
Ending balance	₱ 842,263,005	₱ 841,221,338

On May 18, 2022, LBP approved the Company’s request for the deferment of the principal repayments for Term Loan 1 and Term Loan 3 amounting to ₱17,222,222. The principal repayment for Term Loan 1 amounting to ₱5,000,000 due on September 2022 will be spread equally during the remaining amortization period to commence on December 1, 2022. The principal repayments for Term Loan 3 amounting to ₱6,111,111 per quarter due on May 24, 2022 and August 24 2022 will be spread equally during the remaining amortization period to commence on November 24, 2022.

Total interest incurred from these loans for the nine months ended September 30, 2022 and year ended December 31, 2021 amounted to ₱28,431,138 and ₱49,120,972, respectively. These are charged to profit or loss.

NOTE 16 - EQUITY

Capital Stock

The Company is authorized to issue Two Hundred Forty Thousand (240,000) with par value of One Hundred Pesos (₱100) per share. Fully paid share capital as of September 30, 2022 and September 30, 2021 amounted to ₱172,726,000 and ₱171,981,000, respectively.

A reconciliation of the outstanding shares at the beginning and end of September 30, 2022, December 31, 2021 and September 30, 2021 is shown below:

	30-Sept-2022 (Unaudited)	31-Dec-2021 (Audited)	30-Sept-2021 (Audited)
Beginning balance	₱ 172,296	₱ 170,741	₱ 170,741
Issuance	430	1,555	1,240
Ending balance	<u>₱ 172,726</u>	<u>₱ 172,296</u>	<u>₱ 171,981</u>

The Company has fifty-five (55) shareholders as of September 30, 2022 and December 31, 2021, each owning 100 or more shares.

The Company has fifty-four (54) holders of founder shares as of September 30, 2022 and December 31, 2021. The Founders have the executive right to vote and be voted for the election of directors for five (5) consecutive years from the date of registration. Thereafter, the holder of founder's shares shall have the same rights and privileges with the holders of common shares.

Treasury Shares

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

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

As at December 31, 2020, the Company reacquired the total of 26 common shares from the Company's issued and outstanding common capital stock at a total cost amounting to ₱606,000. All two blocks were repurchased at ₱303,000 each.

As at December 31, 2021, the Company reacquired a total of 56 common shares from the Company's issued and outstanding common capital stock at a total cost amounting to ₱1,006,000.

As at September 30, 2022, the Company reacquired a total of 23 common shares from the Company's issued and outstanding common capital stock at a total cost amounting to ₱403,000.

These treasury shares are stated at acquisition cost and are deducted from equity. Treasury shares amounted to ₱3,318,000, ₱2,915,000 and ₱2,915,000 as of September 30, 2022, December 31, 2021 and September 30, 2021.

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Subscribed Capital Stock

Subscribed capital stock as of September 30, 2022, December 31, 2021 and September 30, 2021 amounted to ₱4,225,000, ₱4,455,000 and ₱3,520,000 comprising of 422.5 blocks, 445.5 blocks and 352 blocks, respectively. Each block is sold at a premium of ₱200,000 or ₱300,000. Each block is equivalent to 10 shares at ₱1,009 par value and sold at a premium of ₱20,000 or ₱30,000 per share.

Share Premium

Share premium as of September 30, 2022, December 31, 2021 and September 30, 2021 amounted to ₱477,526,706, ₱461,096,706 and ₱443,226,707, respectively.

NOTE 17 - REVENUES

Details of the Company's revenues are as follows:

	<u>January to September</u>		<u>July to September</u>	
	<u>30-Sept-2022</u> <u>(Unaudited)</u>	<u>30-Sept-2021</u> <u>(Unaudited)</u>	<u>30-Sept-2022</u> <u>(Unaudited)</u>	<u>30-Sept-2021</u> <u>(Unaudited)</u>
Hospital fees	₱ 96,182,802	₱ 64,243,282	₱ 38,514,088	42,327,339
Sale of drugs and medicines	<u>21,476,104</u>	<u>25,846,277</u>	<u>9,432,747</u>	<u>16,339,622</u>
	<u>117,658,906</u>	<u>90,089,559</u>	<u>47,946,835</u>	<u>58,666,961</u>
Hospital and Sales Discounts	<u>(5,225,372)</u>	<u>(36,032,791)</u>	<u>(2,875,969)</u>	<u>(2,280,449)</u>
	<u>₱ 112,433,534</u>	<u>₱ 84,056,768</u>	<u>₱ 45,070,866</u>	<u>56,386,512</u>

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

NOTE 18 - COST OF SALES AND SERVICES`

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

	<u>January to September</u>		<u>July to September</u>	
	<u>30-Sept-2022</u> <u>(Unaudited)</u>	<u>30-Sept-2021</u> <u>(Unaudited)</u>	<u>30-Sept-2022</u> <u>(Unaudited)</u>	<u>30-Sept-2021</u> <u>(Unaudited)</u>
Salaries and wages	₱ 28,159,574	₱ 21,097,564	₱ 10,357,408	₱ 8,367,511
Depreciation	28,209,629	21,623,647	9,398,895	6,446,052
Supplies	25,669,099	34,855,647	12,107,743	14,591,844
Utilities	11,571,254	9,127,358	4,399,719	3,403,964
Professional fees	11,368,586	8,249,951	4,331,071	3,522,680
Service fees	4,885,435	2,652,497	2,403,467	1,190,094
Dietary	3,853,045	2,189,629	1,884,913	1,671,564
Housekeeping and room supplies	2,605,278	-	919,977	-
SSS/PHIC/HDMF contributions	<u>2,359,021</u>	<u>1,593,491</u>	<u>942,091</u>	<u>655,964</u>
	<u>₱ 118,680,921</u>	<u>₱ 101,389,813</u>	<u>₱ 46,745,284</u>	<u>₱ 39,849,673</u>

NOTE 19 - OPERATING EXPENSES

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

	January to September		July to September	
	30-Sept-2022 (Unaudited)	30-Sept-2021 (Unaudited)	30-Sept-2022 (Unaudited)	30-Sept-2021 (Unaudited)
Officers’ compensation	₱ 13,920,000	₱ -	₱ 6,960,000	₱ -
Salaries and wages	8,719,371	4,687,498	3,074,529	1,504,985
Security services	3,516,449	3,141,270	1,310,914	918,275
Utilities	2,664,823	2,281,839	1,099,929	850,990
Depreciation	2,709,975	3,193,157	1,029,781	1,187,841
Repairs and maintenance	2,215,196	931,400	710,903	577,875
Taxes and licenses	1,780,049	456,161	398,005	164,664
Professional fee	1,179,385	1,119,043	604,767	279,122
Meeting and conferences	1,156,795	192,824	485,594	38,361
Credit losses	1,111,295	-	169,978	-
Office supplies	1,074,542	1,102,876	614,543	434,066
SSS/PHIC/HDMF contributions	689,619	398,373	266,380	163,991
Insurance	600,000	-	600,000	-
Transportation and travel	533,021	1,030,399	132,300	863,361
Bank service charge	440,307	889,645	194,789	232,223
Training and development	246,405	166,169	35,420	9,000
Amortization	168,096	233,360	57,709	52,747
Directors’ allowances	-	1,437,222	-	55,000
Miscellaneous	442,575	804,189	21,007	309,031
	₱ 43,395,893	₱ 22,065,425	₱ 17,766,548	₱ 7,641,532

NOTE 20 - OTHER INCOME

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

	January to September		July to September	
	30-Sept-2022 (Unaudited)	30-Sept-2021 (Unaudited)	30-Sept-2022 (Unaudited)	30-Sept-2021 (Unaudited)
Income from cafeteria	₱ 4,280,530	₱ 2,751,293	₱ 1,868,371	₱ 1,845,068
Interest income	8,148	193,298	1,824	75,125
Miscellaneous income	59,760	1,391,151	20,896	675,283
	₱ 4,348,438	₱ 4,335,742	₱ 1,891,091	₱ 2,595,476

NOTE 21 - INCOME TAXES

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

1. Reduction of the Corporate Income Tax from 30% to 25% starting July 1, 2020.
2. Reduction of the Minimum Corporate Income Tax (MCIT) from 2% to 1% starting July 1, 2020 to June 30, 2023

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3. Reduction of the non-deductible interest expense from 33% to 20% of the gross interest income
4. Imposition of the Improperly Accumulated Earning Tax has been repealed.

The Company used the prevailing tax rates as of December 31, 2020, given the CREATE LAW was signed after December 31, 2020, in determining its current and deferred taxes in its 2020 financial statements and was taken up prospectively in the current period. As a result of the application of the lower RCIT rate of 25% and MCIT rate of 1% starting July 1, 2020, the current income tax expense as presented in the 2020 annual income tax return of the Company was lower by ₱207 than the amount presented in the 2020 financial statements. This amount was charged to 2021 income tax expense.

In addition, the recognized net deferred tax assets/liabilities as of December 31, 2020 were remeasured to 25% in the current period. This resulted in a decline in the recognized net deferred tax assets in 2020 by ₱4,124,852. This amount was charged to 2021 income tax expense.

Income tax benefit for the nine months ended September 30, 2022 and 2021 consists of:

	<u>January to September</u>		<u>July to September</u>	
	30-Sept-2022	30-Sept-2021	30-Sept-2022	30-Sept-2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current	₱	₱	₱	₱
Deferred	(18,433,023)	-	(4,905,237)	190,572
	(18,433,023)	(17,866,687)	(4,905,237)	(511,813)
	₱ (18,433,023)	₱ (17,866,687)	₱ (4,905,237)	₱ (321,241)

Reconciliation between statutory tax and effective tax follows:

	<u>January to September</u>		<u>July to September</u>	
	30-Sept-2022	30-Sept-2021	30-Sept-2022	30-Sept-2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Income tax at statutory rate	₱ (18,431,495)	₱ (17,838,297)	₱ (4,904,895)	₱ (315,008)
Tax effects of income subject to final tax	(2,037)	(48,324)	(456)	(18,781)
Tax effects of interest expense	509	19,934	114	12,548
Tax effect of changes in income tax rate	-	-	-	-
Effective income tax	₱ (18,433,023)	₱ (17,866,687)	₱ (4,905,237)	₱ (321,241)

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

	<u>January to September</u>		<u>July to September</u>	
	30-Sept-2022	30-Sept-2021	30-Sept-2022	30-Sept-2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Loss before tax	₱ (73,725,980)	₱ (71,353,188)	₱ (19,619,579)	₱ (1,260,033)
Permanent differences:				
Interest income	(8,148)	(193,298)	(1,824)	(75,125)
Interest expense	2,037	79,736	456	50,193
Temporary differences:				
Provision for credit losses	1,111,295	-	169,978	-
Unrealized forex (gain)/loss (PY)		(31,261)		-

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Taxable loss	₱ (72,620,796)	₱ (71,498,011)	₱ (19,450,969)	₱ (1,284,965)
Minimum Corporate Income Tax:				
Taxable gross income	₱ (1,907,097)	₱ (13,190,601)	₱ 214,849	₱ 19,057,191
Tax rate	1%	1%	1%	1%
	-	-	2,148	190,572
Tax due	-	-	2,148	190,572
Less: Tax credits				
Prior Year's Excess Credit	(506,615)	-	-	-
Creditable taxes	(1,249,084)	(205,963)	(525,475)	(205,963)
Income tax payable	₱ (1,755,699)	₱ (205,963)	₱ (523,327)	₱ (15,931)

The net deferred tax assets pertain to the following as of September 30, 2022 and December 31, 2021 and the related deferred tax expense (income) as of September 30, 2022 and for the year ended December 31, 2021:

	<u>Statement of Comprehensive Income</u>			
	<u>Statement of Financial Position</u>		<u>Profit or Loss</u>	
	<u>30-Sep-22</u>	<u>31-Dec-21</u>	<u>30-Sep-22</u>	<u>31-Dec-21</u>
	<u>(Unaudited)</u>	<u>(Audited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
Deferred tax asset - MCIT	₱ 46,618	₱ 46,618	₱ -	₱ 43,717
Deferred tax asset - NOLCO	63,972,559	45,817,360	18,155,199	21,078,871
Allowance for credit losses	1,177,161	899,337	277,824	899,337
Unrealized (gain) loss on foreign exchange	-	-	-	(9,378)
Net deferred tax assets	₱ 65,196,338	₱ 46,763,315		
Deferred tax expense (income)			₱ 18,433,023	₱ 22,012,547

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

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

<u>Date Incurred</u>	<u>Date of Expiration</u>	<u>Amount</u>	<u>Applied</u>	<u>Expired</u>	<u>Balance</u>
30-Jun-2022	2025	₱ 72,620,796	₱ -	₱ -	₱ 72,620,796
31-Dec-2021	2026	123,367,305	-	-	123,367,305
31-Dec-2020	2025	32,687,003	-	-	32,687,003
31-Dec-2019	2022	27,215,130	-	-	27,215,130
		₱255,890,234	₱ -	₱ -	₱255,890,234

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

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Details of MCIT follow:

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

NOTE 22 - RELATED PARTY TRANSACTIONS

The Company's related parties include its founders, the Company's key management personnel and others as described below.

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

September 30, 2022 (Unaudited)

<u>Nature of Relationship</u>	<u>Nature of Transaction</u>	<u>Amount (current transaction)</u>	<u>Outstanding balance</u>	<u>Terms</u>	<u>Conditions</u>
Major Shareholders	Advances	₱14,800,000	₱41,300,000	Non-interest bearing; payable in cash; no scheduled repayment terms	Unsecured

December 31 2021 (Audited)

<u>Nature of Relationship</u>	<u>Nature of Transaction</u>	<u>Amount (current transaction)</u>	<u>Outstanding balance</u>	<u>Terms</u>	<u>Conditions</u>
Major Shareholders	Advances	₱26,500,000	₱26,500,000	Non-interest bearing; payable in cash; no scheduled repayment terms	Unsecured

Cash Advances

The Company obtains cash advances from shareholders for working capital purposes. These are unsecured, payable in cash with no scheduled repayment terms. The outstanding balance of these advances were presented under Advances from shareholders account in the statements of financial position.

Key Management Personnel Compensations

The officers' compensation and directors' allowances amounted to ₱13,920,000, ₱2,637,222 and ₱1,437,222, for the nine months ended September 30, 2022, year ended December 31, 2021 and nine months ended September 30, 2021.

NOTE 23 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks which result from its operating activities. The most important components of this financial risk are credit risk, liquidity risk and market risks. The Company's risk management is coordinated with the Board of Directors, and focuses on

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actively securing the Company’s short-to-medium term cash flows by minimizing the exposure to financial markets.

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

Liquidity Risk

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

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

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

The table below summarizes the maturity profile of the Company’s financial liabilities as of September 30, 2022 and December 31, 2021 based on contractual undiscounted payment.

	September 30, 2022 (Unaudited)		
	Within 1 year	Above 1 Year	Total
Trade and other payables	₱ 117,056,726	₱ -	₱ 117,056,726
Loans payable	121,948,417	800,472,002	922,420,419
Advances from shareholders	41,300,000	-	41,300,000
Retention payable	23,215,320	-	v23,215,320
	₱ 303,520,463	₱ 800,472,002	₱1,103,992,465
	December 31, 2021 (Audited)		
	Within 1 year	Above 1 Year	Total
Trade and other payables	₱ 45,482,752	₱ -	₱ 45,482,752
Loans payable	80,000,000	761,221,338	841,221,338
Advances from shareholders	26,500,000	-	26,500,000
Retention payable	33,212,650	-	33,212,650
	₱ 185,195,402	₱ 761,221,338	₱946,416,740

*Trade and other payables excludes government statutory payables amounting to ₱2,943,491 and ₱1,057,623 as of September 30, 2022 and December 31, 2021, respectively.

Market Risks

Interest Rate Risk

Interest rate risks arises from the possibility that the changes in interest rates will affect the fair value of financial instruments. Interest on financial instruments classified as floating rate is repriced

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at intervals of less than one year. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument.

The Company's financial instrument that are exposed to cash flow interest rate risk pertains to its bank loans amounting to ₱842,263,004 and ₱692,214,692 as of September 30, 2022 and December 31, 2021, respectively, which are subject to interest rate repricing. (See Note 15)

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

Increase/Decrease in Interest Rate	Effect on Income Before Income Tax	
	30-Sept-2022 (Unaudited)	31-Dec-2021 (Audited)
+1%	₱ (8,422,630)	₱ (8,412,213)
-1%	8,422,630	8,412,213

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

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

Foreign Currency Risk

The Company's exposure to the risk for changes in foreign exchange is not significant. It relates only to the Company's dollar bank deposit amounting to ₱509,750 as of September 30, 2022 and December 31, 2021, respectively.

Credit Risk

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

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

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

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

The tables below show the credit quality per class of financial asset and an aging analysis of past due but not impaired accounts as of September 30, 2022 and December 31, 2021.

Credit Quality per Class of Financial Asset

	September 30, 2022 (Unaudited)					Total
	Neither Past Due nor Impaired					
	High Grade	Standard Grade	Substandard Grade	Past Due but not Impaired	Impaired	
Cash in banks	₱ 5,607,331	₱-	₱-	₱-	₱-	₱ 5,607,331

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Trade and other receivables	8,181,345	-	-	22,953,888	-	31,135,233
	<u>₱ 13,788,676</u>	<u>₱ -</u>	<u>₱ -</u>	<u>₱22,953,888</u>	<u>₱ -</u>	<u>₱ 36,742,564</u>

December 31, 2021 (Audited)

Neither Past Due nor Impaired						
	High Grade	Standard Grade	Substandard Grade	Past Due but not Impaired	Impaired	Total
Cash in banks	₱ 27,742,265	₱-	₱-	₱-	₱-	₱ 27,742,265
Trade and other receivables	1,439,185	-	-	18,913,460	-	20,352,645
	<u>₱ 29,181,450</u>	<u>₱ -</u>	<u>₱ -</u>	<u>₱18,913,460</u>	<u>₱ -</u>	<u>₱ 48,094,910</u>

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

September 30, 2022 (Unaudited)					
Past due account but not impaired					
	1-30 days past due	31-60 days past due	61-90 days past due	91 and over days past due	Total
Trade receivables	<u>₱ 4,247,582</u>	<u>₱ 914,818</u>	<u>₱ 3,185,828</u>	<u>₱ 14,605,660</u>	<u>₱ 22,953,888</u>
December 31, 2021 (Audited)					
Past due account but not impaired					
	1-30 days past due	31-60 days past due	61-90 days past due	91 and over days past due	Total
Trade receivables	<u>₱4,735,832</u>	<u>₱6,098,665</u>	<u>₱2,881,016</u>	<u>₱5,197,947</u>	<u>₱18,913,460</u>

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

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

	30-Sept-2022 (Unaudited)	31-Dec-2021 (Audited)
Cash in banks	₱ 5,607,331	₱ 26,087,265
Trade and other receivables	<u>24,032,900</u>	<u>16,756,531</u>
	<u>₱ 26,426,589</u>	<u>₱ 42,843,796</u>

Cash excludes cash on hand amounting to ₱307,673 and ₱1,655,000 in September 30, 2022 and December 31, 2021

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

(a) Cash

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

(b) Trade and other receivables

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

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

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

On that basis, the loss allowance as at September 30, 2022 and December 31, 2021 was determined based on months past due, as follows for trade receivables:

September 30, 2022 (Unaudited)							
	Current	1-30 days	31-60 days	61-90 days	91 days and over	91 days and over	Total
Expected loss rate	2%	5%	7%	10%	15%	100%	
Trade receivables	₱ 4,961,680	₱ 4,247,582	₱ 914,818	₱ 3,185,828	₱ 12,460,293	₱ 2,145,367	₱ 27,915,568
Loss allowance	99,234	212,379	64,037	318,583	1,869,044	2,145,367	₱ 4,708,644

December 31, 2021 (Audited)							
	Current	1-30 days	31-60 days	61-90 days	91-120 days	121 days and over	Total
Expected loss rate	2%	5%	7%	10%	15%	100%	
Trade receivables	₱ 970,974	₱ 4,735,832	₱ 6,098,665	₱ 2,881,016	₱ 3,025,667	₱ 2,172,280	₱ 19,884,434
Loss allowance	19,419	236,792	426,907	288,102	453,850	2,172,280	₱ 3,597,349

A reconciliation of the closing loss allowance for trade receivables as at September 30, 2022 and December 31, 2021 are presented below:

	30-Sept-2022 (Unaudited)	31-Dec-2021 (Audited)
Balance, beginning	₱ 3,597,349	₱ -
Credit losses	1,111,295	3,597,349
Recovery of allowance	-	-
Balance, ending	₱ 4,708,644	₱ 3,597,349

NOTE 24 - CAPITAL MANAGEMENT

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

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

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

	30-Sept-2022 (Unaudited)	31-Dec-2021 (Audited)
Liabilities	₱ 1,026,778,541	₱ 986,095,214
Equity	403,385,107	442,451,065
Debt-to-Equity Ratio	2.55:1	2.23:1

NOTE 25 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table sets forth the carrying values and estimated fair values of financial assets and liabilities recognized as of September 30, 2022 and December 31, 2021:

		September 30, 2022 (Unaudited)			
		Fair Value			
		Quoted prices	Significant	Significant	
	Note	in active	observable	unobservable	
		markets	inputs	inputs	
		(Level 1)	(Level 2)	(Level 3)	
		Carrying			
		Amount			
Assets for which fair values are disclosed:					
Cash in banks	6	₱ 5,607,331	₱-	₱ 5,607,331	₱-
Trade and other receivables	7	26,426,589	-	26,426,589	-
		₱ 32,033,920	₱-	₱ 32,033,920	₱-
Liabilities for which fair values are disclosed:					
Financial liabilities at amortized cost:					
Trade and other payables	13	₱117,056,726	₱-	₱117,056,726	₱-
Loans payable	15	842,263,004	-	842,263,004	-
Advances from shareholders	22	41,300,000	-	41,300,000	-
Retention payable	14	23,215,320	-	23,215,320	-
		₱1,023,835,050	₱-	₱1,023,835,050	₱-
		December 31, 2021 (Audited)			
		Fair Value			
		Quoted prices	Significant	Significant	
	Note	in active	observable	unobservable	
		markets	inputs	inputs	
		(Level 1)	(Level 2)	(Level 3)	
		Carrying			
		Amount			
Assets for which fair values are disclosed:					
Cash in banks	6	₱ 26,087,265	₱-	₱ 26,087,265	₱-
Trade and other receivables	7	16,756,531	-	16,756,531	-
		₱ 42,843,796	₱-	₱ 42,843,796	₱-
Liabilities for which fair values are disclosed:					
Financial liabilities at amortized cost:					
Trade and other payables	13	₱ 84,103,603	₱-	₱ 84,103,603	₱-
Loans payable	15	841,221,338	-	841,221,338	-
Advances from shareholders	22	26,500,000	-	26,500,000	-
Retention payable	14	33,212,650	-	33,212,650	-
		₱ 946,416,740	₱-	₱ 946,416,740	₱-

*Trade and other payables excludes government statutory payables amounting to ₱2,943,491 and ₱1,057,623 for September 30, 2022 and December 31 2021, respectively.

NOTE 26 - OTHER MATTERS

There were no significant events or transactions for the quarter that had a major impact on the Company's financial condition and performance that were not disclosed in the financial statements. There were no material event subsequent to the interim period, which have not been reflected in the interim financial statements.

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

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

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

The key assumptions concerning the future and other key sources of estimation used the preparation of the unaudited interim financial statements are consistent with those followed in preparation of the Company's annual financial statements as of and for the year ended December 31, 2021.

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

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

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

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

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

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

**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION
As of September 30, 2022**

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

Unappropriated Retained Earnings (Deficit), as adjusted to available for dividend distribution, beginning of the year		<u>(₱192,481,642)</u>
Add: Net income (loss) actually earned/realized during the period		<u>(55,292,957)</u>
Less: Non-actual/unrealized income net of tax		
• Equity in net income of associate/joint venture	-	
• Unrealized foreign exchange gain - (after tax except those attributable to Cash and Cash Equivalents) Unrealized actuarial gain	-	
• Fair value adjustment (mark-to-market gains)	-	
• Fair value adjustment of Investment Property resulting to gain	-	
• Adjustment due to deviation from PFRS-gain	-	
• Other unrealized gains or adjustments to retained earnings as a result of certain transactions accounted for under PFRS	-	
Sub-total	<u>-</u>	
Add: Non-actual losses		
• Depreciation or revaluation increment (after tax)	-	
• Adjustment due to deviation from PFRS/GAAP - loss	-	
• Loss on fair value adjustment of investment property (after tax)	-	
Sub-total	<u>-</u>	-
Net income actually earned during the period		(55,292,957)
Add (Less):		
• Dividend declarations during the period	-	
• Appropriations of Retained Earnings during the period	-	
• Reversals of appropriations	-	
• Effects of prior period adjustments	-	
• Treasury Shares	-	
Sub-total	<u>-</u>	<u>-</u>
TOTAL RETAINED EARNINGS, END OF YEAR AVAILABLE FOR DIVIDEND DECLARATION		<u>₱ - nil -</u>

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

For The Nine Months Ended September 30, 2022, Year Ended December 31, 2021
and Nine Months Ended September 30, 2021

Current Ratio

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Total current assets	₱ 148,299,373	₱ 178,143,389
Total current liabilities	310,117,389	224,873,876
Current ratio	0.478:1	0.792:1

Quick Ratio

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Total liquid asset	₱ 95,863,591	₱ 104,039,577
Total current liabilities	310,117,389	224,873,876
Quick ratio	0.309:1	0.463:1

Working Capital to Total Asset

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Working capital	₱ (161,818,016)	₱ (46,730,487)
Total liabilities	1,026,778,541	986,095,214
Working capital ratio	-0.158:1	-0.047:1

Solvency Ratio

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Net income (loss) after tax +	₱ (24,205,257)	₱ (64,569,409)
Depreciation/Amortizaion		
Total liabilities	1,026,778,541	986,095,214
Solvency ratio	-0.024:1	-0.065:1

Debt-to-equity Ratio

	September 30, 2022	December 31, 2021
	(Unaudited)	(Audited)
Total liabilities	₱ 1,026,778,541	₱ 986,095,214
Total equity	403,385,107	442,451,065
Debt-to-equity ratio	2.545:1	2.229:1

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

For The Nine Months Ended September 30, 2022, Year Ended December 31, 2021
and Nine Months Ended September 30, 2021

Asset-to-equity Ratio

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Total assets	₱ 1,430,163,648	₱ 1,428,546,279
Total equity	403,385,107	442,451,065
Asset to equity ratio	<u>3.545:1</u>	<u>3.229:1</u>

Interest Rate Coverage Ratio

	September 30, 2022 (Unaudited)	December 31, 2021 (Audited)
Pre-tax profit (loss) before interest	₱ (45,294,842)	₱ (77,759,019)
Interest expense	28,431,138	49,120,972
Interest rate ratio	<u>-1.593:1</u>	<u>-1.583:1</u>

Profitability Ratios

	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Net profit (loss) after tax	₱ (55,292,957)	₱ (53,486,501)
Total equity	403,385,107	474,755,933
	<u>-0.137:1</u>	<u>-0.113:1</u>

a.) *Return on asset ratio*

	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Net income (loss) after tax	₱ (55,292,957)	₱ (53,486,501)
Average assets	1,429,354,964	1,390,994,448
	<u>-0.039:1</u>	<u>-0.038:1</u>

b.) *Return on equity ratio*

	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Net profit (loss) after tax	₱ (55,292,957)	₱ (53,486,501)
Average equity	422,918,086	477,812,183
	<u>-0.131:1</u>	<u>-0.112:1</u>

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

For The Nine Months Ended September 30, 2022, Year Ended December 31, 2021
and Nine Months Ended September 30, 2021

c.) Gross Profit Margin Ratio

	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Net profit (loss) before tax	₱ (73,725,980)	₱ (71,353,188)
Gross profit (loss)	(6,247,387)	(17,333,405)
	<u>11.801:1</u>	<u>4.117:1</u>

d.) Net Profit Margin

	September 30, 2022 (Unaudited)	September 30, 2021 (Unaudited)
Net profit (loss) after tax	₱ (55,292,957)	₱ (53,486,501)
Revenue	112,433,534	84,056,768
	<u>-0.492:1</u>	<u>-0.636:1</u>