

Subject: Re: Allied Care Experts (ACE) Medical Center - Cebu, Inc_SEC Form 17Q 2nd Quarter_22August2023
Date: Tuesday, August 22, 2023 at 11:35:23 AM Philippine Standard Time
From: ICTD Submission
To: corpsecacemcebu@gmail.com

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----- NOTICE TO
COMPANIES -----

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

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

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

Please be informed that the submission of the abovementioned eleven (11) reports through the ictdsubmission@sec.gov.ph shall no longer be accepted. For further information, please access this link Notice for guidance on the filing of reports:

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1. AFS 7. IHFS 13. SSF

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

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

For your information and guidance.

Thank you.

COVER SHEET

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C E B U	C I T Y		

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

Contact Person

(032) 265-5833

(Company Telephone Number)

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 Month Day
 (Fiscal Year)

SEC FORM 17Q

(Form Type)

2nd Sunday of April

Month _____ Day _____
(Annual Meeting)

PERMIT TO SELL SECURITIES

(Secondary License Type, if Applicable)

MSRD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

2142

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended ...**June 30, 2023**
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	173,676 shares / P1,044,007,714

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 six months ended June 30, 2023 (with comparative figures as at December 31, 2022 (Audited) and for the six months ended June 30, 2022 (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

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)	Horizontal Analysis		Vertical Analysis	
			Inc(Dec)	%age	June 30, 2023 (Unaudited)	December 31, (Audited)
ASSETS						
Current Assets						
Cash	₱ 15,296,070	₱ 12,843,591	₱ 2,452,479	19%	1%	1%
Trade and other receivables	27,221,588	20,290,964	6,930,624	34%	2%	1%
Subscription receivable	34,335,156	40,922,156	(6,587,000)	-16%	2%	3%
Inventories	19,199,371	21,977,535	(2,778,164)	-13%	1%	2%
Prepayments and other current assets	76,656,384	75,325,508	1,330,876	2%	5%	5%
Total Current Assets	172,708,569	171,359,754	1,348,815	1%	12%	12%
Non-current Assets						
Property and equipment, net	1,152,907,310	1,170,755,806	(17,848,496)	-2%	82%	83%
Intangible assets	2,397,480	1,674,570	722,910	43%	0%	0%
Deferred tax asset	74,824,978	64,586,954	10,238,024	16%	5%	5%
Total Non-Current Assets	1,230,129,768	1,237,017,330	(6,887,562)	-1%	88%	88%
Total Assets	₱ 1,402,838,337	₱ 1,408,377,084	(5,538,747)	0%	100%	100%
LIABILITIES AND EQUITY						
Current Liabilities						
Trade and other payables	₱ 98,972,658	₱ 104,647,174	(5,674,516)	-5%	7%	7%
Loans payable - current	222,556,482	160,601,852	61,954,630	39%	16%	11%
Advances from shareholders	89,500,000	42,800,000	46,700,000	109%	6%	3%
Retention payable	17,515,238	19,936,014	(2,420,776)	-12%	1%	1%
Total Current Liabilities	428,544,378	327,985,040	100,559,338	31%	31%	23%
Non-Current Liabilities						
Loans payable - non current	615,463,336	695,764,262	(80,300,926)	-12%	44%	49%
Total Liabilities	1,044,007,714	1,023,749,302	20,258,412	2%	74%	73%
Equity						
Share capital	173,676,000	172,896,000	780,000	0%	12%	12%
Share premium	488,826,706	483,606,706	5,220,000	1%	35%	34%
Subscribed capital stock	4,035,000	4,635,000	(600,000)	-13%	0%	0%
Treasury shares	(4,121,000)	(3,318,000)	(803,000)	24%	0%	0%
Accumulated Deficits	(303,586,083)	(273,191,924)	(30,394,159)	11%	-22%	-19%
Equity, Net	358,830,623	384,627,782	(25,797,159)	-7%	26%	27%
Total Liabilities and Equity	₱ 1,402,838,337	₱ 1,408,377,084	(5,538,747)	0%	100%	100%

As of June 30, 2023, the assets of the Company amount to ₱1,402,838,337 which is a little or ₱5,538,747 lower than the December 31, 2022 balance of ₱1,408,377,084. The decrease was due to the decreased in subscription receivable, inventories, and property and equipment. This was negated by the increased in cash, trade and other receivables, prepayments and other current assets, intangible assets and deferred tax assets.

The increase in Cash by ₱2,452,479 was primarily due to cash proceeds from issuance of shares and advances from shareholders negated by the cash used in operations, acquisition of assets and payment of loans.

The increase in trade and other receivables by ₱6,930,624 was mainly due to increase of uncollected revenue from PhilHealth, receivables from patients and reimbursements from DSWD availed by patients and recoveries in allowance for credit losses amounting to ₱2,346,504.

The decrease in subscription receivable by ₱6,587,000 was primarily due to payment of subscriptions during the first half of 2023 negated by additional subscriptions.

The decrease in inventories by ₱2,778,164 was mainly due to decrease in hospital supplies, and laboratory and linen supplies. This is negated by the increase in office supplies and dietary supplies.

The increase in prepayments and other current assets by ₱1,330,876 was primarily due to increase in prepaid income tax, input VAT and creditable withholding tax and negated by the decrease in advances to suppliers and prepaid withholding tax on compensation.

The decrease in property and equipment by ₱17,848,496 was due to depreciation amounting ₱20,747,015 negated by acquisitions of ₱2,898,519.

The increase in Intangible asset pertains mainly to the additions with total amount of ₱937,345 negated by amortization of the information system for the first half of the 2023.

Deferred tax asset increased by ₱10,238,024 due to recognition of DTA from MCIT and DTA for losses incurred by the Company in first half of 2023.

Total liabilities increased by ₱20,258,412. The increase was primarily due to increase in advances from shareholders which was negated by payments of loans and decrease in trade and other payables and retention payable.

Trade and other payables decreased by ₱5,674,516, primarily due to significant decrease in trade payables and accrued expenses negated by increase in payable to government agencies.

The increase in advances from shareholders amounting to ₱46.7M pertains mainly to additional advances in first half of 2023.

The decrease in retention payable amounting to ₱2,470,776 was due to partial payments made to contractors.

The decrease in loans payables was primarily to payment of amortization on loans obtained from LBP. The principal repayment for Term Loan 1 amounting to ₱5,000,000 commenced last December 1, 2022. The principal repayments for Term Loan 3 amounting to ₱6,111,111 per quarter commence last November 24, 2022. Total payments made for loans amounts to ₱18,346,296.

The decreased in equity was primarily due to the net loss incurred by the Company on the first half of operations in 2023 net of additional subscriptions.

Material Changes in Financial Condition

a. Cash increased by P2.45M
Due to cash proceeds from issuance of shares and advances from shareholders negated by the cash used in operations, acquisition of assets and payment of loans
b. Trade and other receivables increased by P6.93M
Mainly due to increase of uncollected revenue from PhilHealth, receivables from patients and reimbursements from DSWD availed by patients and recoveries in allowance for credit losses amounting to P2,346,504.
c. Subscription receivable decreased by P6.58M.
Due to payment of subscriptions during the first half of 2023 negated by additional subscriptions.
d. Inventories decreased by P2.78M
Due to decrease in hospital supplies, and laboratory and linen supplies. This is negated by the increase in office supplies and dietary supplies.
e. Prepayments and other current assets increased by P1.33M
Due to increase in prepaid income tax and creditable withholding tax and negated by the decrease in advances to suppliers and prepaid withholding tax on compensation.
f. Property and equipment decreased by P17.84M
Due to depreciation amounting P20,747,015 negated by acquisitions of P2,898,519.
g. Intangible assets increased by P.722M
Mainly due to the additions with total amount of P937,345 negated by amortization of the information system for the first half of the 2023.
h. Deferred tax asset increased by P10.23M
Due to recognition of DTA from MCIT and DTA for losses incurred by the Company in first half of 2023.
i. Trade and other payables decreased by P5.67M
Primarily due to significant decrease in trade payables and accrued expenses negated by increase in payable to government agencies.
j. Advances from shareholders increased by P46.7M
Pertains mainly to additional advances in first half of 2023.
k. Retention payable decreased by P2.47M
Due to partial payments made to contractors.
l. Loans payable decreased by P18.34M
Due to payments in loan obtained from LBP.
m. Equity decreased by P25.79M
Primarily due to the net loss incurred by the Company on the first half of 2023 net of additional subscriptions.

RESULTS OF OPERATIONS

The following table shows the consolidated financial highlights of the Company for the six months ended June 30, 2023 and 2022:

	For the three months ended		Horizontal Analysis		Vertical Analysis	
	30-Jun-23	30-Jun-22	Inc (Dec)	%age	30-Jun-23	30-Jun-22
Revenue	P 114,720,600	P 67,362,668	47,357,932	70%	100%	100%
Other income	2,096,617	2,457,347	(360,730)	-15%	2%	4%
Cost of sales and services	(106,186,282)	(71,935,637)	34,250,645	48%	-93%	-107%
Operating expenses	(23,928,679)	(25,629,345)	(1,700,666)	-7%	-21%	-38%
Finance costs	(27,228,143)	(26,361,434)	866,709	3%	-24%	-39%
Income tax benefit	10,131,728	13,527,786	(3,396,058)	-25%	9%	20%
Net loss	P (30,394,159)	P (40,578,615)	(10,184,456)	-25%	-26%	-60%

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

Revenue generated for the six months period amounts ₱114.720M. This was from Hospital fees and sales of medicines, net of discounts. This increased by 70%. The Company is in its third year of operation, revenues are expected to be higher compared to its second year of operation in 2022.

Other income decreased by 15%. This is primarily due to significant decrease of income from cafeteria as income from walk-in patients has decreased in 2023.

Cost of sales and services for the six months period ended June 30, 2023 amounted to ₱34.25M. This increased by 48% in direct relation with the increase in revenue in the first half of 2023 compared to first half of 2022. The major component of the cost of sales and services are medicines and supplies, depreciation, salaries and wages, utilities, professional fees and dietary costs.

Operating expenses decreased by 7%. The decrease was primarily attributable to the decrease in credit losses, repairs and maintenance, officers compensation and miscellaneous expense. This is negated by the increase in salaries and wages and benefits, utilities. Transportation and travel, meetings and conferences, bank services charges and amortization.

Increase in finance costs by 3% compared to 2022 was due to the increase in interest bearing advances from shareholders obtained to augment hospital operation.

Income tax benefit decreased by 25%. This is primarily due to lower losses incurred in first half of 2023 resulting to lower taxable loss and tax benefit.

Loss for the six months ended June 30, 2023 is lower than losses suffered for the six months ended June 30, 2022, this was mainly due to significant increase in revenue for the period. The Company is in its third year of operation, results of operation are expected to be more favorable compared to its second year of operation in 2022, in terms of generating revenues. However, these revenues have not compensated costs and expenses incurred for the period. 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

<p>a. Revenue Increased by 70% The Company is in its third year of operation, revenues are expected to be higher compared to its second year of operation in 2022.</p>
<p>b. Cost of sales and services increased by 48% This is in direct relation with the increase in revenue in the first half of 2023 compared to first half of 2022. The major component of the cost of sales and services are medicines and supplies, depreciation, salaries and wages, utilities, professional fees and dietary costs.</p>
<p>c. Operating Expenses decreased by 7% The decrease was primarily attributable to the decrease in credit losses, repairs and maintenance, officers compensation and miscellaneous expense. This is negated by the increase in salaries and wages and benefits, utilities. Transportation and travel, meetings and conferences, bank services charges and amortization.</p>
<p>d. Other income decreased by 15% This is primarily due to significant decrease of income from cafeteria as income from walk-in patients has decreased in 2023.</p>
<p>e. Finance cost increased by 3% Due to the increase in interest bearing advances from shareholders obtained to augment hospital operation.</p>
<p>f. Income tax benefit decreased by 25% This is primarily due to lower losses incurred in first half of 2023 resulting to lower taxable loss and tax benefit.</p>
<p>g. Loss for the period decreased by 25% This was mainly due to significant increase in revenue for the period. The Company is in its third year of operation, results of operation are expected to be more favorable compared to its second year of operation in 2022, in terms of generating revenues.</p>

THE COMPANY'S KEY PERFORMANCE INDICATORS

	June 30, 2023	June 30, 2022
1. Liquidity a. Quick ratio - capacity to cover its short-term obligations using only its most liquid assets. $[(\text{cash} + \text{A/R}) / \text{current liabilities}]$ b. Current ratio - capacity to meet current obligations out of its liquid assets. $(\text{current assets} / \text{current liabilities})$	0.22:1 0.40:1	0.36:1 0.65:1
2. Solvency a. Debt to equity ratio - indicator of which group has the greater representation in the assets of the Company. $(\text{total liabilities} / \text{equity})$	2.91:1	2.44:1
3. Profitability a. Net profit margin - ability to generate surplus for stockholder $(\text{net income} / \text{sales})$ b. Return on equity - ability to generate returns on investment of stockholders. $(\text{net income} / \text{average equity})$	(0.27):1 (0.08):1	(0.60):1 (0.10):1
4. Leverage b. Debt to total asset ratio - the proportion of total assets financed by creditors. $(\text{total debt} / \text{total assets})$ c. Asset to equity ratio - indicator of the overall financial stability of the Company. $(\text{total assets} / \text{equity})$	0.74:1 3.91:1	0.71:1 3.44:1
2. Interest Rate Coverage Ratio a. Interest rate coverage ratio - measure of the company's ability to meet its interest payments $(\text{earnings before interest and taxes} / \text{interest expense})$ -Remarks: The Company was able to meet its interest payments. The negative result was due to loss from operations.	(0.49):1	(1.05):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 involved in certain legal proceedings as enumerated and discussed in Item 3. Legal Proceedings of SEC Form 17-A.

PART II--OTHER INFORMATION

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

SIGNATURES

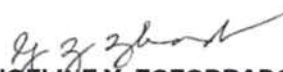
Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

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

By:



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



EVANGELINE Y. ZOZOBRADO, M.D.
Treasurer

Date: August 22, 2023

Date: August 22, 2023

ANNEX A

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

UNAUDITED FINANCIAL STATEMENTS

For the Six Months Ended June 30, 2023

*(With Comparative Figures for December 31, 2022 and
Six Months Ended June 30, 2022)*

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – CEBU, INC.
STATEMENTS OF FINANCIAL POSITION
As of June 30, 2023 and December 31, 2022

	<i>Notes</i>	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
<u>ASSETS</u>			
Current Assets			
Cash	4,6	P 15,296,070	P 12,843,591
Trade and other receivables	4,7	27,221,588	20,290,964
Subscription receivable	4,8	34,335,156	40,922,156
Inventories	4,9	19,199,371	21,977,535
Prepayments and other current assets	4,5,10	76,656,384	75,325,508
Total Current Assets		172,708,569	171,359,754
Non-Current Assets			
Property and equipment, net	4,5,11	1,152,907,310	1,170,755,806
Intangible assets	4,5,12	2,397,480	1,674,570
Deferred tax asset	4,5,21	74,824,978	64,586,954
Total Non-Current Assets		1,230,129,768	1,237,017,330
TOTAL ASSETS		P 1,402,838,337	P 1,408,377,084
<u>LIABILITIES AND EQUITY</u>			
Current Liabilities			
Trade and other payables	4,13	P 98,972,658	P 104,647,174
Loans payable - current	4,15	222,556,482	160,601,852
Advances from shareholders	4,22	89,500,000	42,800,000
Retention payable	4,14	17,515,238	19,936,014
Total Current Liabilities		428,544,378	327,985,040
Non-current liabilities			
Loans payable - non current	4,15	615,463,336	695,764,262
Total Liabilities		1,044,007,714	1,023,749,302
Equity			
Share capital	4,16	173,676,000	172,896,000
Share premium	4,16	488,826,706	483,606,706
Subscribed capital stock	4,16	4,035,000	4,635,000
Treasury shares	4,16	(4,121,000)	(3,318,000)
Accumulated Deficits	4	(303,586,083)	(273,191,924)
Equity, net		358,830,623	384,627,782
TOTAL LIABILITIES AND EQUITY		P 1,402,838,337	P 1,408,377,084

(See accompanying Notes to Financial Statements)

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – CEBU, INC.
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
For The Six Months Ended June 30, 2023 and 2022

	Notes	January to June		April to June	
		2023 (Unaudited)	2022 (Unaudited)	2023 (Unaudited)	2022 (Unaudited)
REVENUES - net	4,17	P 114,720,600	P 67,362,668	P 56,727,236	P 31,786,076
COST OF SALES AND SERVICES	4,18	<u>(106,186,282)</u>	<u>(71,935,637)</u>	<u>(49,141,684)</u>	<u>(35,886,606)</u>
GROSS INCOME (LOSS)		8,534,318	(4,572,969)	7,585,552	(4,100,530)
OPERATING EXPENSES	4,19	(23,928,679)	(25,629,345)	(10,316,418)	(16,800,763)
OTHER INCOME	4,20	2,096,617	2,457,347	1,222,847	1,244,614
FINANCE COST	4,15	<u>(27,228,143)</u>	<u>(26,361,434)</u>	<u>(14,520,678)</u>	<u>(13,108,264)</u>
LOSS BEFORE TAX		(40,525,887)	(54,106,401)	(16,028,697)	(32,764,943)
INCOME TAX BENEFIT	4,21	<u>(10,131,728)</u>	<u>(13,527,786)</u>	<u>(4,007,280)</u>	<u>(8,191,829)</u>
LOSS FOR THE PERIOD		(30,394,159)	(40,578,615)	(12,021,417)	(24,573,114)
OTHER COMPREHENSIVE INCOME (LOSS)		-	-	-	-
TOTAL COMPREHENSIVE LOSS		<u>P (30,394,159)</u>	<u>P (40,578,615)</u>	<u>P (12,021,417)</u>	<u>P (24,573,114)</u>

(See accompanying Notes to Financial Statements)

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – CEBU, INC.
STATEMENTS OF CHANGES IN EQUITY
For The Six Months Ended June 30, 2023 and 2022

		June 30	
	<i>Notes</i>	2023	2022
		(Unaudited)	(Unaudited)
SHARE CAPITAL	4,16		
Balance at beginning of the year		P 172,896,000	P 172,296,000
Issuance		<u>780,000</u>	<u>130,000</u>
Balance at end of the year		<u>173,676,000</u>	<u>172,426,000</u>
SHARE PREMIUM	4,16		
Balance, beginning of the year		483,606,706	461,096,706
Additional		<u>5,220,000</u>	<u>10,340,000</u>
Balance, end of the year		<u>488,826,706</u>	<u>471,436,706</u>
SUBSCRIBED CAPITAL STOCK	4,16		
Balance, beginning of the year		4,635,000	4,085,000
Additional		180,000	360,000
Payments		<u>(780,000)</u>	<u>(130,000)</u>
Balance, end of the year		<u>4,035,000</u>	<u>4,315,000</u>
TREASURY SHARES	4,16		
Balance at beginning of the year		(3,318,000)	(2,915,000)
Repurchase		<u>(803,000)</u>	<u>(403,000)</u>
Balance at end of the year		<u>(4,121,000)</u>	<u>(3,318,000)</u>
ACCUMULATED DEFICITS	4		
Balance, beginning of the period		(273,191,924)	(192,481,642)
Net loss for the year		<u>(30,394,159)</u>	<u>(40,578,615)</u>
Balance, end of the period		<u>(303,586,083)</u>	<u>(233,060,257)</u>
EQUITY, net		<u>P 358,830,623</u>	<u>P 411,799,449</u>

(See accompanying Notes to Financial Statements)

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

STATEMENTS OF CASH FLOWS

For The Six Months Ended June 30, 2023 and 2022

	<i>Notes</i>	June 30	
		2023	2022
		(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss for the period		P (40,525,887)	P (54,106,401)
Adjustment to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	4,5,11	20,961,450	20,601,315
Interest income	4,20	(1,368)	(6,324)
Interest expense	4,15	27,228,143	26,361,434
Operating loss before changes in working capital		7,662,338	(7,149,976)
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Trade and other receivables	4,7	(6,930,624)	(7,276,369)
Inventories	4,9	2,778,164	(472,119)
Prepayments and other current assets	4,5,10	(1,099,334)	635,843
Increase (decrease) in:			
Trade and other payables	4,13	(5,674,516)	6,332,704
Retention payable	4,14	(2,420,776)	(3,637,898)
Cash used in operation		(5,684,748)	(11,567,815)
Interest received	4,20	1,368	6,324
Interest paid	4,15	(27,228,143)	(26,361,434)
Income taxes paid	4,21	(337,838)	(723,609)
Net cash used in operating activities		(33,249,361)	(38,646,534)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment	4,5,11	(2,898,519)	(3,252,539)
Acquisition of intangible assets	4,5,12	(937,345)	-
Net cash used in investing activities		(3,835,864)	(3,252,539)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares	4,16	11,987,000	20,869,903
Purchase of treasury shares	4,16	(803,000)	(403,000)
Proceeds from advances from shareholders	4,22	46,700,000	13,800,000
Proceeds of loans	4,15	-	2,500,000
Payment of loans	4,15	(18,346,296)	-
Net cash provided by financing activities		39,537,704	36,766,903
NET DECREASE IN CASH		2,452,479	(5,132,170)
CASH AT THE BEGINNING OF THE PERIOD		12,843,591	27,742,265
CASH AT THE END OF THE PERIOD		P 15,296,070	P 22,610,095

(See accompanying Notes to Financial Statements)

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – CEBU, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2023, December 31, 2022 and June 30, 2022

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 availment of which shall not be earlier than the date of registration).

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

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.

Basis of Measurement

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company 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, 2023.

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 PAS 1, *Presentation of Financial Statements*, and PFRS Practice Statement 2, *Making Materiality Judgments - Disclosure Initiative - Accounting Policies* – The amendments require an entity to disclose its material accounting policies, instead of its significant accounting policies and provide guidance on how an entity applies the concept of materiality in making decisions about accounting policy disclosures. In assessing the materiality of accounting policy information, entities need to consider both the size of the transactions, other events or conditions and its nature. The amendments clarify (1) that accounting policy information may be material because of its nature, even if the related amounts are immaterial, (2) that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements, and (3) if an entity discloses immaterial accounting policy information, such information should not obscure material accounting policy information. In addition, PFRS Practice Statement 2 is amended by adding guidance and examples to explain and demonstrate the application of the 'four-step materiality process' to accounting policy information. The amendments should be applied prospectively. Earlier application is permitted.
- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates* – The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies, and the correction of errors. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". An entity develops an accounting estimate if an accounting policy requires an item in the financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not a correction of an error, and that the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. A change in an accounting estimate may affect only the profit or loss in the current period, or the profit or loss of both the current and future periods. Earlier application is permitted.
- Amendments to PAS 12, *Income Taxes - Deferred Tax Related Assets and Liabilities from a Single Transaction* – The amendments require companies to recognize deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible

temporary differences. The amendments should be applied on a modified retrospective basis. Earlier application is permitted.

New and Amended PFRS and PIC Issuances in Issue But Not Yet Effective or Adopted

Relevant new and amended PFRS and PIC issuances, which are not yet effective as at June 30, 2023 and have not been applied in preparing the unaudited interim financial statements, are summarized below.

Effective for annual periods beginning on or after January 1, 2024:

- Amendments to PFRS 16, *Leases - Lease Liability in a Sale and Leaseback* – The amendments clarify that the liability that arises from a sale and leaseback transaction, that satisfies the requirements in PFRS 15, *Revenue from Contracts with Customers*, to be accounted for as a sale, is a lease liability to which PFRS 16 applies and give rise to a right-of-use asset. For the subsequent measurement, the seller-lessee shall determine ‘lease payments’ or ‘revised lease payments’ in a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. Applying this subsequent measurement does not prevent the seller-lessee from recognizing any gain or loss relating to the partial or full termination of a lease. Any gain or loss relating to the partial or full termination of the lease does not relate to the right of use retained but to the right of use terminated. The amendments must be applied retrospectively. Earlier application is permitted.
- Amendments to PAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Noncurrent* – 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. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Noncurrent Liabilities with Covenants* for that period.
- Amendments to PAS 1, *Noncurrent Liabilities with Covenants* – The amendments clarified that covenants to be complied with after the reporting date do not affect the classification of debt as current or noncurrent at the reporting date. Instead, the amendments require the entity to disclose information about these covenants in the notes to the financial statements. The amendments must be applied retrospectively. Earlier application is permitted. If applied in earlier period, the Company shall also apply Amendments to PAS 1 - *Classification of Liabilities as Current or Noncurrent* for that period.
- *IFRIC Agenda Decision Over Time Transfer of Constructed Goods (PAS 23, Borrowing Cost) for the Real Estate Industry* – In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under paragraph 35(c) of International Financial Reporting Standards 15 (PFRS 15). IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of qualifying asset under PAS 23 considering that these inventories are ready for their intended sale in their current condition.

On December 15, 2020, the SEC issued SEC MC No. 34, Series of 2020, which extends the relief on the application of the IFRIC Agenda Decision provided to the real estate industry until December 31, 2023.

PIC Q&A 2018-12-D, *PFRS 15, Implementing Issues Affecting the Real Estate Industry (as amended by PIC Q&A 2020-4)* – On December 15, 2020, the SEC issued SEC MC No. 34-2020 providing relief to the real estate industry by deferring the application of “assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (with an addendum in PIC Q&A 2020-04)” until December 31, 2023.

- PIC Q&A 2018-12-E, *Treatment of Land in the Determination of the POC* – The PIC Q&A clarified that the cost of the land should be excluded in measuring the POC of performance obligation and should be accounted for as fulfillment cost.

On December 15, 2020, the SEC issued SEC MC No. 34-2020 providing relief to the real estate industry by deferring the application of “exclusion of land in calculation of POC as discussed in PIC Q&A 2018-12-E” until December 31, 2023.

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.

- *Amendment to PFRS 17, Insurance Contracts - Initial Application of PFRS 17 and PFRS 9 - Comparative information*– The amendment adds a transition option for a “classification overlay” to address temporary accounting mismatches between financial assets and insurance contract liabilities relating to comparative information presented on the initial application of *PFRS 17*. If an entity elects to apply the classification overlay, it can only do so for comparative periods to which it applies *PFRS 17*. No amendments have been made to the transition requirements of *PFRS 9*.

Deferred effectivity -

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

Under prevailing circumstances, the adoption of the foregoing new and amended *PFRS* and *PIC* issuances is not expected to have any material effect on the unaudited interim financial statements

of the Company. Additional disclosures will be included in the unaudited interim financial statements, as applicable.

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 at June 30, 2023 and December 31, 2022, the Company does not have financial assets or liabilities classified as FVPL.

Financial Assets at Amortized Cost

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

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

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

As at June 30, 2023 and December 31, 2022, the Company's cash, trade and other receivables are classified under this category. (Note 6 and 7)

Financial Assets at FVOCI

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

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

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

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

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

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

As at June 30, 2023 and December 31, 2022, the Company does not have financial assets classified as FVOCI.

Financial Liabilities at Amortized Cost

Financial liabilities are categorized as financial liabilities at amortized cost when the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or

another financial asset to the holder, or to settle the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity instruments.

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

As at June 30, 2023 and December 31, 2022, the Company's trade and other payables (excluding payable to government), retention fees, advances from shareholders and loans payable are classified under this category (Notes 13, 14, 23 and 15).

Reclassification

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

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

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

For a financial asset reclassified out of the financial assets at FVPL category to financial assets at amortized cost, its fair value at the reclassification date becomes its new gross carrying amount. For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI shall be recognize in profit or loss.

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

Impairment of Financial Assets

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

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

For debt instruments measured at amortized cost and FVOCI, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the

lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as of the reporting date with the risk of a default occurring on the financial instrument as of the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Derecognition of Financial Assets Liabilities

Financial Assets

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

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

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

Financial Liabilities

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

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

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

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

Offsetting of Financial Assets and Liabilities

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

Inventories

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

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

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

Prepayments and Other Current Assets

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

Property and Equipment

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

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

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

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

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

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

Intangible Assets

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

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

Impairment of Non-financial Assets

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

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

Loans payable

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

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

Share Capital

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

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

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

Deficits

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

Revenue

Revenue recognition

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

Revenue is recognized as follows:

Hospital fees

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

Sale of drugs and medicines

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

Other income

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

Finance income

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

Contract liabilities

A contract liability is recognized if a payment is received or a payment is due (whichever is earlier) from a customer before the Company transfers the related goods or services. Contract liabilities are recognized as revenue when the Company performs under the contract (i.e., transfers control of the related goods or services to the customer).

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 eligibility requirement of 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 Company'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 period(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 financial statements in accordance with Philippine Financial Reporting Standards requires the Company to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Future events may occur

which will cause the assumptions used in arriving at the estimates to change. The effects of changes in estimates will be reflected in the financial statements as they become reasonably determinable.

Judgment

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

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 of nonfinancial assets was recognized in the Company's financial statements in either 2023 and 2022.

Determination of Net Realizable Value of Inventories

In determining the net realizable value of inventories, management takes into account whenever events or changes in circumstances indicate that the carrying amount of the inventory may not be recoverable. The factors that the Company considers important which could trigger an impairment review include significant decline in inventories' market value, obsolescence and physical damage of inventories. If such indications are present and where the cost of inventories exceeds its estimated selling price less costs to sell, an impairment loss is recognized in profit or loss.

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 and at FVOCI 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 24.

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 at June 30, 2023 will be fully utilized in the coming years. The carrying value of deferred tax assets as of those dates is disclosed in Note 22.

NOTE 6 - CASH

This account consists of:

	<u>30-Jun-2023</u> <u>(Unaudited)</u>	<u>31-Dec-2022</u> <u>(Audited)</u>
Cash on hand	₱ 4,416,728	₱ 1,235,585
Cash in banks	10,879,342	11,608,006
	<u>₱ 15,296,070</u>	<u>₱ 12,843,591</u>

Cash in banks generally earn interest at bank deposit rates. Interest income earned from cash in banks amounted to ₱1,368, ₱12,330, and ₱6,324 for the six months ended June 30, 2023, year ended December 31, 2022 and six months ended June 30, 2022, 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:

	<u>30-Jun-2023</u> <u>(Unaudited)</u>	<u>31-Dec-2022</u> <u>(Audited)</u>
Trade receivable	₱ 40,005,545	₱ 36,304,324
Other receivable	3,400,000	2,300,000
Advances to consultants and employees	16,691	233,792
	43,422,236	38,838,116
Allowance for credit losses	(16,200,648)	(18,547,152)
	<u>₱ 27,221,588</u>	<u>₱ 20,290,964</u>

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

Other receivable pertains to the funds misappropriated by an employee. Pending settlement of the complaint, the Company set up provision for credit losses for the whole amount.

Advances to consultants and employees pertains to cash advances which are collectible through deduction from professional fees and salaries.

A reconciliation of the allowance for expected credit losses at the beginning and end of 2023 and 2022 is shown below:

	30-Jun-2023 (Unaudited)	31-Dec-2022 (Audited)
Balance, beginning	P 18,547,152	P 3,597,349
Credit losses (Note 24)	-	14,949,803
Recovery of allowance	(2,346,504)	-
Balance, end	P 16,200,648	P 18,547,152

NOTE 8 - INVENTORIES

This account consists of:

	30-Jun-2023 (Unaudited)	31-Dec-2022 (Audited)
Hospital supplies	P 12,351,763	P 13,242,434
Laboratory supplies	4,491,246	6,432,622
Linen supplies	571,046	739,594
Dietary supplies	800,713	752,936
Office supplies	984,603	809,949
	P 19,199,371	P 21,977,535

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

The Company recognized as expense, inventories costing P37,540,370, P55,982,659 and P17,674,788, for the six months ended June 30, 2023, year ended December 31, 2022 and six months ended June 30, 2022, respectively.

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

NOTE 9 - 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 common shares to the public pursuant to Section 12 of the Securities Regulation Code (SRC). These are due within 12 months from the date of subscription. This amounted to P34,335,156 and P40,922,156, as at June 30, 2023 and December 31, 2022, respectively.

NOTE 10 - PREPAYMENTS AND OTHER CURRENT ASSETS

This account consists of:

	30-Jun-2023 (Unaudited)	31-Dec-2022 (Audited)
Input VAT	P 30,599,879	P 30,597,347
Advances to suppliers	41,057,574	41,257,403
Prepaid withholding tax on compensation	1,010,345	1,225,920
Prepaid income tax (Note 22)	2,120,707	1,889,165

Creditable withholding tax	1,867,879	355,673
	<u>₱ 76,656,384</u>	<u>₱ 75,325,508</u>

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

Advances 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 on the succeeding remittance of employees withholding taxes.

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

Advances to contractors represent advances to contractors which are deducted on a pro-rata basis from the contractor's periodic progress billings.

NOTE 11 - PROPERTY AND EQUIPMENT, net

A reconciliation of the carrying amounts at the beginning and end of June 30, 2023 and December 31, 2022 of property and equipment is shown below:

30-Jun-2023 (Unaudited)

	Land	Building	Transportation Equipment	Office, Furniture and Fixtures	Medical Equipment	Dietary Tools and Equipment	Total
Cost							
1-Jan-23	₱ 108,620,536	₱ 940,297,161	₱ 4,000,101	₱ 16,376,343	₱ 184,079,972	₱ 686,368	1,254,060,481
Additions	-	2,031,648	-	608,562	258,309	-	2,898,519
Disposals	-	-	-	-	-	-	-
30-Jun-23	<u>108,620,536</u>	<u>942,328,809</u>	<u>4,000,101</u>	<u>16,984,905</u>	<u>184,338,281</u>	<u>686,368</u>	<u>1,256,959,000</u>
Accumulated Depreciation							
1-Jan-23	-	37,611,886	1,619,589	6,935,408	35,992,935	457,578	83,304,675
Depreciation	-	9,402,972	400,010	1,631,219	9,198,419	114,395	20,747,015
Disposals	-	-	-	-	-	-	-
30-Jun-23	-	<u>47,014,858</u>	<u>2,706,878</u>	<u>8,566,627</u>	<u>45,191,354</u>	<u>571,973</u>	<u>104,051,690</u>
Carrying amount							
31-Dec-22	<u>₱ 108,620,536</u>	<u>₱ 902,685,275</u>	<u>₱ 1,693,233</u>	<u>₱ 9,440,935</u>	<u>₱ 148,087,037</u>	<u>₱ 228,790</u>	<u>₱ 1,170,755,806</u>
Carrying amounts							
30-Jun-23	<u>₱ 108,620,536</u>	<u>₱ 895,313,951</u>	<u>₱ 1,293,223</u>	<u>₱ 8,418,278</u>	<u>₱ 139,146,927</u>	<u>₱ 114,395</u>	<u>₱ 1,152,907,310</u>

31-Dec-2022 (Audited)

	Land	Building	Transportation Equipment	Office, Furniture and Fixtures	Medical Equipment	Dietary Tools and Equipment	Total
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	-	-	563,705	4,060,292	4,078,510	-	8,702,507
Disposals	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-
31-Dec-22	<u>108,620,536</u>	<u>940,297,161</u>	<u>4,000,101</u>	<u>16,376,343</u>	<u>184,079,972</u>	<u>686,368</u>	<u>1,254,060,481</u>
Accumulated Depreciation							
1-Jan-22	-	18,805,943	1,619,589	4,473,263	18,000,146	228,789	43,127,730
Depreciation	-	18,805,943	687,279	2,462,145	17,992,789	228,789	40,176,945
Disposals	-	-	-	-	-	-	-
31-Dec-22	-	<u>37,611,886</u>	<u>2,306,868</u>	<u>6,935,408</u>	<u>35,992,935</u>	<u>457,578</u>	<u>83,304,675</u>

Carrying amount							
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-Dec-22	<u>₱ 108,620,536</u>	<u>₱ 902,685,275</u>	<u>₱ 1,693,233</u>	<u>₱ 9,440,935</u>	<u>₱ 148,087,037</u>	<u>₱ 228,790</u>	<u>₱1,170,755,806</u>

The Company's land and building with a total carrying value of ₱1,003,934,487, and ₱1,011,305,811 as of June 30, 2023 and December 31, 2022, respectively, were used as collateral for the loan. (Note 15)

The Company's medical equipment with a carrying amount of ₱139,146,927 and ₱148,087,037, as at June 30, 2023 and December 31, respectively were used as collateral for the loan. (Note 15)

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

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

	30-Jun-2023 (Unaudited)	30-Jun-2022 (Unaudited)
Cost of sales and services	<u>₱ 19,115,796</u>	<u>₱ 18,810,734</u>
Operating expenses	<u>1,631,219</u>	<u>1,680,194</u>
	<u>₱ 20,747,015</u>	<u>₱ 20,490,928</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 June 30, 2023 and December 31, 2022, is shown below:

	30-Jun-2023 (Unaudited)	31-Dec-2022 (Audited)
Cost		
Balance, beginning of the year	<u>₱ 2,144,347</u>	<u>₱ 1,565,923</u>
Additions	<u>937,345</u>	<u>578,424</u>
Disposal	<u>-</u>	<u>-</u>
Balance, end of the year	<u>3,081,692</u>	<u>2,144,347</u>
Accumulated Amortization		
Balance, beginning of the year	<u>469,777</u>	<u>156,592</u>
Amortization	<u>214,435</u>	<u>313,185</u>
Disposal	<u>-</u>	<u>-</u>
Balance at end of year	<u>684,212</u>	<u>469,777</u>
Carrying amount	<u>₱ 2,397,480</u>	<u>₱ 1,674,570</u>

No impairment losses were recognized in June 30, 2023 and December 31, 2022. The amortization of intangible asset is presented as part of operating expenses (Note 19). The Company's intangible asset is expected to be amortized over its useful life of five (5) years.

NOTE 13 - TRADE AND OTHER PAYABLES

This account consists of:

	30-Jun-2023 (Unaudited)	31-Dec-2022 (Audited)
Trade payable	₱ 79,814,384	₱ 94,341,888
Accrued expense	9,670,481	9,098,112
Payable to government agencies	9,487,796	1,207,174
	<u>₱ 98,972,661</u>	<u>₱ 104,647,174</u>

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

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

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

NOTE 14 - RETENTION PAYABLE

Retention payable pertains to amounts withheld by the Company on its payment to the contractors. This is equivalent to 10% of progress billing as provided in the construction contract of the projects. This will be paid after turnover of the project and acceptance by Company. This amounted to ₱17,515,238 and ₱19,936,014 as at June 30, 2023 and December 31, 2022, respectively.

NOTE 15 - LOANS PAYABLE

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

	30-Jun-2023 (Unaudited)	31-Dec-2022 (Audited)
Current	₱ 222,556,482	₱ 160,601,852
Non-current	615,463,336	695,764,262
Total	<u>₱ 838,019,818</u>	<u>₱ 856,366,114</u>

Land Bank of the Philippines

The Company obtained credit lines from Land Bank of the Philippines (LBP) with various draw down as follows; on September 1, 2016 the amounts of ₱465,000,000 payable in ten (10) years and ₱ 35,000,000 payable in seven (7) years, and on August 24, 2019 the amounts of ₱350,000,000 payable in seven (7) years. The purpose of the ₱465,000,000 term loan was to finance the construction of the hospital building while the ₱35,000,000 and ₱350,000,000 term loans were intended for the acquisition of various medical machines and equipment.

These loans are secured by a real estate mortgage, covering the Company's land and building, including all 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 ₱1,003,934,487, and ₱1,011,305,811 as of June 30, 2023 and December 31, 2022, respectively, were used as collateral for the loan. (Note 11)

The Company's medical equipment with a carrying amount of ₱139,146,927 and ₱148,087,037, as at June 30, 2023 and December 31, 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 June 30, 2023 and December 31, 2022, the Company is compliant with the terms of its loan agreement.

On December 18, 2020, the Company obtained short-term loan from LBP amounting to ₱50,000,000 with interest rate of 5.75% per annum for working capital purposes. On September 20, 2021, the Company applied for the renewal of the short-term loan amounting to ₱50,000,000 for working capital purposes. This loan is not secured by any collateral.

In 2022, the Company availed additional loan amounting to ₱27,500,000 for working capital purposes. In the same year, LBP approved the Company's request for the deferment of the principal repayments for Term Loan 2 and Term Loan 3 amounting to ₱17,222,222. The principal repayment for Term Loan 1 amounting to ₱5,000,000 which was due on September 2022 will be spread equally during the remaining amortization period commencing December 2, 2022. The principal repayment for Term 3 amounting to ₱6,111,111 per quarter which was due last May 24, 2022 and August 24, 2022 will be spread equally during the remaining amortization period commencing on November 24, 2022.

Movement of loans payable is as follows:

	30-Jun-2023 (Unaudited)	31-Dec-2022 (Audited)
Beginning balance	₱ 856,366,114	₱ 841,221,338
Proceeds	-	27,500,000
Payments	(18,346,296)	(12,355,224)
Ending balance	<u>₱ 838,019,818</u>	<u>₱ 856,366,114</u>

Total interest incurred that were charged to profit and loss from these loans for the six months ended June 30, 2023, year ended December 31, 2022, and six months ended June 30, 2022 amounted to ₱24,649,475, ₱42,109,329 and ₱26,361,434, respectively.

NOTE 16 - EQUITY

Capital Stock

The Company is authorized to issue Two Hundred Forty Thousand (240,000) with par value of One Thousand Pesos (₱1,000) per share. Fully paid share capital as at June 30, 2023, December 31, 2022 and June 30, 2022 amounted to ₱173,676,000, ₱172,896,000 and ₱172,426,000, respectively.

A reconciliation of the outstanding shares at the beginning and end of June 30, 2023, December 31, 2022, and June 30, 2022 is shown below:

	30-Jun-2023 (Unaudited)	31-Dec-2022 (Audited)	30-Jun-2022 (Unaudited)
Outstanding, beginning	172,896	172,296	172,296
Issuance	780	600	130
Outstanding, ending	173,676	172,896	172,426

The Company has fifty-five (55) shareholders as at June 30, 2023 and December 31, 2022, owning 100 or more shares each. 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.

In 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.

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

In 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.

For the six months ended June 30, 2023, the Company reacquired a total of 43 common shares from the Company's issued and outstanding common capital stock at a total cost amounting to ₱803,000.

These treasury shares are stated at acquisition cost and are deducted from equity. Treasury shares amounted to ₱4,121,000, ₱3,318,000 and ₱3,118,000 as at June 30, 2023, December 31, 2022, and June 30, 2022, respectively.

Subscribed Capital Stock/Share Premium

Subscribed capital stock as at June 30, 2023, December 31, 2022, and June 30, 2022 amounted to ₱4,035,000, ₱4,635,000 and ₱4,315,000 comprising of 403.5 blocks, 463.5 blocks and 431.5 blocks, respectively. Each block is sold at a premium of ₱200,000 or ₱300,000. Share premium from these transactions as at June 30, 2023, December 31, 2022 and June 30, 2022 amounted to ₱488,826,706, ₱483,606,706 and ₱471,436,706, respectively.

NOTE 17 - REVENUES

Details of the Company's revenues are as follows:

	January to June		April to June	
	30-Jun-2023 (Unaudited)	30-Jun-2022 (Unaudited)	30-Jun-2022 (Unaudited)	30-Jun-2022 (Unaudited)
Hospital fees, net				
Hospital fees	P 101,260,272	P 57,668,714	P 48,838,353	P 27,408,019
Less: Hospital Discounts	8,163,257	2,034,448	3,454,134	1,377,056
	<u>93,097,015</u>	<u>55,634,266</u>	<u>45,384,219</u>	<u>26,030,963</u>
Sale of drugs and medicines, net				
Sale of drugs and medicines	23,356,904	12,043,357	12,092,600	5,894,638
Less: Sales Discounts	1,733,319	314,955	749,583	139,525
	<u>21,623,585</u>	<u>11,728,402</u>	<u>11,343,017</u>	<u>5,755,113</u>
	<u>P 114,720,600</u>	<u>P 67,362,668</u>	<u>P 56,727,236</u>	<u>P 31,786,076</u>

Hospital and sales discounts are discount extended to patients, senior citizen, PWD and other government mandated beneficiaries, it also includes discounts to stockholders, stockholder's 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:

	January to June		April to June	
	30-Jun-2023 (Unaudited)	30-Jun-2022 (Unaudited)	30-Jun-2023 (Unaudited)	30-Jun-2022 (Unaudited)
Supplies	P 33,520,704	P 13,561,356	P 15,358,905	P 6,434,892
Salaries and wages	21,832,589	19,219,096	10,973,447	10,073,400
Depreciation	19,115,796	18,810,734	9,560,689	9,380,195
Utilities	11,814,884	7,171,535	4,029,580	3,600,809
Professional fees	11,216,993	7,037,515	5,215,680	3,540,655
Dietary	3,472,685	1,968,132	954,764	858,416
Service fees	3,223,219	2,481,968	2,025,481	1,230,671
Housekeeping	1,989,412	1,685,301	1,023,138	767,568
	<u>P 106,186,282</u>	<u>P 71,935,637</u>	<u>P 49,141,684</u>	<u>P 35,886,606</u>

NOTE 19 - OPERATING EXPENSES

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

	January to June		April to June	
	30-Jun-2023 (Unaudited)	30-Jun-2023 (Unaudited)	30-Jun-2023 (Unaudited)	30-Jun-2022 (Unaudited)
Salaries and wages	P 9,446,423	P 6,068,081	P 5,026,363	P 3,288,179
Transportation and travel	4,177,920	400,721	235,106	57,721
Utilities	2,953,721	1,792,884	1,007,395	900,203
Security services	2,279,900	2,205,535	1,147,759	932,272
Depreciation (Note 21)	1,631,219	1,680,194	856,814	1,029,758
Taxes and licenses	1,443,024	1,382,044	222,263	415,693
Repairs and maintenance	1,211,375	1,504,293	491,110	793,733
Meeting and conferences	1,030,954	671,201	582,031	271,836

Professional fee	560,333	574,618	371,444	405,729
Office supplies	546,981	459,999	255,110	166,936
Bank service charge	393,309	245,518	195,433	126,646
Training and development	240,200	210,985	145,800	205,535
Amortization (Note 12)	214,435	110,387	107,218	55,193
Officers' compensation	-	6,960,000	-	6,960,000
Credit losses	(2,346,504)	941,317	(383,311)	871,005
Miscellaneous	145,389	421,568	55,883	320,324
	P 23,928,679	P 25,629,345	P 10,316,418	P 16,800,763

NOTE 20 - OTHER INCOME

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

	January to June		April to June	
	30-Jun-2023 (Unaudited)	30-Jun-2022 (Unaudited)	30-Jun-2023 (Unaudited)	30-Jun-2022 (Unaudited)
Income from cafeteria	P 1,620,212	P 2,412,159	P 836,531	P 1,241,452
Interest income	1,368	6,324	567	3,162
Miscellaneous income	475,037	38,864	385,749	-
	P 2,096,617	P 2,457,347	P 1,222,847	P 1,244,614

NOTE 21 - DEPRECIATION, AMORTIZATION, AND EMPLOYEE BENEFITS

Depreciation, amortization and employee benefits were presented as follows:

30-June-2023 (Unaudited)

	Direct Costs	Operating Expense	Total
Depreciation	P 19,115,796	P 1,631,219	P 20,747,015
Amortization	-	214,435	214,435
Employee benefits*	21,832,589	9,446,423	31,279,012

*Employee benefits includes salaries and wages and benefits

30-Jun-2022 (Unaudited)

	Direct Costs	Operating Expense	Total
Depreciation	P 18,810,734	P 1,680,194	P 20,490,928
Amortization	-	110,387	110,387
Employee benefits*	19,219,096	6,068,081	25,287,177

*Employee benefits includes salaries and wages

NOTE 22 - INCOME TAXES

Income tax benefit for the six months ended June 30, 2023 and 2022 consists of:

	<u>January to June</u>		<u>April to June</u>	
	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Current	P 106,296	P -	P 88,079	P -
Deferred	(10,238,024)	(13,527,786)	(4,095,359)	(8,191,829)
	<u>P (10,131,728)</u>	<u>P (13,527,786)</u>	<u>P (4,007,280)</u>	<u>P (8,191,829)</u>

Reconciliation between statutory tax and effective tax follows:

	<u>January to June</u>		<u>April to June</u>	
	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Income tax at statutory rate	P (10,131,472)	P (13,526,600)	P (4,007,174)	P (8,191,236)
Tax effects of income subject to final tax	(342)	(1,581)	(142)	(791)
Tax effects of interest expense	86	395	36	198
Tax effect of changes in income tax rate	-	-	-	-
Effective income tax	<u>P (10,131,728)</u>	<u>P (13,527,786)</u>	<u>P (4,007,280)</u>	<u>P (8,191,829)</u>

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

	<u>January to June</u>		<u>April to June</u>	
	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>	<u>30-Jun-2023</u>	<u>30-Jun-2022</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Loss before tax	P (40,525,887)	P (54,106,401)	P (16,028,697)	P (32,764,943)
Permanent differences:				
Interest income	(1,368)	(6,324)	(567)	(3,162)
Interest expense	342	1,581	142	790
Temporary differences:				
Credit losses (recovery)	(2,346,504)	941,317	(383,311)	941,317
Taxable loss	<u>P (42,873,417)</u>	<u>P (53,169,827)</u>	<u>P (16,412,433)</u>	<u>P (31,825,998)</u>
Minimum Corporate Income Tax:				
Taxable gross income	P 10,629,567	P (2,121,946)	P 8,807,832	P (2,859,078)
Tax rate	1%	1%	1%	1%
	<u>106,296</u>	<u>-</u>	<u>88,079</u>	<u>-</u>
Tax due	106,296	-	88,079	-
Less: Tax credits	-	-	-	-
Prior Year's Excess Credit	(1,889,165)	(506,615)	-	-
Creditable taxes	(337,838)	(723,609)	(139,224)	(343,145)
Income tax payable	<u>P (2,120,707)</u>	<u>P (1,230,224)</u>	<u>P (51,145)</u>	<u>P (343,145)</u>

The net deferred tax assets pertain to the following as of June 30, 2023 and December 31, 2022, and the related deferred tax expense (income) for the six months ended June 30, 2023 and 2022 follows:

	Statements of Financial Position		Statements of Comprehensive Income	
			Profit or Loss	
	30-Jun-23	31-Dec-22	30-Jun-23	30-Jun-22
Deferred tax asset - MCIT	P 150,841	P 44,545	P 106,296	P -
Deferred tax asset - NOLCO	70,643,116	59,924,762	10,718,354	13,292,457
Allowance for credit losses	4,050,162	4,636,788.00	(586,626)	235,329
Unrealized (gain) loss on foreign exchange	(19,141)	(19,141.00)	-	-
Net deferred tax assets	<u>P 74,824,978</u>	<u>P 64,586,954</u>		
Deferred tax expense			<u>P 10,238,024</u>	<u>P 13,527,786</u>

Deferred tax asset from NOLCO, arises from the taxable loss that can be charged against income of the next three taxable years except for NOLCO incurred for the year 2020 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:

Date Incurred	Date of Expiration	Amount	Applied	Expired	Balance
30-Jun-2023	2026	P 42,873,417	P -	P -	P 42,873,417
31-Dec-2022	2025	94,339,672	-	-	94,339,672
31-Dec-2021	2026	123,367,305	-	-	123,367,305
31-Dec-2020	2025	32,687,003	-	-	32,687,003
		<u>P 293,267,397</u>	<u>P -</u>	<u>P -</u>	<u>P 293,267,397</u>

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

Details of MCIT follow:

Date Incurred	Date of Expiration	Amount	Applied	Expired	Balance
30-Jun-2023	2026	P106,296	P -	P -	P 106,296
31-Dec-2021	2024	43,924	-	-	43,924
31-Dec-2020	2023	621	-	-	621
		<u>P150,841</u>	<u>P -</u>	<u>P -</u>	<u>P 150,841</u>

NOTE 23 - 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:

30-Jun-2023 (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	₱46,700,000	₱89,500,000	Interest bearing; payable in cash; no scheduled repayment terms	Unsecured

31-Dec-2022 (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	₱16,300,000	₱42,800,000	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. This is subject to 8% interest per annum. The outstanding balance of these advances were presented under Advances from shareholders account in the statements of financial position.

Total interest expense incurred from these advances amounted to ₱2,578,667 and ₱133,333 for six months ended June 30, 2023 and year ended December 31, 2022, respectively.

Key Management Personnel Compensations

No key management compensations were paid for the six months ended June 30, 2023, year ended and year ended December 31, 2022.

NOTE 24 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Liquidity Risk

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

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

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

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

June 30, 2023 (Unaudited)			
	Within 1 year	Above 1 Year	Total
Trade and other payables	P 89,484,865	P -	P 89,484,865
Loans payable	265,302,412	662,094,514	927,396,926
Advances from shareholders	89,500,000	-	89,500,000
Retention payable	17,515,238	-	17,515,238
	P 461,802,515	P 662,094,514	P 1,123,897,029

December 31, 2022 (Audited)			
	Within 1 year	Above 1 Year	Total
Trade and other payables	P 103,440,000	P -	P 103,440,000
Loans payable	205,810,343	763,031,927	968,842,270
Advances from shareholders	42,800,000	-	42,800,000
Retention payable	19,936,014	-	19,936,014
	P 371,986,357	P 763,031,927	P 1,135,018,284

*Trade and other payables exclude payable to government agencies amounting to P9,487,796, and P1,207,174 for June 30, 2023 and December 31, 2022, respectively.

Market Risks

Interest Rate Risk

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

The Company's financial instrument that are exposed to cash flow interest rate risk pertains to its bank loans amounting to P838,019,818 and P856,366,114 as at June 30, 2023 and December 31, 2022, 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-Jun-2023 (Unaudited)	31-Dec-2022 (Audited)	30-Jun-2022 (Unaudited)
+1%	₱ (8,380,198)	₱ (8,563,661)	₱ (8,437,213)
-1%	8,380,198	8,563,661	8,437,213

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 ₱586,313 as of June 30, 2023 and December 31, 2022.

Credit Risk

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

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

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

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

The tables below show the credit quality per class of financial asset and an aging analysis of past due but not impaired accounts as at June 30, 2023 and December 31, 2022.

Credit Quality per Class of Financial Asset

June 30, 2023 (Unaudited)						
	Neither Past Due nor Impaired			Past Due but not Impaired	Impaired	Total
	High Grade	Standard Grade	Substandard Grade			
Cash in banks	₱ 10,879,342	₱ -	₱ -	₱ -	₱ -	₱ 10,879,342
Trade and other receivables	16,691	14,457,940	-	28,947,605	-	43,422,236
	₱ 10,896,033	₱ 14,457,940	₱ -	₱ 28,947,605	₱ -	₱ 54,301,578

December 31, 2022 (Audited)						
Neither Past Due nor Impaired						
	High Grade	Standard Grade	Substandard Grade	Past Due but not Impaired	Impaired	Total
Cash in banks	₱ 11,608,006	₱ -	₱ -	₱ -	₱ -	₱ 11,608,006
Trade and other receivables	233,792	8,948,580	-	29,655,744		38,838,116
	<u>₱ 11,841,798</u>	<u>₱ 8,948,580</u>	<u>₱ -</u>	<u>₱ 29,655,744</u>	<u>₱ -</u>	<u>₱ 50,446,122</u>

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

June 30, 2023 (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
Trade receivables	<u>₱ 3,613,505</u>	<u>₱ 3,714,115</u>	<u>₱ 4,129,926</u>	<u>₱ 17,490,059</u>
				<u>₱ 28,947,605</u>

December 31, 2022 (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
Trade receivables	<u>₱ 6,550,420</u>	<u>₱ 4,061,683</u>	<u>₱ 1,725,438</u>	<u>₱ 17,318,203</u>
				<u>₱ 29,655,744</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.

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-Jun-2023 (Unaudited)	31-Dec-2022 (Audited)
Cash in banks	₱ 10,879,342	₱ 11,608,006
Trade and other receivables	27,221,588	20,290,964
	<u>₱ 38,100,930</u>	<u>₱ 31,898,970</u>

Cash excludes cash on hand amounting to ₱4,416,728 and ₱1,235,585 in June 30, 2023 and December 31, 2022, respectively.

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

(a) Cash

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

(b) Trade and other receivables

Trade receivables

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

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

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

On that basis, the loss allowance as at June 30, 2023 and December 31, 2022 was determined based on months past due, as follows for trade receivables:

June 30, 2023 (Unaudited)						
	Current	1-30 days	31-60 days	61-90 days	91 days and over	91 days and over
Expected loss rate	2%	5%	7%	10%	15%	100%
Trade receivables	₱ 11,057,940	₱ 3,613,505	₱ 3,714,115	₱ 4,129,926	₱ 6,781,442	₱ 10,708,617
Loss allowance	<u>221,159</u>	<u>180,675</u>	<u>259,988</u>	<u>412,993</u>	<u>1,017,216</u>	<u>12,800,648</u>

December 31, 2022 (Audited)						
	Current	1-30 days	31-60 days	61-90 days	91 days and over	91 days and over
Expected loss rate	2%	5%	7%	10%	15%	100%
Trade receivables	₱ 6,648,580	₱ 6,550,420	₱ 4,061,683	₱ 1,725,438	₱ 2,339,301	₱ 14,978,902
Loss allowance	<u>132,972</u>	<u>327,521</u>	<u>284,318</u>	<u>172,544</u>	<u>350,895</u>	<u>16,247,152</u>

A reconciliation of the closing loss allowance for trade receivables as at June 30, 2023 and December 31, 2022, are presented below:

	30-Jun-2023 (Unaudited)	31-Dec-2022 (Audited)
Balance, beginning	₱ 16,247,152	₱ 3,597,349
Credit losses (Note 7)	-	12,649,803
Recovery of allowance	(3,446,504)	-
Balance, end	<u>₱ 12,800,648</u>	<u>₱ 16,247,152</u>

Other receivables

The loss allowance is determined using the general approach. The allowances were adjusted to reflect the current and forward-looking factors affecting the ability of the counterparty to settle in receivables.

A reconciliation of the closing loss allowance for other receivables as at June 30, 2023 and December 31, 2022 are presented below:

	30-Jun-2023 (Unaudited)	31-Dec-2022 (Audited)
Balance, beginning	P 2,300,000	P -
Credit losses (Note 7)	1,100,000	2,300,000
Recovery of allowance	-	-
Balance, end	<u>P 3,400,000</u>	<u>P 2,300,000</u>

NOTE 25 - CAPITAL MANAGEMENT

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

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

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

	30-Jun-2023 (Unaudited)	31-Dec-2022 (Audited)
Liabilities	P 1,044,007,714	P 1,023,749,302
Equity	358,830,623	384,627,782
Debt-to-Equity Ratio	<u>2.91:1</u>	<u>2.66:1</u>

NOTE 26 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table sets forth the carrying values and estimated fair values of financial assets and liabilities recognized as at June 30, 2023 and December 31, 2022:

		June 30, 2023 (Unaudited)			
		Fair Value			
	Note	Carrying Amount	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets for which fair values are disclosed:					
Cash in banks	6	₱ 10,879,342	₱-	₱ 10,879,342	₱-
Trade and other receivables	7	27,221,588		27,221,588	-
		<u>₱ 38,100,930</u>	<u>₱-</u>	<u>₱ 38,100,930</u>	<u>₱-</u>
Liabilities for which fair values are disclosed:					
Financial liabilities at amortized cost:					
Trade and other payables	13	₱ 89,484,865	₱-	₱ 89,484,865	₱-
Loans payable	15	838,019,818	-	838,019,818	-
Advances from shareholders	23	89,500,000	-	89,500,000	-
Retention payable	14	17,515,238	-	17,515,238	-
		<u>₱1,034,519,921</u>	<u>₱-</u>	<u>₱1,034,519,921</u>	<u>₱-</u>

		December 31, 2022 (Audited)			
		Fair Value			
	Note	Carrying Amount	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets for which fair values are disclosed:					
Cash in banks	6	P 11,608,006	P-	P 11,608,006	P-
Trade and other receivables	7	20,290,964		20,290,964	
		<u>P 31,898,970</u>	<u>P-</u>	<u>P 31,898,970</u>	<u>P-</u>
Liabilities for which fair values are disclosed:					
Financial liabilities at amortized cost:					
Trade and other payables	13	P 103,440,000	P-	P 103,440,000	P-
Loans payable	15	856,366,114	-	856,366,114	-
Advances from shareholders	23	42,800,000	-	42,800,000	-
Retention payable	14	19,936,014	-	19,936,014	-
		<u>P1,022,542,128</u>	<u>P-</u>	<u>P1,022,542,128</u>	<u>P-</u>

*Trade and other payables exclude payable to government amounting to P9,487,796 and P1,207,174 for June 30, 2023 and December 31, 2022, respectively.

NOTE 27 - RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

30-Jun-2023 (Unaudited)

	Loans Payable	Advances from Shareholders	Total
Balance as of January 1, 2023	P856,366,114	P42,800,000	P899,166,114
Cash flow from Financing Activities:			
Additional Borrowing	-	46,700,000	46,700,000
Repayment of Borrowing	(18,346,296)	-	(18,346,296)
Balance, June 30, 2023	<u>P838,019,818</u>	<u>P89,500,000</u>	<u>P927,519,818</u>

30-Jun-2022 (Unaudited)

	Loans Payable	Advances from Shareholders	Total
Balance as of January 1, 2022	P841,221,338	P26,500,000	P867,721,338
Cash flow from Financing Activities:			
Additional Borrowing	2,500,000	13,800,000	16,300,000
Repayment of Borrowing	-	-	-
Balance, June 30, 2022	<u>P843,721,338</u>	<u>P40,300,000</u>	<u>P884,021,338</u>

NOTE 28 - 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, 2022.

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 June 30, 2023**

**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>(₱273,191,924)</u>
Add: Net income (loss) actually earned/realized during the period		<u>(30,394,159)</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		<u>(30,394,159)</u>
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 Six Months Ended June 30, 2023, Year Ended December 31, 2022
and Six Months Ended June 30, 2022

Current Ratio

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Total current assets	P 172,708,569	P 171,359,754
Total current liabilities	428,544,378	327,985,040
Current ratio	<u>0.403:1</u>	<u>0.522:1</u>

Quick Ratio

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Total liquid asset	P 96,052,185	P 74,056,711
Total current liabilities	428,544,378	327,985,040
Quick ratio	<u>0.224:1</u>	<u>0.226:1</u>

Working Capital to Total Asset

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Working capital	P (255,835,809)	P (156,625,286)
Total assets	1,402,838,337	1,408,377,084
Working capital ratio	<u>-0.182:1</u>	<u>-0.111:1</u>

Solvency Ratio

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Net income (loss) after tax +	P (9,432,709)	P (48,241,353)
Depreciation/Amortizaion		
Total liabilities	1,044,007,714	1,023,749,302
Solvency ratio	<u>-0.009:1</u>	<u>-0.047:1</u>

Debt-to-equity Ratio

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Total liabilities	P 1,044,007,714	P 1,023,749,302
Total equity	358,830,623	384,627,782
Debt-to-equity ratio	<u>2.909:1</u>	<u>2.662:1</u>

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

For The Six Months Ended June 30, 2023, Year Ended December 31, 2022
and Six Months Ended June 30, 2022

Asset-to-equity Ratio

	June 30, 2023 (Unaudited)	December 31, 2022 (Audited)
Total assets	P 1,402,838,337	P 1,408,377,084
Total equity	358,830,623	384,627,782
Asset to equity ratio	<u>3.909:1</u>	<u>3.662:1</u>

Interest Rate Coverage Ratio

	June 30, 2023 (Unaudited)	June 30, 2022 (Unaudited)
Pre-tax profit (loss) before interest	P (13,297,744)	P (27,744,967)
Interest expense	27,228,143	26,361,434
Interest rate ratio	<u>-0.488:1</u>	<u>-1.052:1</u>

Profitability Ratios

	June 30, 2023 (Unaudited)	June 30, 2022 (Unaudited)
Net profit (loss) after tax	P (30,394,159)	P (40,578,615)
Total equity	358,830,623	411,799,449
	<u>-0.085:1</u>	<u>-0.099:1</u>

a.) Return on asset ratio

	June 30, 2023 (Unaudited)	June 30, 2022 (Unaudited)
Net income (loss) after tax	P (30,394,159)	P (40,578,615)
Average assets	1,405,607,711	1,422,717,874
	<u>-0.022:1</u>	<u>-0.029:1</u>

b.) Return on equity ratio

	June 30, 2023 (Unaudited)	June 30, 2022 (Unaudited)
Net profit (loss) after tax	P (30,394,159)	P (40,578,615)
Average equity	371,729,203	427,125,257
	<u>-0.082:1</u>	<u>-0.095:1</u>

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

For The Six Months Ended June 30, 2023, Year Ended December 31, 2022
and Six Months Ended June 30, 2022


c.) Gross Profit Margin Ratio

	June 30, 2023 (Unaudited)	June 30, 2022 (Unaudited)
Net profit (loss) before tax	₱ (40,525,887)	₱ (54,106,401)
Gross profit (loss)	8,534,318	(4,572,969)
	-4.749:1	11.832:1

d.) Net Profit Margin

	June 30, 2023 (Unaudited)	June 30, 2022 (Unaudited)
Net profit (loss) after tax	₱ (30,394,159)	₱ (40,578,615)
Revenue	114,720,600	67,362,668
	-0.265:1	-0.602:1

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SERIES OF. 2023


ATTY. JOSEPH DALE L. BATOCTOY
Notary Public for Cebu City
Notarial Commission No. 019-20 until December 31, 2023
3767 Dona Josefa Village, Banawa, Guadalupe, Cebu City
Roll of Attorneys No. 72404
IBP No. OR258951 / January 03, 2023 / Cebu
PTR No. 2291394 / January 03, 2023 / Cebu City
MCLE Exemption No. VII-BEP004554 until April 14, 2025
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