ANNEX "N1"

COVER SHEET

CS201423954

S.E.C. Registration Number

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

(Company's Full Name)

2ND FLOOR IMS BLDG.,
BRGY., BANTUD LUNA
ST., LAPAZ ILOILO

ILOILO CITY 5000

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

MAYLENE B. VILLANUEVA

Contact Person

09175234802

Company Telephone Number

12	31	17-Q 1st Quarter(MARCH 2021)	04	3rd Sat
Month	**Day**	**FORM TYPE**	**Month**	**Annual Meeting**

Fiscal Year

Secondary License Type, If Applicable

MSRD

Dept. Requiring this Doc.

N/A

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

Top be accomplished by SEC Personnel concerned

LCU

CASHIER

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 **March 31, 2021**

2. Commission identification number **CS201423954** 3. BIR Tax Identification No: **008-922-703**.

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – ILOILO, INC.
4. Exact name of issuer as specified in its charter

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

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

Iloilo Medical Society, Brgy. Bantud Luna St. La Paz, Iloilo City **5000**
7. Address of issuer's principal office Postal Code

8. Issuer's telephone number, including area code: **(033) 3215748**

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 Outstanding	Amount of Debt
Founder Shares	600	
Common Shares	234,440	
Debt Outstanding		P 982,910,898

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 Financial Statements (FS) of the Company as of and for the nine months ended March 31, 2021 is incorporated herein. (see Annex A)

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

Management Discussions and Analysis (MD&A) or Plan of Operations

RESULTS OF OPERATIONS (March 31, 2021 vs March 31, 2020)

	For the Quarter Ended		Horizontal Analysis		Vertyical Analysis	
	Mar. 31, 2021	Mar. 31, 2020	Inc./(Dec.)	%	2021	2020
Revenue	0	0	0	0%	NA	NA
Direct Cost	0	0	0	0%	NA	NA
Gross Profit	0	0	0	0%	NA	NA
Other Income	15,044	34,445	(19,401)	-56%	NA	NA
Gross Income	15,044	34,445	(19 401)	-56%	NA	NA
General and Admin Expenses	3,914,075	5,997,548	(2,083,473)	-35%	NA	NA
Loss From Operations	(3 899 031)	(5,963,103)	2,064,072	-35%	NA	NA
Finance Cost	0	3,348,956	(3,348,956)	0%	NA	NA
Net Loss Before Income Tax	(3,899,031)	(9,312,059)	5,413,028	-58%	NA	NA
Income Tax Expense	0	0	0	0%	NA	NA
Net Loss for The Year	(3,899 031)	(9,312 059)	5,413,028	-58%	NA	NA
Other Comprehensive Income/(Loss) for the Year	0	0	0	0%	NA	NA
Total Comprehensive Loss for the Period	**(3,899,031)**	**(9,312,059)**	**5,413,028**	**-58%**	**NA**	**NA**

Other Income

The company reports other income in March 31, 2021 amounting to P11K. These are income earned from bank interests. Additional income came from sale of scraps (P4.0K). These are the only income recognized by the company as of the moment because it is not yet operating.

Expenses

General and Administrative Expenses

Though not yet operating, the company already maintains an office to facilitate all the requirements needed in the construction and other things pertinent to the opening and future operations of the hospital, thus the general and administrative expenses. As at the end of March, 2021, the company incurred a total of P3.9M expenses. Compared to the previous year of the same period, This year is 35% lower (P2.083M). During the period, we had less travels and no mass gatherings were allowed. This may have positively affected the decrease in the total expenses.

GENERAL & ADMINISTRATIVE EXPENSES (March 31, 2021 vs March 31, 2020)

	For the Quarter Ended		Horizontal Analysis	
	Mar 31, 2021	Mar 31, 2020	Inc./(Dec.)	%
Salaries and Allowances	2,279,679	2,836,119	(556,440)	-20%
Board Meetings and Meals	17,729	18,997	(1,268)	-7%
Professional Fees and Legal Fees	405,676	916,132	(510,456)	-56%
Security Services	457,756	349,681	108,075	31%
Taxes and Licenses	174,169	486,492	(312,323)	-64%
Insurance Expense	150,147	198,118	(47,971)	24%
Utilities	0	96,182	(96,182)	-100%
SSS, PHIC, and HDMF Contributions	140,567	142,430	(1,863)	-1%
Depreciation	122,426	91,875	30,551	33%
Amortization of Intangible Asset	4,167	0	4,167	
Transportation and Travel	13,591	345,737	(332,146)	-96%
Communication Expenses	42,682	0	42,682	
Trainings and Seminars	30,000	0	30,000	
Postage	2,478	0	2,478	
Rentals	20,151	392,800	(372,649)	-95%
Office Supplies	36,096	67,559	(31,463)	-47%
Advertising Expenses	6,396	40,000	(33,604)	0%
Repairs and Maintenance	7,214	7,025	189	3%
Bank Services	3,150	0	3,150	
Miscellaneous	0	8,402	(8,402)	-100%
TOTALS	**3,914,075**	**5,997,549**	(2,083,474)	**-35%**

Loss for the Period

The company recorded a loss of P 3.9M at the end of March 2021. Given that the company is not yet operating, it is quite imperative that a loss will be recognized because we are not yet generating income.

FINANCIAL CONDITION (March 31, 2021 vs March 31, 2020)

ASSETS	Mar. 31, 2021	Mar. 31, 2020	Horizontal Analysis		Vertical Analysis	
			Inc./(Dec.)	%	3/31/2021	3/31/2020
CURRENT ASSETS						
Cash	21,431,524	50,556,455	(29,124,931)	-57.61%	1.20%	3.22%
Receivables - Others	6,637,021	111,740	6,525,281	5839.70%	0.37%	0.01%
Unused Office Supplies	11,834	0	11,835		0.00%	0.00%
Advances to Related Party	32,063,203	194,302,686	(162,239,483)	-83.50%	1.79%	12.37%
Advances to Contractors	52,553,346	40,952,770	11,600,576	28.33%	2.94%	2.61%

Advances to Suppliers	7,286,084	3,515,904	3,770,180	107.23%	0.41%	0.22%
Prepayments	63,711	97,515	(33,804)	-34.67%	0.00%	0.01%
	120,046,723	289,537,070	(169,490,347)	-58.54%	6.71%	18.43%
NON-CURRENT ASSETS						
Property and Equipment (net)	416,600,157	252,007,517	164,592,640	65.31%	23.27%	16.04%
Construction-In-Progress	1,248,504,669	1,029,537,806	218,966,863	21.27%	69.74%	65.52%
Intangible Asset (net)	45,833	0	45,833		0.00%	0.00%
Other Non-Current Assets	5,015,228	280,000	4,735,228	1691 15%	0.28%	0.02%
	1,670,165,887	1,281,825,323	388,340,564	30.30%	93.29%	81.57%
TOTAL ASSETS	**1,790,212,610**	**1,571,362,393**	**218,850,217**	**13.93%**	**100.00%**	**100.00%**

LIABILITY AND EQUITY	**Mar. 31, 2021**	**Mar. 31, 2020**	**Horizontal Analysis**		**Vertical Analysis**	
			Inc./(Dec.)	**%**	**3/31/2021**	**3/31/2020**
CURRENT LIABILITIES						
Accounts Payable and Other Liabilities	80,109,370	71,647,862	8,461,508	11.81%	4.47%	4.56%
Income Tax Payable	228	0	228		0.00%	0.00%
Loans Payable to Individuals	26,411,220	75,250,000	(48 838,780)	-64.90%	1.48%	4.79%
Notes Payable - Current Portion	19,393,250	17,970,720	1,422,530	7.92%	1.08%	1.14%
	125,914,068	164,868,582	(38,954,514)	-23.63%	7.03%	10.49%
NON-CURRENT LIABILITIES						
Notes Payable - net of Current Portion	856,996,830	763,357,760	93,639,070	12.27%	47.87%	48.58%
Advances from Shareholders	0	116,300,566	(116 300,566)	-100.00%	0.00%	7.40%
	856,996,830	879,658,326	(22 661,496)	-2 58%	47.87%	55.98%
TOTAL LIABILITIES	982,910,898	1,044,526,908	(61 616,010)	-5 90%	54.90%	66.47%
EQUITY						
Share Capital (net)	235,040,000	169,240,000	65,800,000	38.88%	13.13%	10.77%
Share Premium	686,802,409	434,180,000	252,622,409	58.18%	38.36%	27.63%
Deficit	(114,540 697)	(76,584,515)	(37 956,182)	49.56%	-6.40%	-4.87%
	807,301,712	526,835,485	280,850,217	53.24%	45.10%	33.53%
TOTAL LIABILITIES AND EQUITY	**1,790,212,610**	**1,571,362,393**	**218,850,217**	**13.93%**	**100.00%**	**100.00%**

ASSETS

Cash

The most used resources of the company, now that the hospital is almost done, is cash. All the monies coming in from whatever sources are automatically disbursed basically to finance the construction. Comparing to the previous year of the same period, total cash was lower by P29.1M or 57.61%. The company is positive that we can hurdle this challenges to cash and when the hospital opens, things will be different.

Receivables and Advances from Contractors and Suppliers
These are the amounts advanced by the company as down payments to contractors and/or suppliers. These are gradually recovered thru billings as the construction progresses.

Unused Office Supplies
In preparation of the opening of the hospital, we have created the unused office supplies to properly account the stationeries and office supplies that we are using in the office and soon for the whole hospital.

Prepayments
This is the unused portion of the insurance purchased by the company for the building and equipment.

Property and Equipment (net)
To date, the company recorded in its books a total of P416.6M PPEs. This is 6531% higher than the balance reported last year (P252.0M). These equipment and machineries are now at the hospital ready for use in case our doors will be opened to the public.

Construction in Progress
We are nearing the finish line. Building construction is said to be **94.47%** done as of end of March 2021. Total construction cost as of the period stands at P1.25M.

Intangible Assets
The company temporarily employed XERO for its accounting system. This will eventually be replaced by another system custom made for hospital operations.

Other Non-Current Assets
The account stands at P5.015M. This is composed of the following: P5.0M deposit for MORE Power Corporation; P15.0K rental deposit for IMS.

LIABILITIES

Accounts Payable, Income Taxes and Other Liabilities
Recorded among the accounts payable of the company as of the end of March 2021 are as follows:

Retention Payable	38,794,607
Accrued Interest Payable	30,806,165
Governmental Liabilities	1,028,076
Other Payables	9,480,750

This is 18.34% higher than last year's P67.7M.

Loans Payable to Individuals
The account is gradually liquidated. As soon as there is available fund to spare, the founders are being paid for this obligation. To date, 64.9% (P48.8M) have been paid of the amount recorded as payable the previous year.

Notes Payable
Total financial assistance received from Land Bank of the Philippines totaled P876.4M. This is 11.6% higher than last periods P785.3M total.

Advances from Shareholders
Paid in full as of end of 2020

EQUITY

Share Capital
Beginning 2019, the company was authorized by SEC to sell securities to the public. This has been a big help to the company, especially in the construction of the hospital. To date, the

company was able to sell 31,040 of the 36,000 shares it is intending to sell. This is on top of the shares that the founder has subscribed to. Total paid up capital as of quarter end is P235,040M.

Share premium

The shares being sold by the company to the public is sold at a premium. Amounts in excess of par value are considered share premiums. As of the end of March 2021 stands at P686.8M. This is P252.6M higher than what was recorded last March 31, 2020.

Deficit

The deficit reflected in the statement of financial condition is due to the expenses incurred by the company especially that as of now, the hospital is not yet operational and not generating any income other than bank interests.

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Key Performance Indicators

	March 31, 2021	March 31, 2020
LIQUIDITY		
Quick Asset Ratio	**0.95 : 1**	**1.80 : 1**
	The hospital is in its finishing stage. Given this, most of the resources of the company, especially cash, is being used for construction. This is why the quick asset ratio of the company is reflected only at 95% in March 2021.	
Current Ratio	**0.95 : 1**	**1.80 : 1**
	The current ratio of the company stands at 95%. It means that the company is not liquid enough to cover its current obligations in case the need arise for it to be demanded for payment. But this is because the hospital is almost finishing and usually it is during this time where the company's quick assets are being utilized the fullest. If you check the PPEs and the construction in progress you would notice that it is getting bigger because most of the expenses are directed to these accounts.	
SOLVENCY		
Debt to Equity Ratio	**1.22 : 1**	**1.98 : 1**
	The debt to equity ratio of the company is slowly getting better. Comparing it with the March 2020 data, for every 2 units of loan amount there is 1 unit of equity. Now, the obligation of the company is only a quarter more than 1 unit of equity. It is understandable though because the company is just constructing the hospital and it has always been open that the funding of the construction comes from the loan forged with a local bank. It is important that the debt to equity ratio is sound because it is used to evaluate the company's financial capabilities. This measures the degree of which the company is financing its operations whether thru debts or via wholly owned funds.	
PROFITABILITY		
Net Profit Margin **Return on Equity**	No data is available as of the moment because the hospital is still in the construction stage, thus, not yet operational.	
LEVERAGE		
Debt to Asset Ratio	**0.55 : 1**	**0.66 : 1**
	The company's debt is showed at 55% of its total assets. This figure is getting better as compared to that of the previous year because the percentage of the company's obligation has become smaller. Although we still have to ensure the quality of assets that we have.	

	2.22 : 1	**2.98 : 1**
Asset to Equity Ratio	The figures show a positive mark for the company. Its equity is getting bigger. Continuous selling of securities would surely help better the asset to equity ratio. Hopefully, the opening of the hospital could give a good forward push for the company.	

INTEREST RATE COVERAGE

Interest Rate Coverage Ratio	No data is available as of the moment because the hospital is still in the construction stage, thus, not yet operational.

Trends, Events or Uncertainties that have had or that are reasonably expected to affect revenues or income

As at March 31, 2021:

1. There are no known material commitments for capital expenditure. But the hospital now is trying to complete its equipment and machineries so as to be ready for the upcoming opening.
2. There are no known trends, events or uncertainties that have had an impact on net operational revenues or income since the hospital has not opened yet.

   The CoVID 19 pandemic is very much around, and it is not expected to end soon. It has affected a lot of lives and businesses. Because of restrictions to travels and gatherings, a lot of transactions have been pending or in worst cases dissolved.

   Though vaccines have been out and a number of folks have already been vaccinated, the scare brought about by the pandemic continue to haunt everyone, regardless of economic or social or health status. Given this, it may reasonably impact the hospital's revenues when it opens.

   Since the start of the pandemic, hospital admissions, elective surgical operations and outpatient consultations and diagnostic procedures have dropped down. The Pandemic and the stringent protocols of the hospitals in screening patients entering the healthcare facilities, though aimed to mitigate virus transmission, has changed the attitude and practice of the community as regards their sick and well patient family members to go to the hospitals. Nevertheless, the engineering modifications of our hospital to accommodate COVID 19 will indeed answer the need for more ideal rooms for COVID cases and importantly address the safety issues of healthcare workers of the hospital.

   Furthermore, more than 500 doctor-investors of the hospital likely guarantee a stable number of hospital clients once the operations start.

3. There are no seasonal aspects that had a material impact on the results of operations of the Company
4. There are no events or any default or acceleration of an obligation that will trigger direct or contingent financial obligation that is material to the Company
5. There are no off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Company with unconsolidated entities or other persons created during the period
6. The Company is not a party to any lawsuit or claims arising from the ordinary course of business

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.

ATTY. MAYLENE VILLANUEVA
CORPORATE SECRETARY
Date: .May 17, 2021

ELMER Z. SAMORO
CHIEF FINANCE OFFICER
Date: .May 17, 2021

(For two signature Pages)

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – ILOILO INC.

NOTES TO FINANCIAL STATEMENTS
As at March 31, 2021 and March 31, 2020
(Amounts in Philippine Peso)

NOTE 1 - CORPORATE INFORMATION AND STATUS OF OPERATIONS

Corporate Information

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER–ILOILO INC. (the "Company") was incorporated as a domestic corporation under Philippine laws and was duly registered with the Securities and Exchange Commission (SEC) under registration No. CS201423954 on December 10, 2014.

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-hospitals, scientific research institutions and other allied undertakings 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.

On December 27, 2018, the SEC En Banc under SEC MSRD Order No.37 approved effective the registration statement of the Company for 240,000 shares broken down as follows: the primary offering to be sold by way of initial public offering for 36,000 shares equivalent to 3,600 blocks or 10 shares per block at an offer price ranging from ₱250,000 up to ₱400,000 per block. Issued and outstanding Founder shares (600) and common shares (203,400) are not included in the offer. These shares have been registered and may now be offered for sale or sold to the public subject to full compliance with the provisions of the Securities Regulation Code and its Amended Implementing Rules and Regulations, Revised Code of Corporation Governance, and other applicable laws and orders as may be issued by the Commission.

The registered office of the Company is located in 2nd floor, Iloilo Medical Society Building, Luna Street, Brgy. Bantud, Lapaz, Iloilo City.

Status of Operations

Currently, the Company is constructing a multidisciplinary medical facility (hospital) which was expected to be fully completed by December 2018. However, due to circumstances beyond the control of Management, this was moved to April 2021 in which the hospital is estimated to be fully completed and operational.

NOTE 2 - FINANCIAL REPORTING FRAMEWORK AND BASIS OF PREPARATION AND PRESENTATION

Statement of Compliance

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRS), which includes all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations issued by the International Financial Reporting Interpretations

Committee (IFRIC), Philippine Interpretation Committee (PIC) and Standing Interpretations Committee (SIC) as approved by the Financial Reporting Standards Council (FRSC) and Board of Accountancy (BOA) and adopted by the SEC.

Basis of Preparation and Presentation

The financial statements have been prepared on the historical cost basis, except for certain financial instruments carried at amortized costs, if any.

Functional and Presentation Currency

These financial statements are presented in Philippine Peso (₱), the currency of the primary economic environment in which the Company operates. All amounts are rounded to the nearest peso, except when otherwise indicated.

NOTE 3 - ADOPTION OF NEW AND REVISED ACCOUNTING STANDARD

Adoption of New and Revised Accounting Standards Effective in 2020

The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new standards and amendments starting January 1, 2020. The adoption of these new standards and amendments did not have any significant impact on the Company's financial statements.

Amendments to PFRS 3, *Definition of Business*

The amendments are to:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

The amendments will not have an impact on the Company's financial statements as the Company did not acquire a business.

Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*

The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that re directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

These amendments do have a significant effect on the Company.

Amendments to PAS 1 and PAS 8, *Definition of Material*

The amendments relate to a revised definition of "material":

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." Three new aspects of the new definition include (i) obscuring; (ii) could reasonably be expected to influence; and (iii) primary users.

The amendments stress especially five ways material information can be obscured:

- if the language regarding a material item, transaction or other event is vague or unclear;
- if information regarding a material item, transaction or other event is scattered in different places in the financial statements;
- if dissimilar items, transactions or other events are inappropriately aggregated;
- if similar items, transactions or other events are inappropriately disaggregated; and
- if material information is hidden by immaterial information to the extent that it becomes unclear what information is material.

The amendments are effective for periods beginning on or after January 01, 2020. Earlier application is permitted.

The application of these amendments has no significant impact in the Company's financial statements.

Amendments to PFRS 16, *COVID-19-Related Rent Concessions*

Amendment to PFRS 16 provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to PFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying PFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
c) There is no substantive change to other terms and conditions of the lease.

The amendments are effective for annual periods beginning on or after June 1, 2020. Earlier application is permitted, including in financial statements not authorized for issue at May 28, 2020.

The application of the amendments has no significant impact in the Company's financial statements as the Company does not have COVID-19 related rent concessions.

PIC Q&A No. 2019-02, *Accounting for Cryptographic Assets*

The interpretation provides guidance regarding accounting treatment for cryptographic assets. In classifying cryptographic assets, two relevant factors to consider are (i) its primary purpose and (ii) how these assets derive its inherent value. The interpretation provided two (2) cryptographic classifications based on the aforementioned factors, these are (a) crypto currency, or (b) cryptographic assets other than crypto currencies, which are (b.1) asset-based token, (b.2) utility token, and (b.3) security token, or collectively the "Security Tokens".

From the holder of these assets' point-of-view, in the absence of a definitive accounting and reporting guidance from the IASB, the interpretation suggested to report cryptographic assets in the financial statements as either (i) crypto currencies held by an entity, (ii) cryptographic assets other than crypto currencies.

From the issuer of these assets' point-of-view, as a consensus, the following accounting treatments are suggested:

- Crypto currencies held by an entity can be treated either as (i) inventory under PAS 2, or (ii) intangible asset under PAS 38.

- Cryptographic assets other than crypto currencies, the interpretation suggested the following relevant accounting frameworks for consideration:

    i. If the token meets the definition of a financial liability, apply guidance in PFRS 9;

    ii. If the token meets the definition of an equity instrument, apply guidance in PAS 32;

    iii. If the token is a prepayment for goods and services from a contract with a customer, apply guidance in PFRS 15; and

    iv. If the token does not meet any of the aforementioned, consider other relevant guidance. The interpretation is effective for periods beginning on or after February 13, 2019.

The interpretation will not have an impact on the Company's financial statements as the Company has no cryptographic assets.

New Accounting Standards Effective after the Reporting Period Ended December 31, 2020

<u>Standards Issued but not yet Effective:</u>

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on the financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2021

Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Company shall also disclose information about:

- The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and must be applied retrospectively, however, the Company is not required to restate prior periods.

Effective beginning on or after January 1, 2022

Amendments to PFRS 3, *References to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements.

The amendments update PFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to PFRS 3 a requirement that, for obligations within the scope of PAS 37, an acquirer applies PAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

The amendments also add an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

The future adoption of the amendments will not have an impact on the Company’s financial statements as the Company does not plan to enter into business combination.

Amendments to PAS 16, *Property, Plant and Equipment – Proceeds before Intended Use*

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognizes such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with PAS 2 *Inventories*.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. PAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Management is still evaluating the impact of the amendment on the Company's financial statements.

Amendments to PAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labor or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Management is still evaluating the impact of the amendment on the Company's financial statements.

Annual Improvements to PFRS Standards 2018-2020 Cycle

Amendments to PFRS 1 – ***Subsidiary as a first-time adopter***

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in PFRS1:D16 (a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to PFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in PFRS 1:D16 (a).

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

The future adoption of the amendments will have no effect on the Company's financial statements as the Company has no investment in subsidiaries.

Amendments to PFRS 9 – ***Fees in the '10 percent' test for derecognition of financial liabilities***

The amendment clarifies that in applying the '10 percent' test to assess whether to derecognize a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Management is still evaluating the impact of the amendment on the Company's financial statements.

Amendments to PAS 41 – ***Taxation in fair value measurements***

The amendment removes the requirement in PAS 41 for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in PAS 41 with the requirements of PFRS 13 *Fair Value Measurement* to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pretax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is applied prospectively, i.e. for fair value measurements on or after the date an entity initially applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Management is still evaluating the impact of the amendment on the Company's financial statements.

Effective Beginning on or after January 01, 2023

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

The amendments to PAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or service.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Management is still evaluating the impact of the amendments on the Company's financial statements.

PFRS 17, *Insurance Contracts*

PFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the standard. The objective of PFRS 17 is to ensure that an entity provides relevant information that faithfully represents those contracts. This information gives a basis for users of financial statements to assess the effect that insurance contracts have on the entity's financial position, financial performance and cash flows.

The key principles in PFRS 17 are that an entity:

- identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder;
- separates specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts;
- divides the contracts into groups that it will recognize and measure;
- recognizes and measures groups of insurance contacts at:
  - ➢ a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset)
  - ➢ an amount representing the unearned profit in the group of contacts (the contractual service margin)
- recognizes the profit from a group of insurance contracts over the period the entity provides insurance cover, and as the entity is released from risk. If a group of contracts is or becomes loss-making, an entity recognizes the loss immediately;
- presents separately insurance revenue (that excludes the receipt of any investment component), insurance service expenses (that excludes the repayment of any investment components) and insurance finance income or expenses; and
- discloses information to enable users of financial statements to assess the effect that contracts within the scope of PFRS 17 have on the financial position, financial performance and cash flows of an entity.

PFRS 17 includes an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts.

The standard is effective for periods beginning on or after January 1, 2023. Earlier application is permitted.

The adoption of the standard will not have a significant impact on the Company's financial statements as the Company does not issue insurance contracts.

Deferred Effectivity

Amendments to PFRS 10 and PAS 28, ***Sale or Contribution of Assets between and Investor and Its Associate or Joint Venture***

The amendments to PFRS 10 and PAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the Board; however, earlier application of the amendments is permitted.

The future adoption of the amendments will not have an impact on the Company's financial statements as the Company does not have investment in associates and joint ventures.

New Accounting Standards Effective after the Reporting Period Ended December 31, 2020 Adopted by FRSC but pending for approval by the Board of Accountancy

PIC Q&A No. 2020-02, ***Conclusion on PIC QA 2018-12E: On certain materials delivered on site but not yet installed***

The interpretation provides guidance on the treatment of the customized materials in recognizing revenue using a cost-based input method.

For each performance obligation satisfied over time, entity shall recognize the revenue by measuring towards complete satisfaction. In such case, materials that are customized, even if uninstalled, are to be included in the measurement of progress in completing its performance obligations.

However, in the case of uninstalled materials that are not customized, revenue should only be recognized upon installation or use in construction. Revenue cannot be recognized even up to the extent of cost unless it met all the criteria listed in the standards.

The Management does not anticipate that the interpretation will have a significant impact on the Company's financial statements since the Company does not have customized materials for installation.

PIC Q&A No. 2020-04 (*Addendum to PIC Q&A 2018-12-D*), *PFRS 15 - Step* 3 - *Requires and Entity to Determine the Transaction Price for the Contract*

The interpretation clarifies that, in case of mismatch between the POC and schedule of payments, there is no significant financing component if the difference between the promised consideration and the cash selling price of the goods or service arises for the reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference.

The Management does not anticipate that the interpretation will have a significant impact on the Company's financial statements since the Company does not have POC projects.

PIC Q&A No. 2020-05, *PFRS 15 - Accounting for Cancellation of Real Estate Sales*

The interpretation provided guidance on the accounting for cancellation of real estate sales and the repossession of the property. They provided three (3) approaches as follows:

1. The repossessed property is recognized at its fair value less cost to repossess
2. The repossessed property is recognized at its fair value plus repossession cost
3. Accounted as modification of contract

Either of the abovementioned approaches are acceptable as long as it's applied consistently. All approaches above should consider payments to buyers required under the Maceda Law and the write-off of any unamortized portion of cost of obtaining a contract in its determination of gain/loss from repossession.

The Management does not anticipate that the interpretation will have a significant impact on the Company's financial statements since the Company does not have Real Estate Sales.

PIC Q&A No. 2019-04, *Confirming Changes to PIC Q&As – Cycle 2019*

The interpretation sets out the changes (i.e., amendments or withdrawal) to certain interpretations. These changes are made as a consequence of the issuance of new PFRS that become effective starting January 1, 2019 and other relevant developments.

<u>PIC Q&As Amended</u>

The following table summarizes the changes made to the amended interpretations:

PIC Q&A Amended	Amendment
PIC Q&A No. 2011-05: PFRS 1 – Fair Value or Revaluation as Deemed Cost	Updated because of applying PFRS 16, *Leases*, for the first-time starting January 1, 2019
PIC Q&A No. 2011-06: Acquisition of investment properties – asset acquisition or business combination?	Reference to PAS 40, *Investment Property*, has been updated because of applying PFRS 16 for the first-time starting January 1, 2019
PIC Q&A No. 2012-02: Cost of a new building constructed on the site of a previous building	Reference to PAS 40 has been updated because of applying PFRS 16 for the first-time starting January 1, 2019
PIC Q&A No. 2017-02: PAS 2 and PAS 16 – Capitalization of operating lease cost as part of construction costs of a building	Updated to comply with the provisions of PFRS 16 and renamed as PIC Q7A No. 2017-02: PAS 2 and PAS 16 – Capitalization of depreciation of ROU asset as part of construction costs of a building

PIC Q&A No. 2017-10: PAS 40 – Separation of property and classification as investment property	Reference to PAS 40 has been updated because of applying PFRS 16 for the first-time starting January 1, 2019
PIC Q&A No. 2018-05: PAS 27 – Liability arising from maintenance requirement of an asset held under a lease	Updated to comply with the provisions of PFRS 16
PIC Q&A No. 2018-15: PAS 1 – Classification of Advances to Contractors in the Nature of Prepayments: Current vs. Non-current	Reference to PAS 40 (included as an attachment to the Q&A) has been updated because of applying PFRS 16 for the first-time starting January 1, 2019

<u>PIC Q&A Withdrawn</u>

PIC Q&A Amended	Basis for Withdrawal
PIC Q&A No. 2017-09: PAS 17 and Philippine Interpretation SIC – 15- Accounting for payments between and among lessors and lessees	The PIC Q&A is considered withdrawn starting January 1, 2019, which is the effective date of PFRS 16. PFRS 16 superseded PAS 17, *Leases,* and Philippines Interpretation SIC-15, *Operating Leases - Incentives*
PIC Q&A No. 2018-07: PAS 27 and PAS 28 – Cost of an associate, joint venture, or subsidiary in separate financial statements	The PIC Q&A is considered withdrawn upon publication of IFRIC agenda decision – Investment in a subsidiary accounted for at cost: Step acquisition (IAS 27, *Separate Financial Statements)* in January 2019

The effective date of the amendments is included in the affected interpretations.

The Management does not anticipate that the new amendments and withdrawal of certain interpretations will have significant impact on the Company's financial statements since the Company did not enter into transactions enumerated above.

PIC Q&A No. 2019-06, ***Accounting for step acquisition of a subsidiary in a parent***

The interpretation clarifies how a parent should account for the step acquisition of a subsidiary in its separate financial statements.

Salient points of the interpretation are the following:

IFRIC concluded either of the two approaches may be applied:

- Fair value as deemed cost approach

  Under this approach, the entity is exchanging its initial interest (plus consideration paid for the additional interest) for a controlling interest in the investee (Exchange view). Hence, the entity's investment in subsidiary is measured at the fair value at the time the control is acquired.

- Accumulated cost approach

  Under this approach, the entity is purchasing additional interest while retaining the initial interest (non-exchange view). Hence, the entity's investment in subsidiary is measured at the accumulated cost (original consideration).

Any difference between the fair value of the initial interest at the date of obtaining control of the subsidiary and its original consideration is taken to profit or loss, regardless of whether, before the step acquisition transaction, the entity had presented subsequent changes in fair value of its initial interest in profit or loss or other comprehensive income (OCI).

The interpretation is effective for periods beginning on or after October 19, 2019.

The future adoption of the interpretation will not have an impact on the Company's financial statements as the Company does not plan to acquire a subsidiary.

PIC Q&A No. 2019-07, *Classification of Members' Capital Contributions of Non-Stock Savings and Loan Associations (NSSLA)*

Background:

The Bangko Sentral ng Pilipinas (BSP) issued Circular No. 1045 on August 29, 2019 to amend the Manual of Regulations for Non-Bank Financial Institutions Applicable to Non-Stock Savings and Loan Associations (MORNBFI-S) – Regulatory Capital of Non-Stock Savings and Loan Associations (NSSLAs) and Capital Contributions of Members.

Under the circular, each qualified member of an NSSLA shall maintain only one capital contribution account representing his/her capital contribution. While only one capital account is maintained, the Circular breaks down a member's capital contributions as follows:

a. Fixed capital which cannot be reduced for the duration of membership except upon termination of membership. The minimum amount of fixed capital is Php1,000, but a higher minimum can be prescribed under the NSSLA's by-laws.

b. Capital contribution buffer, which pertains to capital contributions in excess of fixed capital. The capital contribution buffer can be withdrawn or reduced by the member without affecting his membership. However, the NSSLA shall establish and prescribe the conditions and/or circumstances when the NSSLA may limit the reduction of the members' capital contribution buffer, such as, when the NSSLA is under liquidity stress or is unable to meet the capital-to-risk assets ratio requirement under Sec. 4116S of the MORNBFI-S Regulations. Such conditions and/or circumstances have to be disclosed to the members upon their placement of capital contribution buffer and in manners as may be determined by the Board.

For purposes of identifying and monitoring the fixed capital and capital contribution buffer of a member's capital contribution, NSSLAs shall maintain subsidiary ledgers showing separately the fixed and capital contribution buffer of each member. Further, upon receipt of capital contributions from their members, NSSLAs shall simultaneously record the amount contributed as fixed and capital contribution buffer in the aforementioned subsidiary ledgers. However, NSSLAs may use other systems in lieu of subsidiary ledgers provided that the system will separately show the fixed and capital contribution buffer of each member.

The interpretation assessed and concluded that both Fixed Capital and the Capital contribution buffer qualify as "equity" in the NSSLA's financial statements as they both meet all the requirements of paragraphs 16A and 16B of PAS 32, Financial Instruments: Presentation.

The future adoption of the interpretation will not have an impact on the Company's financial statements as the Company is not a member of NSSLA.

PIC Q&A No. 2019-08, ***PFRS 16, Leases – Accounting for Asset Retirement or Restoration Obligation ("ARO")***

The interpretation clarifies the recognition of ARO under the following scenarios:

1) <u>Accounting for ARO at lease commencement date</u>

   The cost of dismantling and restoration (i.e., the ARO) should be calculated and recognized as a provision in accordance with PAS 37, with a corresponding adjustment to the related ROU asset as required by PFRS 16.24(d). As such, the lessee will add the amount of ARO to the cost of the ROU asset on lease commencement date, which will then form part of the amount that will be amortized over the lease term.

2) <u>Change in ARO after initial recognition</u>

   2.1) Because ARO is not included as a component of lease liability, the measurement of such ARO is outside the scope of PFRS 16. Hence, its measurement is generally not affected by the transition to PFRS 16. Except in cases where the reassessment of lease-related assumptions (e.g., lease term) would affect the measurement of ARO- related provision, the amount of ARO existing at transition date would not be remeasured; rather, the balance of the ARO provision and any related asset will remain as previously remeasured. The asset will simply be reclassified from property and equipment to the related ROU asset as required under PFRS 16.24(d).

   2.2) Assuming there is a change in lease-related assumptions that would impact the ARO measurement (e.g., change in lease term due to the new PFRS 16 requirements), the following will be the accounting treatment depending on the method used by the lessee in adopting PFRS 16:

   a. *Modified retrospective approach* – Under this approach, the lessee uses the remaining lease term to discount back the amount of provision to transition date. Any adjustment is recognized as an adjustment to the ROU asset and ARO provision. This adjustment applies irrespective of which the two methods in measuring the ROU asset will be chosen under the modified retrospective approach.

   b. *Full retrospective approach* – The ARO provision and related asset, which gets adjusted to the ROU asset, should be remeasured from commencement of the lease, and then amortized over the revised or reassessed lease term. Because full retrospective approach is chosen, it is possible that the amount of cumulative adjustment to the ARO provision and the ROU asset at the beginning of the earliest period presented will not be the same; hence, it is possible that it might impact retained earnings.

The future adoption of the interpretation will not have an impact on the Company's financial statements as the Company does not have an asset retirement or restoration obligation.

PIC Q&A No. 2019-09, ***Accounting for Prepaid Rent or Rent Liability Arising from Straight-lining under PAS 17 on Transition to PFRS 16 and the Related Deferred Tax Assets***

The interpretation aims to provide guidance on the following:

1. How a lessee should account for its transition from PAS 17 to PFRS 16 using the modified retrospective approach. Specifically, this aims to address how a lessee should, on transition, account for any existing prepaid rent or rent liability arising from straight-lining of an operating lease under PAS 17, and

2. How to account for the related deferred tax effects on transition from PAS 17 to PFRS 16.

The Company followed the guidelines in the interpretation in determining how to account for any existing prepaid rent or rent liability for its transaction to PFRS 16.

PIC Q&A No 2019-10, *Accounting for variable payments with rent review*

Some lease contracts provide for market rent review in the middle of the lease term to adjust the lease payments to reflect a fair market rent for the remainder of the lease term. This Q&A provides guidance on how to measure the lease liability when the contract provides for a market rent review.

The Management does not anticipate that the interpretation will have a significant impact on the Company's financial statements since the Company does not have variable lease payments.

PIC Q&A No 2019-11, *Determining the current portion of an amortizing loan/lease liability*

This interpretation aims to provide guidance on how to determine the current portion of an amortizing loan/lease liability for proper classification/presentation between current and non-current in the statement of financial position.

The Company followed the guidelines in the interpretation in determining the proper classification of lease liability between current and non-current portion.

PIC Q&A No. 2019-12, *PFRS 16, Leases – Determining the Lease Term*

The interpretation provides guidance how an entity determines the lease term under PFRS 16.

A contract would be considered to exist only when it creates rights and obligations that are enforceable. Therefore, any non-cancellable period or notice period in a lease would meet the definition of a contract and, thus, would be included as part of the lease term. To be part of a contract, any option to extend or terminate the lease that are included in the lease term must also be enforceable.

If optional periods are not enforceable (e.g., if the lease cannot enforce the extension of the lease without the agreement of the lessor), the lessee does not have the right to use the asset beyond the non-cancellable period. Consequently, by definition, there is no contract beyond the non-cancellable period (plus any notice period) if there are no enforceable rights and obligations existing between the lessee and lessor beyond that term.

In assessing the enforceability of a contract, an entity should consider whether the lessor can refuse to agree to a request from the lessee to extend the lease. Accordingly, if the lessee has the right to extend or terminate the lease, there are enforceable rights and obligations beyond the initial non-cancellable period and this, the parties to the lease would be required to consider those optional periods in their assessment of the lease term. In contrast, a lessor's right to terminate a lease is ignored when determining the lease term because, in that case, the lessee has an unconditional obligation to pay for the right to use the asset for the period of the lease, unless and until the lessor decides to terminate the lease.

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease an entity shall consider all relevant facts and circumstances (i.e., including those that are not indicated in the lease contract) that create an economic incentive for the lessee to exercise the option to extend the lease, or not to exercise the option to terminate the lease.

The Company followed the guidelines in the interpretation in determining the lease terms under PFRS 16.

PIC Q&A No. 2019-13, *PFRS 16, Leases – Determining the lease term of leases that are renewable subject to mutual agreement of the lessor and the lessee*

The interpretation provides guidance how an entity determines the lease term under PFRS 16. This interpretation focuses on lease contracts that are renewable subject to mutual agreement of the parties.

A renewal option is only considered in determining the lease term if it is enforceable. A renewal that is still subject to mutual agreement of the parties is legally unenforceable under Philippine laws until both parties come to an agreement on the terms.

In instances where the lessee have known to be, historically, renewing the lease contract after securing mutual agreement with the lessor to renew the lease contract, the lessee's right to use the underlying asset does not go beyond the one-year period covered by the current contract, as any renewal still has to be agreed on by both parties. A renewal is treated as a new contract.

The Company followed the guidelines in the interpretation in determining the lease terms under PFRS 16.

PIC Q&A No. 2020-01, *Conforming Changes to PIC Q&As – Cycle 2020*

The interpretation sets out the changes (i.e., amendments or withdrawal) to certain interpretations. These changes are made as a consequence of the issuance of new PFRS that become effective starting January 1, 2019 and other relevant developments.

<u>PIC Q&As Amended</u>

The following table summarizes the changes made to the amended interpretations:

PIC Q&A Amended	Amendment
Framework 4.1 and PAS 1.25 – Financial statements prepared on a basis other than going concern	References to *The Conceptual Framework for Financial Reporting* have been updated due to the revised framework effective January 1, 2020
PIC Q&A No. 2016-03: Accounting for common areas and the related subsequent costs by condominium corporations	References to *The Conceptual Framework for Financial Reporting* have been updated due to the revised framework effective January 1, 2020
PIC Q&A No. 2011-03: Accounting for intercompany loans	References to *The Conceptual Framework for Financial Reporting* have been updated due to the revised framework effective January 1, 2020
PIC Q&A No. 2017-08: PFRS 10 – Requirement to prepare consolidated financial statements where an entity disposes of its single investment in a subsidiary, associate or joint venture	References to *The Conceptual Framework for Financial Reporting* have been updated due to the revised framework effective January 1, 2020
PIC Q&A No. 2018-14: PFRS 15 – Accounting for cancellation of real estate sales	References to *The Conceptual Framework for Financial Reporting* have been updated due to the revised framework effective January 1, 2020

PIC Q&A Withdrawn

PIC Q&A Amended	Basis for Withdrawal
PIC Q&A No. 2011-06: Acquisition of investment properties – asset acquisition or business combination?	With the amendment to PFRS 3 on the definition of a business effective January 1, 2020, there is additional guidance in paragraphs B7A-B12D of PFRS 3 in assessing whether acquisition of investment properties is an asset acquisition or business combination (i.e. optional concentration test and assessment of whether an acquired process is substantive).

The effective date of the amendments is included in the affected interpretations.

The Management does not anticipate that the new amendments and withdrawal of certain interpretations will have significant impact on the Company's financial statements since the Company did not enter into transactions enumerated above.

PIC Q&A No. 2020-02, *Conclusion on PIC QA 2018-12E: On certain materials delivered on site but not yet installed*

The interpretation provides guidance on the treatment of the customized materials in recognizing revenue using a cost-based input method.

For each performance obligation satisfied over time, entity shall recognize the revenue by measuring towards complete satisfaction. In such case, materials that are customized, even if uninstalled, are to be included in the measurement of progress in completing its performance obligations.

However, in the case of uninstalled materials that are not customized, revenue should only be recognized upon installation or use in construction. Revenue cannot be recognized even up to the extent of cost unless it met all the criteria listed in the standards.

The Management does not anticipate that the interpretation will have a significant impact on the Company's financial statements since the Company does not have customized materials for installation.

PIC Q&A No. 2020-03, *On the accounting of the difference when the percentage of completion is ahead of the buyer's payment*

The interpretation clarifies that recognition of either contract asset or receivable is acceptable in case the revenue recognized based on percentage of completion (POC) is ahead of the buyer's payment as long as this is consistently applied in transactions of the same nature and disclosure requirements of PFRS 15 for contract assets or receivables, as applicable, are complied.

The Management does not anticipate that the interpretation will have a significant impact on the Company's financial statements since the Company does not have POC projects.

PIC Q&A No. 2020-04 (*Addendum to PIC Q&A 2018-12-D*), *PFRS 15 - Step 3 - Requires and Entity to Determine the Transaction Price for the Contract*

The interpretation clarifies that, in case of mismatch between the POC and schedule of payments, there is no significant financing component if the difference between the promised consideration and the cash selling price of the goods or service arises for the reasons other than the provision of finance to either the customer or the entity, and the difference between those amounts is proportional to the reason for the difference.

The Management does not anticipate that the interpretation will have a significant impact on the Company's financial statements since the Company does not have POC projects.

PIC Q&A No. 2020-05, *PFRS 15 - Accounting for Cancellation of Real Estate Sales*

The interpretation provided guidance on the accounting for cancellation of real estate sales and the repossession of the property. They provided three (3) approaches as follows:

1. The repossessed property is recognized at its fair value less cost to repossess
2. The repossessed property is recognized at its fair value plus repossession cost
3. Accounted as modification of contract

Either of the above mentioned approaches are acceptable as long as it's applied consistently. All approaches above should consider payments to buyers required under the Maceda Law and the write-off of any unamortized portion of cost of obtaining a contract in its determination of gain/loss from repossession.

The Management does not anticipate that the interpretation will have a significant impact on the Company's financial statements since the Company does not have Real Estate Sales.

PIC Q&A No. 2020-06, *PFRS 16 - Accounting for payments between and among lessors and lessees*

The interpretation provides for the treatment of payments between and among lessors and lessees as follows:

		Treatments in the financial statements of			
	Transaction	**Lessor**	**Old lessor**	**New Lessee**	**Basis**
1	Lessor pays old lessee - lessor intends to renovate the building	i. Recalculate the revised leased payments (net of the one-off amount to be paid) and amortize over the revised lease term. ii. If net payable, recognize as expense unless the amount to be paid qualifies as capitalizable cost under PAS 16 or PAS 40; in which case it is capitalized as part of the carrying amount of the associated property if it meets the definition of construction costs	i. Recognize in profit and loss at the date of modification the difference between the proportionate decrease in the right-of-use asset based on the remaining right-of- use asset for the remaining period and remaining lease liability calculated as the present value of the remaining lease payments discounted using the original discount rate of the lease. ii. Recognize the effect of remeasurement of the remaining lease liability as an adjustment to the right-		• PFRS 16; par.87 • PAS 16; pars. 6, 16-17 • PAS 40; par.21 • PFRS 16; par.45 • Illustrative example 18 issued by IASB • PAS 16; pars.56-57

		Treatments in the financial statements of			
	Transaction	Lessor	Old lessor	New Lessee	Basis
		under PAS 16 or PAS 40.	of use-asset by referring to the revised lease payments (net of any amount to be received from the lessor) and using a revised discount rate. iii. Revisit the amortization period of right-of- use asset and any related leasehold improvement following the shortening of the term.		
2	Lessor pays old lessee - new lease with higher quality lessee	Same as Item 1	Same as Item 1		Same as Item 1 PFRS 16 par. 83
3	Lessor pays new lessee - an incentive to occupy	i. Finance lease: • If made after commencement date, incentive payable is credited with offsetting debit entry to the net investment lease. • If paid at or prior to commencement date, included in the calculation of gain or loss on disposal on finance lease. ii. Operating lease: add the initial direct costs to the carrying amount of underlying asset and recognize as expense over the lease term either on a straight-line basis of another systematic basis.		i. Record as a deduction to the cost of the right-of-use asset. ii. Lease incentive receivable is also included as reduction in measurement of lease liability. iii. When lessee receives the payment of lease incentive, the amount received is debited with a credit entry to gross up the lease liability.	• PAS 16; par. 68 • PAS 16; par. 71 • PFRS 16; par. 83 • PFRS 16; par. 24
4	Lessor pays new lessee - building alterations specific to the lessee with no further value to lessor	Same as Item 3		i. Same as in fact pattern 1C. ii. Capitalize costs incurred by the lessee for alterations to the building as leasehold	• Same as in fact pattern 1C. • PAS 40; par.21 • PAS 16; pars.16-17

		Treatments in the financial statements of			
	Transaction	**Lessor**	**Old lessor**	**New Lessee**	**Basis**
				improvement in accordance with PAS 16 or PAS 40.	
5	Old lessee pays lessor to vacate the leased premises early	Recognize as income immediately, unless it was within the original contract and the probability criterion was previously met, in which case, the amount would have already been recognized as income using either a straight-line basis or another systematic basis.	Recognize as expense immediately unless it was within the original contract and the probability criterion was previously met, in which case, the financial impact would have been recognized already as part of the lease liability.		• PAS 16 • PAS 38 • PFRS 16; par.18
6	Old lessee pays new lessee to take over the lease		Recognize as an expense immediately.	Recognize as income immediately.	• PAS 16 • PAS 38 • PFRS 16; • Appendix A
7	New lessee pays lessor to secure the right to obtain a lease agreement	i. If finance lease, recognize gain or loss in the profit or loss arising from the derecognition of underlying assets ii. If operating lease, recognize as deferred revenue and amortize over the lease term on a straight- line basis or another systematic basis.		Recognize as part of the cost of the right-of- use asset.	• PFRS 16; par.24 • PAS 16; par.71 • PFRS 16; par.81
8	New lessee pays old lessee to buy out the lease agreement		Recognize as again immediately. Any remaining lease liability and right- of-use asset will be derecognized with net amount through P&L.	Account for as initial direct cost included in the measurement of the right-of- use asset.	• PFRS 16; Appendix A • PFRS 16; Example 13 in par. IE5 • PFRS 16; par.24

These pronouncements do not have an effect on the financial statements of the Company.

PIC Q&A No. 2020-07, *PAS 12 – Accounting for the Proposed Changes in Income Tax Rates under the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) Bill.*

The interpretation explained the details of the CREATE bill and its impact on the financial statements once passed. Interpretation discussed that impact on the financial statements ending December 31, 2020 are as follows:

- Current and deferred taxes will still be measured using the applicable income tax rate as of December 31, 2020 • If the CREATE bill is enacted before financial statements' issue date, this will be a non-adjusting event but the significant effects of changes in tax rates on current and deferred tax assets and liabilities should be disclosed • If the CREATE bill is enacted after financial statements' issue date but before filing of the income tax return, this is no longer a subsequent event but companies may consider disclosing the general key feature of the bill and the expected impact on the FS For the financial statements ending December 31, 2021, the impact are as follows:

- Standard provides that component of tax expense(income) may include "any adjustments recognized in the period for current tax of prior periods" and "the amount of deferred tax expense(income) relating to changes in tax rates or the imposition of new taxes"

- An explanation of changes in the applicable income tax rates to the previous accounting period is also required to be disclosed

- The provision for current income tax for the year 2021 will include the difference between income tax per 2020 financial statements and 2020 income tax return

- Deferred tax assets and liabilities as of December 31, 2021, will be remeasured using the new tax rates

Any movement in deferred taxes arising from the change in tax rates that will form part of the provision for/benefit from deferred taxes will be included as well in the effective tax rate reconciliation. Management is still evaluating the impact of the amendment on the Company's financial statements.

NOTE 4 - SIGNIFICANT ACCOUNTING POLICIES

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

Current versus Noncurrent Classification

The Company presents assets and liabilities in the statement of financial position based on current/noncurrent classification.

An Asset is current when it is:

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

The Company classifies all other assets as noncurrent.

A liability is current when:

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

All other liabilities are classified as noncurrent.

Fair Value Measurement

The Company measures financial instruments at fair value at each reporting date.

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

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability, the principal or the most advantageous market must be accessible to the Company.

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

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

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

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

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

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

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

Financial Instruments

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

Financial Assets

Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit and loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables, that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction cost. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price as disclosed in the Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss.

The Company's business model for managing financial assets refer to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent Measurement

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

- financial assets at amortized cost (debt instruments)
- financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instrument)
- financial assets designated at fair value through OCI with no recycling of cumulative gains or losses upon derecognition (equity instruments)
- financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)

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

The Company's financial assets at amortized cost includes cash (excluding cash on hand) and receivable – others as at reporting dates (see Note 6).

Financial assets fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the statement of profit and loss and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company does not have debt instruments at fair value through OCI as at reporting dates.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity instruments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: *Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as recovery of part of the cost of the financial assets, in which case, such gains are recovered in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Company does not have equity instruments at fair value through OCI as at reporting dates.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognized as other income in the statement of profit or loss when the right of payment has been established.

The Company does not have financial assets at fair value through profit or loss as at reporting dates.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company 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 rights to receive cash flows from an asset or has entered into a ‘pass-through’ arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risk and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

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

Impairment

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

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

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

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full or in part before taking into account any credit enhancements held by the Company. A financial asset is written off in full or in part when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include accounts payable and other liabilities (excluding government liabilities), loans payable to individuals, notes payable and advances from shareholders (see Notes 10, 11, 12 and 13).

Subsequent Measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:
- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost (loans and borrowings)

<u>Financial liabilities at fair value through profit or loss</u>

Financial liabilities at fair value through profit or loss are designated upon initial recognition at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by an entity that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statements of profit or loss.

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

<u>Financial liabilities at amortized cost (loans and borrowings)</u>

After initial recognition, interest-bearing loans and borrowings and other payables are subsequently measured at amortized cost using the ElR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the ElR. The EIR amortization is included as "Finance cost" in the statement of comprehensive loss.

This category generally applies to accounts payable and other liabilities (excluding government liabilities), loans payable to individuals, notes payable and advances from shareholders (see Notes 10, 11, 12 and 13).

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. 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 the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities simultaneously.

The Company assesses that it has currently enforceable right to offset if the right is not contingent on a future event and is legally enforceable in the event of insolvency or bankruptcy of the Company and all of the counterparties.

Cash

Cash in the statement of financial position comprise of cash in banks and on hand and short-term highly liquid deposits with maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

Advances

Advances are payments made in advance such as down payments for a contractual project or services. They are already paid but not yet incurred. It will be recognized either as an asset or an expense upon completion of the project or services.

Receivable – others has many forms such as advances to contractors and advances to suppliers.

Advances to a related party and loans receivable on the other hand, is recognized if an amount of consideration that is unconditional is due from a related party (i.e. only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets earlier discussed.

Prepayments

Prepayments represent expenses not yet incurred but already paid in cash. Prepayments are initially recorded as assets and measured at the amount of cash paid. Subsequently, these are charged to expense as they are consumed in operations or expire with the passage of time.

Prepayments are classified in the statements of financial position as current assets when the cost of services related to the prepayment are expected to be incurred within one year or the Company's normal operating cycle, whichever is longer. Otherwise, prepayments are classified as non-current assets.

Property and Equipment

Property and equipment are initially measured at cost. The cost of an item of property and equipment consists of:

- its purchases price, including import duties and non-refundable purchases taxes, after deducting trade discounts and rebates; and
- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent expenditures relating to an item of property and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

At the end of each reporting period, items of property and equipment measured using the cost model are carried at cost less any subsequent accumulated depreciation and impairment losses. Land is carried at cost less any impairment in value. Land is not depreciated.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. When assets are derecognized, their cost, accumulated depreciation and amortization and accumulated impairment losses are eliminated from the accounts. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in the statement of comprehensive income.

Fully depreciated assets are retained in the property and equipment until these are derecognized or until they are no longer in use.

Construction-in-progress

Property development and construction costs are recognized at cost and accumulated in this account. Construction in progress is not depreciated until transferred into appropriate accounts, when construction of asset is completed and put into operational use. Borrowings and any additional costs incurred in relation to the project are recognized in this account.

The Company recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known. Any impairment loss from the construction project is charged to operations during the period in which the loss is determined.

Impairment of Non-Financial Assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying 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 as income.

Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue cost.

Share capital

Share capital is measured at par value for all shares issued.

Share premium

Share premium is the difference between the issue price and the par value of the stock and is known as securities premium. The shares are said to be issued at a premium when the issue price of the share is greater than its face value or par value.

Deficit

Deficit represents accumulated losses incurred by the Company. Deficit may also include effects of changes in accounting policy as may be required by the standard’s transitional provision.

Other comprehensive income/(loss)

Other comprehensive income/(loss) is defined as comprising items of income and expense that is not recognized in profit or loss as required or permitted by other standards.

Revenue Recognition

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Company has generally concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

Revenue is recognized when the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation.

The following specific recognition criteria must also be met before revenue is recognized:

Service income from hospital services

The Company renders primary healthcare services to its patients over a single period of time in the ordinary course of business. Revenue is recognized as the services are provided.

Sale of medical goods

Revenue from sale of goods is recognized at point in time when control of the asset is transferred to the customer.

The Company does not have revenues from service income from hospital services nor medical goods since the hospital is still in its construction in progress stage, thus the Company is said to be not in commercial operations as of December 31, 2020.

Revenue Recognition outside the Scope of PFRS 15

Interest income

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

Other income

Other income is income generated outside the normal course of business and is recognized when it is probable that the economic benefits will flow to the Company and it can be measured reliably.

Expense Recognition

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

Expenses in the statements of comprehensive loss are presented using the function of expense method. General and administrative expenses are costs attributable to general administrative, and other business activities of the Company.

Employee Benefits

Short-term benefits

The Company recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period that are expected to be settled wholly before twelve months after the end of the reporting period. A liability is also recognized for the amount expected to be paid under short-term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

Post-employment benefits

Defined benefit plan

The Company is subject to the provision of Republic Act No. 7641 (known as the Retirement Law). This requires that in the absence of a retirement plan, an agreement providing benefits for retiring employees in the private sector, an employee upon reaching the age of 60 years or more, but not beyond 65 years, who has serve at least 5 years in service, may retire and shall be entitled to a retirement pay equivalent to at least ½ month's salary for every year of service, fraction of at least 6 months being considered as 1 whole year. The current service cost is the present value of benefits, which accrue during the last year.

However as at reporting dates, the Company has not yet established a fund retirement benefits plan for its employees since the Company has not yet started its commercial operations.

Leases

The Company determines whether arrangements contain a lease to which lease accounting must be applied. The costs of the agreements that do not take the legal form of a lease but convey the right to use an asset are separated into lease payments if the entity has the control of the use or access to the asset, or takes essentially all of the outputs of the asset. The said lease component for these arrangements is then accounted for as finance or operating lease.

The Company as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except when another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an asset that necessarily take a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

Related Party Transactions

A related party transaction is a transfer of resources, services or obligations between the Company and a related party, regardless of whether a price is charged.

Parties are considered related if one party has control, joint control, or significant influence over the other party in making financial and operating decisions. An entity that is a post-employment benefit plan for the employees of the Company and the key management personnel of the Company are also considered to be related parties.

Taxation

Income tax expense represents the sum of the current tax expense and deferred tax expense.

<u>Current tax</u>

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statements of comprehensive loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using 30% regular corporate income tax (RCIT) rate or 2% minimum corporate income tax (MCIT), whichever is higher.

<u>Deferred tax</u>

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computations of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive loss or directly in equity, in which case, the current and deferred tax rate also recognized in other comprehensive loss or directly in equity respectively.

Earnings (Loss) per Share

Basic earnings per share is calculated by dividing income/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year, after giving retroactive effect to any bonus issues declared during the year, if any.

For the purpose of calculating diluted earnings per share, profit or loss for the year attributable to ordinary equity holders of the Company and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

Provisions and Contingencies

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. When the Company expects a provision or loss to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursement.

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements.

Events After the Reporting Period

The Company identifies events after the end of each reporting period as those events, both favorable and unfavorable, that occur between the end of the reporting period and the date when the financial statements are authorized for issue. The financial statements of the Company are adjusted to reflect those events that provide evidence of conditions that existed at the end of the reporting period. Non-adjusting events after the end of the reporting period are disclosed in the notes to the financial statements when material.

NOTE 5 - CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on the historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Judgments, estimates and assumptions are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Critical Judgments in Applying Accounting Policies

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:

Functional currency

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency of the Company has been determined to be the Philippine Peso (₱). It is the currency that mainly influences the Company's operations.

Classification of Financial Instrument

The Company exercises judgment in classifying a financial instrument, or its component parts, on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the statement of financial position.

The Company determines the classification of financial instruments at initial recognition and re-evaluates this designation at every reporting date.

Determination of Whether a Lease is a Finance or Operating Lease

The evaluation of whether an arrangement contains a lease is based on its substance. An arrangement is, or contains, a lease when the fulfillment of the arrangement depends on a specific asset or assets and the arrangement conveys the right to use the asset.

<u>Operating Lease Commitments – Company as Lessee</u>

Based on Management evaluation, the lease arrangements entered into by Company as a lessee are accounted for as operating leases because the Company has determined that the lessor will not transfer the ownership of the leased assets to the Company upon termination of the lease.

Impairment of Non-Financial Assets

Property and equipment is periodically reviewed to determine any indications of impairment. Though the management believes that the assumptions used in the estimation of fair values are reasonable and appropriate, significant changes in these assumptions may materially affect the assessment of the recoverable amounts and any resulting impairment loss could have a material adverse effect in the results of operations.

Provisions and Contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition and disclosure of provision and disclosure of contingencies are discussed in Note 4, subheadings Provisions and Contingencies.

Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the financial reporting date that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

Estimating useful lives of assets

The useful lives of the Company's assets with definite life are estimated based on the period over which the assets are expected to be available for use. The estimated useful lives of the Company's property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the Company's assets. In addition, the estimation of the useful lives is based on the Company's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timings of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase the recognized operating expenses and decrease non-current assets.

Depreciation is calculated on a straight-line basis over the following estimated useful lives of the assets:

Categories	Estimated Useful Life
Office equipment	3 - 5 years
Medical equipment	5 years
Hospital equipment	5-10 years
Kitchen Tools	3-5 years
Books/Periodicals	3 years

As at March 31, 2021 and 2020, the Company's property and equipment had carrying amounts of ₱416,600,157 and ₱252,007,571, respectively, as disclosed in Note 8. Total accumulated depreciation as at March 31, 2021 and 2020amounted to ₱1,142,765 and 689,265, respectively, as disclosed in Note 8.

Asset impairment other than goodwill

The Company performs an impairment review when certain impairment indicators are present.

Determining the recoverable amount of property and equipment, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Company to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Company to conclude that property and equipment are impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

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

As at December 31, 2020, and 2019, Management believes that the recoverable amounts of the Company's property and equipment approximate its carrying amounts. Accordingly, no impairment loss was recognized in both years.

Deferred tax assets

The Company reviews the carrying amounts of deferred tax assets at each financial reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to be utilized. The Company has recognized net deferred tax assets amounting to ₱228 as at December 31, 2020 (see Note 18).

Deferred tax assets with full valuation allowance as at March 31, 2021, December 31, 2020 and 2019 amounted to ₱31,026,201, ₱29,853,239 and ₱19,407,828 respectively (see Note 18).

Estimating allowances for doubtful accounts

The Company estimates the allowance for doubtful accounts related to its receivables based on assessment of specific accounts when the Company has information that certain counterparties are unable to meet their financial obligations. In these cases, judgment used was based on the best available facts and circumstances including but not limited to, the length of relationship with the counterparty and the counterparty's current credit status based on credit reports and known market factors. The Company used judgment to record specific reserves for counterparties against amounts due to reduce the expected collectible amounts. These specific reserves are re-evaluated and adjusted as additional information received impacts the amounts estimated.

The amounts and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in the allowance for doubtful accounts would increase the recognized operating expenses and decrease current assets.

Estimating loss allowance for expected credit losses

The Company measures expected credit losses of a financial instrument in a way that reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and information about past events, current conditions and forecasts of future economic conditions. When measuring ECL the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement 0of different economic drivers and how these drivers will affect each other.

As at March 31, 2021 and 2020, Management believes that there are no expected credit losses in relation to their receivable - others accordingly, no loss allowance was recognized for the year. Total receivable - others as at March 31, 2021 and 2020 amounted to ₱282,021 and ₱ 111,740, respectively.

NOTE 6 - CASH

This account consists of:

	March 31, 2020	March 31, 2020
Cash on hand	**30,000**	2,010,880
Cash in bank	**21,401,524**	48,545,575
	21,431,524	50,556,459

Cash includes cash on hand and cash in bank that are unrestricted and available for current operations. This is stated in the statement of financial position at face amount.

Cash in banks and cash equivalents generally earn interest at the bank's deposit rates. Interest earned from cash in banks amounted to ₱10,944 and ₱34,445 in March 31, 2021 and 2020, respectively, and is presented as part of "other income" in the statements of comprehensive loss.

NOTE 7 - ADVANCES TO CONTRACTORS AND SUPPLIER

This account consists of:

	2020	2019
Advances to contractors[1)]	**46,605,879**	30,955,691
Advances to supplier[2)]	**7,022,271**	3,515,904
	53,628,150	34,471,595

[1)]Advances to contractors represent advances for each awarded project activity and is liquidated via deduction, on a pro-rata basis, from the contractor's periodic progress billings.

[2)]Advances to supplier represents a 15% down payment made for the acquisition of Healthcare Management Information System.

NOTE 8 - PROPERTY AND EQUIPMENT (net)

Reconciliation of property and equipment (net) as at March 31, 2021 is as follows:

	Land	**Office Equipment**	**Medical Equipment**	**Hospital Equipment**	**Kitchen Tools**	**Books/ Periodicals**	**Total**
Cost:							
At beginning of year	28,291,630	2,594,493	291,678,238	90,921,038	473,521	6,395	413,965,315
Additions	-	73,329	546,500	2,442,944	714,835	-	3,777,608
At end of year	**28,291,630**	**2,667,822**	**292,224,738**	**93,363,982**	**1,188,356**	**6,395**	**417,742,923**
Accumulated depreciation:							
At beginning of year	-	1,018,208	-	-	-	2,131	1,020,339
Depreciation	-	121,893	-	-	-	534	122,427
At end of year	**-**	**1,140,101**	**-**	**-**	**-**	**2665**	**1,142,766**
Net carrying value, March 31, 2021	**28,291,630**	**1,576,285**	**291,678,238**	**90,921,038**	**473,521**	**4,264**	**416,600,157**

Reconciliation of property and equipment (net) as at March 31, 2020 is as follows:

	Land	Office Equipment	Medical Equipment	Hospital Equipment	Kitchen Tools	Books/ Periodicals	Total
Cost:							
At beginning of year	28,291,630	1,685,877	67,485,393	58,572,651	473,521	6,395	156,515,467
Additions	-	144,962	96,036,354	-	-	-	96,181,316
At end of year	28,291,630	1,830,839	163,521,747	58,572,651	473,521	6,395	252,696,783
Accumulated depreciation:							
At beginning of year	-	597,213	-	-	-	178	597,391
Depreciation	-	91,342	-	-	-	533	91,875
At end of year	-	688,555	-	-	-	711	689,266
Net carrying value, March 31, 2020	28,291,630	1,142,284	163,521,747	58,572,651	473,521	5684	252,007,517

Depreciation on kitchen tools, medical and hospital equipment shall commence when the hospital is in commercial operations.

The medical equipment have been paid in full and already recorded in the books. However, the same is still stored in the warehouse of the supplier awaiting delivery upon completion of the Company's hospital building. These are subject of a chattel mortgage as disclosed in Note 12.

The Company has a total contract commitment to purchase medical equipment totaling ₱454,370,959 as of December 31, 2020. Advances to related party amounting to ₱32,063,203 (Note 13) was recognized in the books as it represents advance payment for medical equipment.

The land covered by TCT No. 095-2015000546 and TCT No. 095-2015000547 represent the area located at Barangay Sambag, Jaro District, Iloilo City, Panay Island, where the Company is currently constructing a multidisciplinary special medical facility (hospital) (Note 9) and is the subject of a real estate mortgage as disclosed in Note 12.

Management has reviewed the carrying values of property and equipment as at December 31, 2020 and 2019, for any impairment. Based on the results of its evaluation, there are no indications that these assets are impaired.

NOTE 9 - CONSTRUCTION-IN-PROGRESS

This account consists of accumulated costs for the construction of the Company's hospital building project which is still ongoing as at reporting dates:

	As at end of year	**Amount of Transactions**	**As at end of quarter**
	Dec. 31, 2020	**2021**	**Mar. 31, 2021**
Payment to contractors	1,058,999,065	**25,068,339**	**1,084,067,404**
Capitalized borrowing cost	91,215,376	**0**	**91,215,376**
Other related costs	65,213,626	**8,008,263**	**73,221,889**
	1,215,428,067	**33,076,602**	**1,248,504,669**

During the development of the hospital building, borrowing costs on interest-bearing loans were capitalized (see Note 12).

Other related costs pertain to planning and project management expenses directly attributable to the construction project.

As certified by the Construction Manager of the Company, the percentage of completion as of report date is pegged at ninety-four percent 20/100 (94.47%).

NOTE 10 - ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account consists of:

	March 31, 2021	March 31, 2020
Retention payable[1)]	**38,794,607**	32,990,328
Accrued interest payable[2)]	**30,806,165**	4,970,680
Accounts payable – contractors and suppliers[3)]	**9,061,140**	32,238,248
Government liabilities[4)]	**1,028,076**	944,654
Accrued expense[5)]	**419,610**	503,952
	80,109,598	71,647,862

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

[2)]Accrued interest payable refers to interest expense incurred on loans from a bank (see Note 12).

[3)]Accounts payable – contractors and suppliers represent unpaid billings of the contractors and balances of equipment already installed in the construction building and as of reporting date.

[4)]Government liabilities pertains to tax withheld from payment to suppliers, employees' compensation and statutory contribution to SSS, PHIC and HDMF.

[5)]Accrued expense is normally settled within one year from financial reporting date.

NOTE 11 - LOANS PAYABLE TO INDIVIDUALS

This account constitutes non-interest bearing and demandable obligations to third parties which was primarily used by the Company to support the preliminary financing aspect of the construction of the hospital structure.

NOTE 12 - NOTES PAYABLE

Notes payable as at March 31 consist of:

	202102	2019
Current portion:		
Notes payable – construction-in-progress	**13,905,691**	17,970,720
Notes payable – medical equipment	**5,487,559**	-
	19,393,250	17,970,720
Non-current portion:		
Notes payable – construction-in-progress	**616,867,909**	563,857,280
Notes payable – medical equipment	**240,128,921**	199,500,480
	856,996,830	739,241,760
	876,390,080	781,328,480

The Landbank of the Philippines – Iloilo Branch (LBP – Iloilo) extended to the Company several term loans equivalent to a credit line facility totaling **₱1.060 BILLION** to finance the construction of hospital structure and the acquisition of various medical equipment and fixtures.

The foregoing credit line facility consists of a term loan 1 the availment of which was granted on 2015 amounting to **₱465 MILLION** allotted for building financing. However, term loan 2 availment amounting to **₱35 MILLION** was eventually cancelled or withdrawn. Subsequently, the bank approved on July 31, 2019, term loan 3 in the amount of **₱195 MILLION** for hospital structure and term loan 4 amounting to **₱400 MILLION** allotted for the acquisition of medical equipment and fixtures.

The loan is available in several drawdowns, payable ranging from 8 years to 10 years in ladderized quarterly amortizations, including grace periods ranging from 1 year to 4 years on principal amortization, with an interest rate of 5% - 6.63% per annum payable quarterly in arrears from date of loan release.

As discussed in Note 8, the loan is collaterized and secured by a Real Estate Mortgage (REM) on both parcels of land owned by the Company, including present and future improvements thereon and Chattel Mortgage on various medical equipment, furniture and fixtures.

Total finance costs incurred on loans for financing of hospital building amounted to ₱ 0 and ₱7,051,619 as at March 31, 2021 and March 31, 2020, respectively, and was capitalized to construction-in-progress account in the statements of financial position (see Note 9).

The Company incurred finance costs on loans for acquisition of medical equipment and fixtures amounting to ₱ 0 and ₱ 3,348,956 in March 31, 2021 and March 31, 2020, respectively, and is reflected in the statements of comprehensive loss.

NOTE 13 - RELATED PARTY TRANSACTIONS

In the normal course of business, the Company transacts with companies/individuals, which are considered related parties. The following were carried out with related parties as at December 31, 2020, and 2019:

Category	Outstanding Balance 2018	Amount of Transactions 2019	Outstanding Balance 2019	Outstanding Transactions 2020	Outstanding Balance Mar. 2021	Terms	Conditions
Receivable – others (various ACE hospitals)	-	53,931	53,931	47,472	**47,472**	Non-interest bearing, to be collected in cash	Unsecured, unguaranteed, not impaired
Advances to related party	250,327,056	38,711,983	289,039,039	32,063,203	**32,063,203**	Non-interest bearing, to be collected in cash (a)	Unsecured, unguaranteed, not impaired
	250,327,056	**38,765,914**	**289,092,970**	**32,110,675**	**32,110,675**		

Category	Outstanding Balance 2018	Amount of Transactions 2019	Outstanding Balance 2019	Outstanding Transactions 2020	Outstanding Balance Mar. 2021	Terms	Conditions
Accounts Payable - Endure Medical, Inc.	-	22,032,294	22,032,294	2,169,957	**2,169,957**	Non-interest bearing, to be paid in cash	Unsecured, unguaranteed, not impaired
Advances from shareholders	340,873,908	(79,995,224)	260,878,684	-	-	Non-interest bearing, to be paid in cash (b)	Unsecured, unguaranteed, not impaired
	340,873,908	(57,962,930)	282,910,978	2,169,957	**2,169,957**		

(a) Advances to related party

The Company engaged the services of an indentor (Endure Medical, Inc.) which have relatively significant influence over a key management personnel of the Company. The Indentor facilitates the importation and acquisition of medical equipment, furniture and fixtures for the hospital allotment (see Note 8).

The foregoing is classified as a related party transaction(s) (pursuant to the condition set forth in PAS 24), wherein the key management personnel of Endure Medical, Inc. has significant influence over the Company and its key officer.

(b) Advances from shareholders

In the special meeting of the Board held last May 7, 2018, the directors and shareholders were mandated and empowered to contribute resources and make cash advances to the Company for the development/construction of its medical structures and appurtenances.

In view of this, the shareholders advanced monies in support of the Company's hospital building construction requirements. These advances are non-interest bearing and to be paid subject to availability of funds and/or the Board may decide to convert said advances to equity in the distant future. The Company, however, reserves the right to defer settlement in favor of prioritizing payments relative to hospital construction.

Key Management Personnel Compensation

Key management compensation amounted to ₱ 1,080,000 and ₱ 1,080,000 for the years ended March 31, 2021 and March 31, 2020, respectively. These amounts are incorporated in the salaries and allowances account in the financial statements.

In 2018, only per diem and transportation allowance for meetings were given to members of the Board as per Board Resolution dated February 5, 2018 (see Note 16).

NOTE 14 - SHARE CAPITAL

Details of the Company's share capital as at March 31, 2021:

	No. of Shares	Amount
Authorized share capital – ₱1,000 par value		
Founder's shares	**600**	**600,000**
Common shares	**239,400**	**239,400,000**
Total authorized share capital	**240,000**	**240,000,000**
Subscribed share capital:		
Founder's shares	**600**	**600,000**
Common shares	**234,440**	**234,440,000**
Total subscribed share capital	**235,040**	**235,040,000**
Paid-up share capital (net of subscription receivable ₱13,786,000):		
Founder's shares	**600**	**600,000**
Common shares	**234,440**	**234,440,000**
Total paid-up share capital	**235,040**	**235,040,000**

Details of the Company's share capital as at March 31, 2020:

	No. of Shares	Amount
Authorized share capital – ₱1,000 par value		
Founder's shares	600	600,000
Common shares	239,400	239,400,000
Total authorized share capital	240,000	240,000,000
Subscribed share capital:		
Founder's shares	600	600,000
Common shares	231,640	231,640,000
Total subscribed share capital	232,240	232,240,000
Paid-up share capital (net of subscription receivable ₱63,000,000):		
Founder's shares	600	600,000
Common shares	230,550	168,640,000
Total paid-up share capital	232,240	169,240,000

In 2018, the Company filed a Registration Statement covering its proposed Initial Public Offering (IPO) of its 36,000 common shares. Said registration statement was approved on December 27, 2019, in accordance with the provisions of the SEC's Securities Regulation Code (see Note 1).

During the year, pursuant to the SEC's approval, the Company issued an additional **THIRTEEN THOUSAND EIGHT HUNDRED SIX (13,806)** common shares. The related share premium after deducting transaction costs associated with the issuance of shares amounted to ₱33,334,429. The common share offer price amounted to ₱200,000 up to ₱400,000 per block [one (1) block = ten (10) common shares].

Founder's shares have the exclusive right to vote and be voted upon as directors for five (5) years from the date of SEC registration. Thereafter, the holders of Founder's shares shall have the same rights and privileges as holders of common shares.

NOTE 15 - OTHER INCOME

Details of account consists of:

	March 31, 2021	March 31, 2020
Interest income (Note 6)	10,944	34,445
Gain on sale from scraps	4,100	
	15,044	34,445

NOTE 16 - GENERAL AND ADMINISTRATIVE EXPENSES

Details as follows:	**For the Quarter Ended**	
	Mar 31, 2021	**Mar 31, 2020**
Salaries and Allowances	2,279,679	2,836,119
Board Meetings and Meals	17,729	18,997
Professional Fees and Legal Fees	405,676	916,132
Security Services	457,756	349,681
Taxes and Licenses	174,169	486,492
Insurance Expense	150,147	198,118
Utilities	0	96,182
SSS, PHIC, and HDMF Contributions	140,567	142,430
Depreciation	122,426	91,875
Amortization of Intangible Asset	4,167	0
Transportation and Travel[1)]	13,591	345,737
Communication Expenses	42,682	0
Trainings and Seminars	30,000	0
Postage	2,478	0
Rentals [2)]	20,151	392,800
Office Supplies	36,096	67,559
Advertising Expenses	6,396	40,000
Repairs and Maintenance	7,214	7,025
Bank Services	3,150	0
Miscellaneous	0	8,402
TOTALS	**3,914,075**	**5,997,549**

[1)]Decrease in transportation expenses is due to travel restrictions.

[2)]The company terminated its lease contract with Millenium Warehouse and transferred its equipment to the Hospital site in Ungka, Jaro, Iloilo City.

NOTE 17 - COMMITMENT UNDER OPERATING LEASES

The Company entered into various lease agreements for the rental of the Company's office space and warehouse for a period of one year, renewable at terms and conditions that the parties may agree upon. Lease agreement includes payment of security deposit amounting to ₱5,015,000 and ₱280,000 as at March 31, 2021 and 2020, respectively, which shall be refunded without interest on the expiration of the lease period, less any corresponding obligations or damages.

Total rental expense amounted to ₱20,151 and ₱392,800 in March 31, 2021 and 2020, respectively (Note 16).

During the year, the Company has not renewed the lease agreement for the office space since the administration function of the Company has moved to the construction site of the hospital building.

NOTE 18 - INCOME TAX EXPENSE

Computation of income tax due (RCIT or MCIT, whichever is higher) is as follows:

I. Regular Corporate Income tax (RCIT)	March 31, 2021	2020	2019
Net loss before income tax	(3,899,031)	(43,369,210)	(37,263,036)
Add (deduct) reconciling items:			
Unrealized forex loss	-	-	179,510
Interest expense arbitrage	-	39,574	40,406
Interest income subjected to final tax	(10,944)	(95,937)	(97,953)
Unrealized forex gain	-	-	-
Net operating loss	(3,909,875)	(43,425,573)	(37,141,073)
Tax rate	**30%**	30%	30%
RCIT	**NIL**	NIL	NIL

II.Deferred Tax Asset

As at December 31, 2020, the Company's NOLCO and MCIT that can be claimed as deduction from future taxable income and icome tax payable, respectively, are as follows:

Year Incurred	**Expiration date**	**Beginning balance**	**Additions**	**Expired**	**Claimed**	**Ending Balance**
NOLCO						
2017	2020	8,607,537	-	(8,607,537)	-	-
2018	2021	18,944,150	-	-	-	18,944,150
2019	2022	37,141,073	-	-	-	37,141,073
		64,692,760	**-**	**(8,607,537)**	**-**	**56,085,223**

On September 30, 2020, the Bureau of Internal Revenue issued Revenue Regulation No. 25-2020 implementing Section 4 (bbb) of Republic Act No. 1194, otherwise known as "Bayanihan to Recover as One Act." This regulation covers that the net operating loss of a business or enterprise for taxable years 2020 and 2021 shall be carried over as a deduction from gross income for the next five (5) consecutive years immediately following the year of such loss.

Year Incurred	Expiration date	Beginning balance	Additions	Expired	Claimed	Ending Balance
NOLCO						
2020	**2025**	**56,085,223**	**43,425,573**	**-**	**-**	**99,510,796**
March 2021	**2026**	**99,510,796**	**3,909,875**	**-**		**103,420,671**

Year Incurred	Expiration date	Beginning balance	Additions	Expired	Claimed	Ending Balance
MCIT						
2020	**2023**	**-**	**228**	**-**	**-**	**228**

The significant component of the Company's deferred tax assets are as follows:

	March 31, 2021	2020	2019
NOLCO	**103,420,671**	99,510,796	64,692,760
Tax rate	**30%**	30%	30%
	31,026,201	29,853,239	19,407,828
MCIT		228	-
	31,026,201	29,853,467	
Valuation allowance (Note 5)	**(31,026,201)**	(29,853,239)	(19,407,828)
Deferred tax asset		228	-

The Company's deferred tax assets arises from the net operating loss and excess MCIT from the current and prior years period that can be charged against income of the next three taxable years.

The Company provides full valuation allowance on its deferred tax assets from NOLCO since Management believes that the Company will not be able to generate future taxable income in which it can be applied, while the deferred tax assets from MCIT is presented as part of "other non-current assets" in the statements of financial position.

NOTE 19 - CREATE ACT

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

1. Reduction of the Corporate Income Tax rate from 30% to 20% applicable to domestic corporations with net taxable income not exceeding P5,000,000 and with total assets not exceeding P100 Million (excluding land on which the business entity's office, plant and equipment are situated) in excess of these ceilings, the rate is from 30% to 25% starting July 01, 2020.
2. Reduction of the Minimum Corporate Income Tax from 2% to 1% starting July 1, 2020 to June 30, 2023.
3. Reduction of the non-deductible interest expense from 33% to 20% of the gross interest income.
4. Imposition of the Improperly Accumulated Earning Tax has been repealed.
5. Enhanced deduction in claiming NOLCO for five (5) years.

This is a non-adjusting event because the law has not yet been substantially enacted as of the reporting date. Accordingly, the current and deferred taxes reported on the financial statements are measured using the income tax rate of 30%. The effect of the CREATE Act will be reflected on the 2021 financial statements.

Presented below is a summary of the potential impact of the above provisions on the Company's 2020 financial statements:

	Amount reflected on the 2020 FS	Amount computed based on RA 11534	Impact Increase/(Decrease)
1. Deferred tax assets	228	171	(57)
2. Income tax payable	228	171	(57)
3. Interest expense arbitrage	39,574	31,779	(7,795)

NOTE 20 - BASIC LOSS PER SHARE

Basic loss per share is computed as follows:

	March 31, 2021	2020	2019
Loss attributable to ordinary shares	**(3,909,875)**	(43,369,210)	(37,263,036)
Divide by: Weighted average number of ordinary shares outstanding	**235,040**	235,020	231,150
Basic loss per share	**(16.63)**	(184.53)	(161.21)

There are no potential dilutive ordinary shares outstanding as at March 31, 2021, December 31, 2020 and 2019.

NOTE 21 - FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies

The Company is exposed to financial risks such as market risk which includes interest rate risk, credit risk and liquidity risk. The Company's policies and objective in managing these risks are summarized below:

Market risk

Market risk refers to the possibility that changes in market prices, such as interest rates, affect the Company's profit or the value of its financial instruments. The Company focuses on market risk areas such as interest rate risk. The objective and management of these risks are discussed below.

Interest rate risk

Interest rate risk refers to the possibility that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate.

The Company's financial instruments that are interest-bearing are its cash notes payable (Note 6).

Cash in banks are subject to prevailing interest rates (see Note 6). Considering that such financial assets have short-term maturity, management does not foresee any cash flow and fair value interest rate risk to have a significant impact on the Company's operations.

The Company's notes payable is exposed to prevailing interest rates subject to repricing based on the tenor of the benchmark rate used (see Note 12). However, upon management assessment, these do not present significant interest rate risk.

The Company has no established policy in managing interest rate risk. Management believes that fluctuations on the interest rates will not have significant effect on the Company’s financial performance.

Credit risk

Credit risk refers to the possibility that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company does not have any significant credit risk exposure to any single counterparty or any Company. The Company defines counterparties as having similar characteristics if they are related entities.

The credit quality of the Company’s financial assets is as follows:

<u>Cash</u>

The credit risk for cash is considered negligible since the counterparties are reputable banks with high quality external credit ratings.

<u>Receivable - others</u>

The Company has no significant concentrations of credit risk on receivable - others. The Company’s receivable - others are actively monitored to avoid significant concentrations of credit risk. The Company evaluates balances of debtors lacking an appropriate credit history where credit records are available.

Management believes that there are no indicators of impairment on the Company's receivable - others.

Liquidity Risk

Liquidity risk arises when the Company may encounter difficulty in meeting the obligation associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Company's objective of managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages liquidity risk by maintaining banking facilities and by continuously monitoring forecast and actual cash flows. The Company maintains sufficient levels of cash to meet building construction requirements. The Company avails of funds from related parties and shareholders and bank loans when needed.

The table below summarizes the maturity profile of the Company's financial liabilities:

March 31, 2021	**1 to 12 months**	**1 to 5 years**	**Total**
Accounts payable and other liabilities*	**79,081,522**	**-**	**79,081,522**
Loans payable to individuals	**26,411,220**	**-**	**26,411,220**
Notes payable	**19,393,250**	**856,996,830**	**876,390,080**
	124,885,992	**856,996,830**	**981,882,882**

March 31, 2020	1 to 12 months	1 to 5 years	Total
Accounts payable and other liabilities*	70,703,208	-	70,703,208
Loans payable to individuals	75,250,000	-	75,250,000
Notes payable	17,970,720	763,357,760	781,328,480
Advances from shareholders	-	116,300,566	116,300,566
	163,923,928	879,658,326	1,043,582,254

**excluding government liabilities*

NOTE 22 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the categories of assets and liabilities presented in the statements of financial position are shown below:

	March 31, 2021		March 31, 2020	
Financial assets	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Cash	**21,401,524**	**21,401,524**	48,545,575	48,545,575
Receivable - others	**6,637,021**	**6,637,021**	111,740	111,740
	28,038,545	**28,038,545**	48,657,315	48,657,315

	March 31, 2021		March 31, 2020	
Financial liabilities	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Accounts payable and other liabilities	**79,081,522**	**79,081,522**	70,703,208	70,703,208
Loans payable to individuals	**26,411,220**	**26,411,220**	75,250,000	75,250,000
Notes payable	**876,390,080**	**876,390,080**	781,328,480	781,328,480
Advances from shareholders	**-**	**-**	116,300,566	116,300,566
	981,882,882	**981,882,882**	1,043,582,254	1,043,582,254

The difference between the cash and accounts payable and other liabilities disclosed in the statements of financial position and the amounts disclosed in this note pertains to cash on hand and government liabilities, respectively, that are not considered as financial assets and liabilities.

Due to the short-term maturities of cash and cash equivalents, receivables – others, accounts payable and other liabilities and loans payable to individuals, their carrying amounts approximate their fair values.

The fair value of notes payable approximates its carrying value due to pre-determined contractual cash flow arrangements based on an applicable and regular re-priceable Philippine Dealing System Treasury (PDST) floating rate covering the term of the loan, as provided by a financial lending institution.

The fair value of advances from shareholders cannot be measured reliably since there was no comparable market data and inputs for the sources of fair value such as discounted cash flows analysis. However, Management believes that their carrying amounts approximate their fair value.

NOTE 23 - CAPITAL RISK MANAGEMENT

The Company's capital management objectives are:

- To ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.
- To invest the capital in investments that meet the expected return with the commensurate level of risk exposure.

The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payments to shareholders or issue new shares.

The Company monitors its financial leverage using the debt-to-equity ratio which is computed as total liabilities divided by total equity as shown in the table below:

	March 31, 2021	2019
Total liabilities	**982,910,898**	1,044,526,908
Total equity	**807,301,712**	526,835,45
	1.22 : 1	1.98 : 1

The loan agreement provides certain restrictions and requirements with respect to, among others, maintenance of financial ratios (current ratio of 1:1 and debt-to-equity ratio of 80:20), percentage of ownership of specific shareholders, creation of property encumbrances and additional guarantees for the incurrence of additional long-term indebtedness.

As of reporting date, all covenants and requirements are complied with except for the required financial ratios wherein the financial institution was made aware of since the Company has not yet started commercial operations.

NOTE 24 - EVENTS BEFORE/AFTER REPORTING DATE

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the International community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The Philippine Government, as a matter of national interest has implemented a nationwide community quarantine in March 2020, in accordance with the World Health Organization's (WHO) call for global response to combat the outbreak, as well as cushion the impending impact of the pandemic to the population, including both local and international commerce and industry.

Presently, the full impact of the lingering COVID 19 outbreak continues to evolve as of the date of this report and have threatened to impose its negative impact on the financial condition and results of operations, particularly solvency and liquidity, including the industry workforce and the supply chain.

Accordingly, the National Government enacted legislations (particularly the Bayanihan Act 1 & 2) to activate, among others, the logistical support mechanism of providing monetary grants to local communities and, above all, extend financial subsidies or assistance to the stakeholders and proponents of the local business sector.
However, since the Company has not started commercial operations, Management, therefore, have ascertained that the current circumstances of the lingering presence of the pandemic are not reasonably expected to have any immediate material impact on its financial standing or status and that no uncertainties yet, related to going concern may be applicable to the Company.

NOTE 25 - APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company as at March 31, 2021 including its comparative amounts of March 31, 2020, were approved and authorized for issuance by the Board of Directors on May 16, 2021.

SUPPLEMENTARY INFORMATION REQUIRED BY REVENUE REGULATION (RR) 15-2010

The following information is presented for purposes of filing with the BIR and is not a required part of the basic financial statements.

On November 25, 2010, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) 15-2010, which requires certain information on taxes, duties, license fees paid or accrued during the taxable year to be disclosed as part of the notes to financial statements. This supplemental information, which is an addition to the disclos*u*res mandated under PFRS is presented as follows:

Output and Input Value-Added Tax

Hospitals and clinics are exempt from VAT by virtue of Section 109 of the National Internal Revenue Code.

Documentary Stamp Tax

Documentary stamp tax paid by the Company for the quarter is as follow:

	March 31, 2021
Documentary stamp tax for subscription of shares	**19,700**
	19,700

Taxes and licenses

Details of the Company's other local and national taxes for the quarter are as follows:

	March 31, 2021
Documentary stamp tax	**19,700**
Real property tax	**15,119**
Notarial fees	**7,445**
Others	**131,904**
	174,168

Withholding Taxes

Withholding taxes paid by the Company for the year are as follows:

	March 31, 2021
Expanded withholding taxes	**427,213**
Compensation withholding tax	**474,194**
	901,407

Deficiency Tax Assessment and Tax Cases

The Company has no deficiency tax assessments or any tax cases, litigation, and/or prosecution in court or bodies outside the Bureau of Internal Revenue as of March 31, 2021.

RR 19-2020 and RR 34-2020

During the year, the Bureau of Internal Revenue (BIR) issued the foregoing Revenue Regulations for the effective implementation of Philippine Accounting Standard No. 24 (PAS 24) governing the guidelines and procedures for "transfer pricing documentations" involving related party transactions thru the submission of BIR Form No. 1709 and the supporting documents, as an attachment to the financial statements to be filed with the BIR.

The Company reported net operating losses for the current taxable year and the immediately preceding two (2) consecutive taxable years, hence, meets the criteria provided by these Revenue Regulations, and accordingly, required to submit BIR Form 1709.

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