COVER SHEET

C S 2 0 1 6 1 2 0 5 5

S.E.C. Registration Number

A L L I E D   C A R E   E X P E R T S   (A C E)

M E D I C A L   C E N T E R - G E N S A N

(Company's Full Name)

2 N D   F L O O R   G E N M E D E X , S A N T I A G O

B L V D .   G E N .   S A N T O S   C I T Y

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

FREDILYN G. SAMORO

Contact Person

083-553-3595

Company Telephone Number

Month **Day**

Fiscal Year

1 7 - Q

FORM TYPE

Month **Day**

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

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

Securities and Exchange Commission
Electronic Records Management Division
ICTD MAY 2 7 2021 (10)
RECEIVED SUBJECT TO REVIEW OF FORMS AND CONTENTS

1. For the quarterly period ended **MARCH 31, 2021**

2. Commission identification number: **CS201612055** 3. BIR Tax Identification No.: **009-317-037-000**

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

SOUTH COTABATO, PHILIPPINES
5. Province, country or other jurisdiction of incorporation or organization

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

2nd FLR, GENMEDEX, SANTIAGO BLVD, GENERAL SANTOS CITY **9500**
7. Address of issuer's principal office Postal Code

8. Issuer's telephone number, including area code: **(083) 553-0605**

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

	Number of Shares	Outstanding Debt
Founder Shares	600	
Common Shares	139,020	
Preferred Shares	60,000	
Amount of Outstanding Debt		P 87,037,604

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 for the 1st Quarter of 2020 is incorporated herein. (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 Months Ended March 31		Horizontal Analysis		Vertical Analysis	
	2021	2020	Inc./(Dec.)	%	2021	2020
Revenue	-	-	-	0%	NA	NA
Direct Cost	-	-	-	0%	NA	NA
Gross Profit	-	-	-	0%	NA	NA
Other Income	47,191	126,804	(79,613)	-63%	NA	NA
Gross Income	47,191	126,804	(79,613)	-63%	NA	NA
General and Admin Expenses	2,936,328	3,501,599	(565,271)	-16%	NA	NA
Loss From Operations	(2,889,137)	(3,374,795)	485,658	-14%	NA	NA
Finance Cost	0	0	0	0%	NA	NA
Net Loss Before Income Tax	(2,889,137)	(3,374,795)	485,658	-14%	NA	NA
Income Tax Expense	0	0	0	0%	NA	NA
Net Loss for The Year	(2,889,137)	(3,374,795)	485,658	-14%	NA	NA
Other Comprehensive Income/(Loss) for the Year	0	0	0	0%	NA	NA
Total Comprehensive Loss for the Year	(2,889,137)	(3,374,795)	485,658	-14%	NA	NA

OTHER INCOME

The amount reflected as other income is the interest income earned from the bank deposits maintained by the company with various commercial banks.

GENERAL & ADMINISTRATIVE EXPENSES

Herewith is the 2-year comparative general and administrative report of the company as at March 31, 2021 and March 31, 2020:

	For the Months Ended March 31		Horizontal Analysis	
	2021	2020	Inc./(Dec.)	%
Salaries and Allowances	2,025,569	1,908,248	117,321	6%
Honorarium	542,500	585,000	(42,500)	-7%

Professional Fees	244,200	218,000	26,200	12%
Transportation and Travel	120	368,994	(368,874)	-100%
Advertising and Promotions	1,800	0	1,800	0%
Office Supplies	17,529	25,792	(8,263)	-32%
Depreciation	35,273	24,255	11,018	45%
Board Meetings and Meals	0	73,767	(73,767)	-100%
SSS/PHIC/HDMF Contributions	28,675	20,370	8,305	41%
Communications, Light, & Water	7,810	15,853	(8,043)	-51%
Taxes and Licenses	16,112	46,934	(30,822)	-66%
Bank Service Charge	0	192,935	(192,935)	-100%
Fuel Expenses	4,500	0	4,500	0%
Miscellaneous	12,240	21,450	(9,210)	-43%
TOTALS	**2,936,328**	**3,501,598**	**(565,270)**	**-16%**

Total 2021 expenses were lower by 16% (P565K) as compared to March 31, 2020 expenses. Given that there are travel restrictions, expenses related to this has been limited. The company is also trying its best to control expenses, the reason why most of the expenses for the first quarter were lower as compared to what was the year prior.

LOSS FOR THE YEAR

As there's still no operation, the company has been experiencing continuous deficits. This is expected to turn around when hospital operations start.

Financial Condition (March 31, 2021 vs March 31, 2020)

ASSETS	March 31, 2021	March 31, 2020	Horizontal Analysis Inc./(Dec.)	%	Vertical Analysis 2021	2020
CURRENT ASSETS						
Cash & Cash Equivalents	31,292,588	103,530,684	(72,238,096)	-69.77%	8.73%	43.85%
Other Receivables	68,500	2,061,440	(1,992,940)	-96.68%	0.02%	0.87%
	31,361,088	105,592,124	(74,231,036)	-70.30%	8.75%	44.73%
NON-CURRENT ASSETS						
Property and Equipment (net)	91,022,891	90,959,870	63,021	0.07%	25.39%	38.53%
Construction-In-Progress	236,062,918	39,525,341	196,537,577	497.24%	65.86%	16.74%
	327,085,809	130,485,211	196,600,598	150.67%	91.25%	55.27%
TOTAL ASSETS	**358,446,897**	**236,077,335**	**122,369,562**	**51.83%**	**100.00%**	**100.00%**

LIABILITY AND EQUITY	March 31, 2021	March 31, 2020	Horizontal Analysis Inc./(Dec.)	%	Vertical Analysis 2021	2020

CURRENT LIABILITIES						
Accounts Payable and Other Liabilities	15,445,604	7,232,512	8,213,092	113.56%	4.31%	3.06%
NON-CURRENT LIABILITIES						
Notes Payable	71,592,000	22,392,000	49,200,000	219.72%	19.97%	9.49%
TOTAL LIABILITIES	87,037,604	29,624,512	57,413,092	193.80%	24.28%	12.55%
EQUITY						
Share Capital (net)	147,420,000	140,290,000	7,130,000	5.08%	41.13%	59.43%
Share Premium	113,337,140	43,000,000	70,337,140	163.57%	31.62%	18.21%
Revaluation Increment on Land	51,301,213	51,301,213	0	0.00%	14.31%	21.73%
Deficit	(40,649,060)	(28,138,390)	(12,510,670)	44.46%	-11.34%	-11.92%
	271,409,293	206,452,823	64,956,470	31.46%	75.72%	87.45%
TOTAL LIABILITIES AND EQUITY	**358,446,897**	**236,077,335**	**122,369,562**	51.83%	**100.00%**	**100.00%**

CASH & CASH EQUIVALENTS
Starting February 2020, hospital construction has been moving fast. And given that the construction is up in progression, company funds have become the most used resources. Considering the total capitalized costs to date, cash and cash equivalents reflected a depleted balance of P31.2M as at end of March 2021, 70% short from last year's reported balance on the same period.

OTHER RECEIVABLES
Previous to this year, the other receivables included the P2.0M advances made to contractor. However, now that construction is ongoing, the same amount was rightfully reclassified as part of the capitalized costs to construct the hospital.

PROPERTY AND EQUIPMENT
There is not much movement to the account, except for a small depreciation expenses that was recognized for the office equipment bought. Valuation of Land remains the same.

CONSTRUCTION-IN-PROGRESS
Construction progress stands 22%. And the company already spent P236M for the hospital building. This is almost P200M increase from last year when we began.

ACCOUNTS PAYABLE
As of end of March 2021, balance of accounts payable is P15.4M. This is composed of P7.5M (49%) retention payable, P5.7M Payable to Contractors/Suppliers, P1.2M governmental obligations and P1.0M of accrued expenses.

LOAN PAYABLE
Land Bank of the Philippines (LBP) released an additional funding of P49.2M during the first quarter of 2021. To date, total funds received from LBP is P71.6M.

SHARE CAPITAL
To date the company has recorded in its books a total of 61.4% subscribed and fully paid shares out of its 240,000 authorized shares. Total amount recorded is at P147.4M

SHARE PREMIUM
Amount generated in excess of the par value of sold shares total to P113.3M (net).

REVALUATION INCREMENT ON LAND
The company uses the same valuation on its land for the last 2 years. Should there be new valuation on said property, the same will be reflected in this account.

DEFICIT
The hospital is not yet operational, thus, the deficit incurred.

PART II--OTHER INFORMATION

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

SIGNATURES

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

Dr. RHODORA G. GAGWIS
Corporate Secretary
Date: May 12, 2021

ELMER Z. SAMORO, CPA
Corporate Accounting Officer
Date: May 12, 2021

Allied Care Experts (ACE) Medical Center - Gensan Inc.

Financial Statements
March 31, 2021

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - GENSAN INC.

Statements of Financial Position

	For the Periods ended		
ASSETS	**March 31, 2021**	**Dec. 31, 2020**	**March 31, 2020**
CURRENT ASSETS			
Cash & Cash Equivalents	31,292,588	64,242,602	103,530,684
Other Receivables	68,500	101,357	2,061,440
	31,361,088	64,343,959	105,592,124
NON-CURRENT ASSETS			
Property and Equipment (net)	91,022,891	91,058,164	90,959,870
Construction-In-Progress	236,062,918	141,938,302	39,525,341
	327,085,809	232,996,466	130,485,211
TOTAL ASSETS	**358,446,897**	**297,340,425**	**236,077,335**

	For the Periods ended		
LIABILITY AND EQUITY	**March 31, 2021**	**Dec. 31, 2020**	**March 31, 2020**
CURRENT LIABILITIES			
Accounts Payable and Other Liabilities	15,445,604	44,776,584	7,232,512
NON-CURRENT LIABILITIES			
Notes Payable	71,592,000	22,392,000	22,392,000
Advances from Shareholders	0	8,690,550	0
	71,592,000	31,082,550	22,392,000
TOTAL LIABILITIES	87,037,604	75,859,134	29,624,512
EQUITY			
Share Capital (net)	147,420,000	143,210,000	140,290,000
Share Premium	113,337,140	64,730,000	43,000,000
Revaluation Increment on Land	51,301,213	51,301,213	51,301,213
Deficit	(40,649,060)	(37,759,922)	(28,138,390)
	271,409,293	221,481,291	206,452,823
TOTAL LIABILITIES AND EQUITY	**358,446,897**	**297,340,425**	**236,077,335**

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - GENSAN INC.
Statement of Comprehensive Loss

	For the Months Ended March 31	
	2021	2020
Revenue	-	-
Direct Cost	-	-
Gross Profit	-	-
Other Income	47,191	126,804
Gross Income	47,191	126,804
General and Admin Expenses	2,936,328	3,501,599
Loss From Operations	(2,889,137)	(3,374,795)
Finance Cost	-	-
Net Loss Before Income Tax	(2,889,137)	(3,374,795)
Income Tax Expense	-	-
Net Loss for The Year	(2,889,137)	(3,374,795)
Other Comprehensive Income/(Loss) for the Year	-	-
Total Comprehensive Loss for the Year	**(2,889,137)**	**(3,374,795)**

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - GENSAN INC.
Statements of Cash Flows

	For the 3 Months ended March 31	
	2021	**2020**
Cash Flows from Operating Activities		
Net Loss before taxes	(2,889,138)	(3,374,795)
Adjustments to reconcile net loss before tax		
to net cash used in operating activities:		
Depreciation		
Interest Income	(47,191)	(126,804)
Operating cash flows before changes		
in working capital	(2,936,329)	(3,501,599)
Changes in working capital components:		
Decrease (increase) in current assets:		
Receivables	32,857	(4,342)
Prepaid Expenses		
Increase (decrease) in current liabilities:		
Accounts payable and other liabilities	(29,330,980)	1,771,946
Net cash provided by/(used in) operations	(32,234,452)	(1,733,995)
Interest received	47,191	126,804
Net cash provided by/(used in) operating activities	(32,187,261)	(1,607,191)
Cash Flows from Investing Activities		
Additions to construction in progress	(94,124,616)	(2,629,610)
Additions to property and equipment (net)	35,273	(47,713)
Net cash used in investing activities	(94,089,343)	(2,677,323)
Cash Flows from Financing Activities		
Proceeds from Loans	49,200,000	22,392,000
Proceeds from (payment of) advances		
from shareholders	(8,690,550)	-
Proceeds from Subscriptions receivable		
Issuance of share capital	4,210,000	400,000
Additional paid-in Capital	48,607,140	7,600,000
Net cash provided by financing activities	93,326,590	30,392,000
Net increase (decrease) in Cash and		
Cash Equivalent	(32,950,014)	26,107,486
Cash and Cash Equivalents, Beg.	64,242,602	77,423,198
Cash and Cash Equivalents, End	**31,292,588**	**103,530,684**

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER - GENSAN INC.
Statements of Changes in Equity

	Share Capital	Share Premium	Revaluation Increment on Land	Deficit	Total
EQUITY					
As at December 31, 2017	75,000,000			(6,036,351)	68,963,649
Issuance of Share Capital	63,000,000				63,000,000
Net Loss for the Year				(4,711,584)	(4,711,584)
As at December 31, 2018	138,000,000			(10,747,935)	127,252,065
Add'l Paid Up Capital	1,890,000				1,890,000
Share Premium		35,400,000			35,400,000
Asset Revaluation Surplus			51,301,213		51,301,213
Net Loss for the Year				(14,015,660)	(14,015,660)
As at December 31, 2019	139,890,000	35,400,000	51,301,213	(24,763,595)	201,827,618
Add'l Paid Up Capital	3,320,000				3,320,000
Share Premium		29,330,000			29,330,000
Net Loss for the Year				(12,996,327)	(12,996,327)
As at December 31, 2020	**143,210,000**	**64,730,000**	**51,301,213**	**(37,759,922)**	221,481,291
Add'l Paid Up Capital	**4,210,000**				4,210,000
Share Premium		**48,607,140**			48,607,140
Net Loss for the Quarter				**(2,889,137)**	(2,889,137)
As at March 31, 2021	**147,420,000**	**113,337,140**	**51,301,213**	**(40,649,059)**	**271,409,294**

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – GENSAN INC.
NOTES TO FINANCIAL STATEMENTS
As at and for the periods ended March 31, 2021, December 31, 2020 and March 31, 2020
(Amounts in Philippine Peso)

NOTE 1. CORPORATE INFORMATION AND STATUS OF OPERATIONS

Corporate Information

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER – GENSAN 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. CS201612055 on June 10, 2016.

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 clinic, condo-hospital, 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 licenses 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 June 28, 2019, the SEC En Banc approved the registration statement of the Company for 228,000 shares under SEC MSRD Order No.29. 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 at Second Floor Genmedex Building Santiago Blvd. General Santos City, South Cotabato.

Status of Operations

The Company has not yet started commercial operation and is in the process of constructing a multidisciplinary specialty medical facility (hospital) started in 2019 and estimated to be completed by 2023.

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

These financial statements have been prepared on the historical cost basis.

Functional and Presentation Currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company's financial statements are presented in Philippine Peso (₱), which is the Company's functional and presentation currency. All values are rounded off to the nearest peso, except when otherwise indicated.

NOTE 3. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

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 definition 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 cost;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- removed 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 cashflows 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) cryptocurrency, or (b) cryptographic assets other than cryptocurrencies, 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) cryptocurrencies held by an entity, (ii) cryptographic assets other than cryptocurrencies.

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

- Cryptocurrencies 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 cryptocurrencies, 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

Standards Issued but not yet Effective:
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. 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.

PIC Q&As Amended

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

PIC Q&A Withdrawn

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) Accounting for ARO at lease commencement date

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) Change in ARO after initial recognition

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 future adoption of the interpretation will not have an impact on the Company's financial statements as the Company does not have any existing prepaid rent or rent liability.

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 future adoption of the interpretation will not 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 future adoption of the interpretation will not have a significant impact on the Company's financial statements since the Company does not have lease liability.

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 future adoption of the interpretation will not have a significant impact on the Company's financial statements since the Company does not have long-term leases.

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 future adoption of the interpretation will not have a significant impact on the Company's financial statements since the Company does not have long-term leases.

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 its 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	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.		• 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**
		associated property if it meets the definition of construction costs under PAS 16 or PAS 40.	ii. Recognize the effect of remeasurement of the remaining lease liability as an adjustment to the right-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		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

		Treatments in the financial statements of			
	Transaction	**Lessor**	**Old lessor**	**New Lessee**	**Basis**
		carrying amount of underlying asset and recognize as expense over the lease term either on a straight-line basis of another systematic basis.			
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 improvement in accordance with PAS 16 or PAS 40.	• Same as in fact pattern 1C. • PAS 40; par.21 • PAS 16; pars.16-17
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		Recognize as part of the cost of the right-of- use asset.	• PFRS 16; par.24 • PAS 16; par.71

		Treatments in the financial statements of			
	Transaction	Lessor	Old lessor	New Lessee	Basis
		ii. If operating lease, recognize as deferred revenue and amortize over the lease term on a straight- line basis or another systematic basis.			• 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 since the Company is not into the business of leasing properties.

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 March 31, 2021 are as follows:

- Current and deferred taxes will still be measured using the applicable income tax rate as of March 31, 2021 • 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 (OCI), and fair value through profit or 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 FVTPL, transaction costs. 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 determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are '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 FVTPL, irrespective of the business mode.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measure at FVOCI 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 FVOCI with recycling of cumulative gains and losses (debt instruments)
- financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- financial assets at FVTPL.

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 and cash equivalents and receivables as at reporting dates (see Notes 6 and 7).

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 FVOCI (debt instruments) 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 designated at fair value through OCI as at reporting dates.

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

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 or ECLs for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. 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-rnonth ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).
For 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.

Write-off

Financial assets are written-off when the Company has no reasonable expectations of recovering the financial asset either in its entirety or a portion of it. This is the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event.

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 liability pertains to accounts payable and other liabilities (excluding government liabilities), notes payable and advances from shareholders.

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 the Company 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 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.

Financial liabilities at amortized cost (loans and borrowings)

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 income.

This category generally applies to accounts payable and other liabilities (excluding government liabilities), notes payable and advances from shareholders.

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 income.

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 and cash equivalents

Cash and cash equivalents comprise of cash in banks and short-term highly liquid deposits with a 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 and other receivables

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.

Advances has many forms such as advances to contractors and advances to suppliers.

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, except land, are carried at cost less any subsequent accumulated depreciation and impairment losses. Land is subsequently carried at the revalued amount less accumulated impairment losses, if any, recognized after the date of the revaluation. Land is not depreciated.

Any asset revaluation surplus on the land is credited to “Revaluation increment on land” account and is part of equity. A revaluation deficit is recognized to the extent that it offsets an existing surplus on the same asset recognized in the “Revaluation increment on land” account.

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 to arise from the continued use of the asset. When assets are derecognized, their cost, accumulated depreciation and amortization and accumulated impairment losses are eliminated from the accounts. Gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Fully depreciated and fully amortized assets are retained by the Company as part of property and equipment until their disposal.

Construction-in-progress

Construction-in-progress account, which is a part of property and equipment, is stated at cost. This includes the cost of construction, property development costs and other direct costs. Borrowings and any additional costs incurred in relation to the project are also recognized in this account. Construction-in-progress is not depreciated until such time that the relevant asset is completed and put into operational use.

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 assesses whether there is any indication that any of its tangible assets may 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. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. Impairment losses recognized in respect of cash-generating-units (CGUs) are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

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

Share capital and Share premium
Share capital is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuances of new shares are shown in equity as a deduction from proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value are recognized as additional paid-in capital.

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.

Revaluation surplus
A revaluation surplus is an equity account in which is stored the upward changes in value of property and equipment. If a revalued asset is subsequently dispositioned out from the Company, any remaining revaluation surplus is credited/ (debited) to the retained earnings/ deficit account of the Company.

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 March 31, 2021.

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 profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss: (a) on the basis of a direct association between the costs incurred and the earning of specific items of income; (b) 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 (c) 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 statement 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.

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.

Employee Benefits

Employee benefits are all forms of consideration given by an entity in exchange for services rendered by its employees.

<u>Short-term benefits</u>

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.

<u>Post-employment benefits</u>

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 Statement of Financial Position dates, the Company has not yet established a fund retirement benefit plan for its employees since no employee has reached the age of 60 years old and has not been employed for 5 years.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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.

Income Tax

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 income 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.

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 income or directly in equity, in which case, the current and deferred tax rate also recognized in other comprehensive income/(loss) or directly in equity respectively.

Earnings (Loss) per Share

Basic earnings per share is calculated by dividing net income/(loss) attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

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 Date

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.

Judgments in Applying the Company's 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:

Classification of Financial Instruments

The Company classifies a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual agreement and the definitions 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.

Determination of the Company's Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Company, the functional currency is determined to be the Philippine peso. It is the currency that mainly influences the Company's operations.

Determination of Whether a Lease is a Finance or Operating Lease

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

The Company has entered into property lease of office space and has determined that the lessor retains all the significant risks and rewards of ownership of these properties, thereby, these are accounted in the financial statements as operating leases.

Recognition of Deferred Income Taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculates for which the ultimate tax determination is uncertain in the ordinary course of business. Recognition of deferred income taxes depends on management's assessment of the probability of available future taxable income against which the temporary difference can be applied.

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*.

Estimates and Assumptions

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 Property and Equipment

The Company estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property and equipment is based on 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 timing 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 recorded operating expenses and decrease non-current assets.

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

Items of property and equipment	Estimated Useful Life
Office furniture and equipment	5 years
Transportation and equipment	5 years

The carrying amount of property and equipment as at March 31, 2021, December 31, 2020 and March 31, 2020 amounted to ₱91,022,891, ₱91,058,164 and ₱90,959,870, respectively (see Note 8).

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 of different economic drivers and how these drivers will affect each other.

As at March 31, 2021, December 31, 2020 and March 31, 2020, Management believes that there are no expected credit losses in relation to their receivables, accordingly, no loss allowance was recognized for the year. Total advances to contractors and other receivables as at March 31, 2021, December 31, 2020 and March 31, 2020 amounted to ₱68,500, ₱101,357 and ₱2,061,440 respectively as disclosed in Note 7.

Realization of Deferred Tax Assets

The Company reviews its deferred tax assets at each reporting date and reduces its carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The Company's assessment on the recognition of deferred tax assets on deductible temporary difference is based on the Company's forecasted taxable income of the following reporting period. This forecast is based on the Company's past results and future expectations on revenues and expenses. As at March 31, 2021, December 31, 2020, and 2019, the Company had assessed that they will not generate sufficient taxable income from the utilization of deferred tax assets in the succeeding years.

Deferred tax assets with full valuation allowance as at March 31, 2021, December 31, 2020, and 2019, amounted to ₱11,198,050, ₱9,787,595, and ₱7,168,927₱3,378,772, respectively (see Note 15).

NOTE 6. CASH AND CASH EQUIVALENTS

This account consists of:

	March 31, 2021	December 31, 2020	March 31, 2020
Petty cash	**50,000**	50,000	100,000
Cash on Hand	**11,560**	0	7,766,013
Cash in banks	**26,197,626**	41,309,395	90,664,671
Cash equivalents	**5,033,402**	22,883,207	5,000,000
	31,292,588	64,242,602	103,530,684

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 generally earn interest at the bank's deposit rates.

Cash equivalents are short-term highly liquid investments that are readily convertible to cash with original maturities of three months or less from acquisition date and that are subject to an insignificant risk of change in value. These investments are purchased depending on the immediate cash requirements of the Company and earn interest at the bank's stated rates.

Interest earned from cash in banks and cash equivalents amounted to ₱47,191, ₱434,082 and ₱126,804 for the years ended March 31, 2021, December 31, 2020, and March 31, 2020, respectively and is presented as "other income" in the statements of comprehensive loss.

NOTE 7. ADVANCES AND OTHER RECEIVABLES

This account consists of:

	March 31, 2021	December 31, 2020	March 31, 2020
Other receivables	**68,500**	84,400	61,440
Accrued interest receivable[1)]	**0**	16,957	0
Advances to contractors[2)]	**0**	0	2,000,000
	68,500	101,357	2,061,440

[1)]Accrued interest receivable represents interest earned on cash equivalent as at year-end but were not yet received.

[2)]Advances to contractors are advances given to various contractors as reflected in their respective construction agreements. These shall be reduced by an application of various percentages in every progress billing submitted for payment by these contractors on their work accomplishments for a given period.

NOTE 8. PROPERTY AND EQUIPMENT (net)

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

	Land	**Office Furniture and Equipment**	**Transportation Equipment**	**Total**
Cost:				
At beginning of year	**39,334,287**	**440,747**	**160,000**	**39,775,034**
Additions	**-**	**105,242**	**0**	**265,242**
At end of year	**39,334,287**	**545,989**	**160,000**	**40,040,276**
Accumulated depreciation:				
At beginning of year	0	**(267,325)**	**(16,000)**	**(283,325)**
Depreciation	0	**(27,272)**	**(8,000)**	**(35,272)**
At end of year	0	**(294,597)**	**(24,000)**	**(318,597)**
Revaluation increment on Land	**51,301,213**	0	0	**51,301,213**
Net carrying value as At December 31, 2020	**90,635,500**	**251,392**	**136,000**	**91,022,892**

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

	Land	Office Furniture and Equipment	Total
Cost:			
At beginning of year	39,334,287	440,747	39,775,034
Additions	-	71,967	71,967
At end of year	39,334,287	512,714	39,847,001
Accumulated depreciation:			
At beginning of year	0	(164,090)	(164,090)
Depreciation	0	(24,254)	(24,254)
At end of year	0	(188,344)	(188,344)
Revaluation increment on Land	51,301,213	0	51,301,213
Net carrying value as At March 31, 2020	**90,635,500**	**324,370**	**90,959,870**

The land covered by TCT No. 147-20173003722 with a total area of ten thousand six hundred sixty-three square meters (*10,663 sq. m.*) is located in Lagao, General Santos City where the Company's multidisciplinary special medical facility (hospital) is being constructed.

On June 7, 2019, the Company engaged an independent appraiser and determined the land's fair value at P90,635,500 as of appraisal date. This resulted to a revaluation increment on land amounting to P51,301,213 reported under equity. The fair value of parcels land was arrived at using market-based evidence adjusted based on certain elements of comparison. In valuing, records of recent sales and offerings of similar land were analyzed and comparison made for such factors as size, characteristics of the lot, location, quality and prospective use.

This property including its present and future improvements therein is the subject of a P500 million real estate mortgage in favor of a local bank to finance the construction of the aforementioned hospital. A total of P71,592,000 has been released as loans in favor of the company as of report date.

The management has reviewed the carrying values of property and equipment as at March 31, 2021 and 2020 for any impairment. Based on the results of its evaluation, there are no indications that these assets are impaired.

NOTE 9. CONSTRUCTION-IN-PROGRESS

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

	Dec 31, 2020	**Amount of Transactions 2021**	**Mar 31, 2021**
Payments to contractors	120,946,515	**92,712,881**	**213,659,396**
Capitalized borrowing cost (Note 11)	1,197,205	**408,985**	**1,606,190**
Other related costs	19,794,582	**1,002,750**	**20,797,332**
	141,938,302	**94,124,616**	**236,062,918**

During the development of the hospital building, borrowing costs on bank loans were capitalized (see Note 11).

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

The composite percentage of completion is at sixty-one point twenty-nine percent (61.29%) as of March 31, 2021 as certified by the Company's construction manager.

As of December 31, 2020, the total construction cost to complete the hospital building is estimated to be at ₱1,022,744,000.

NOTE 10. ACCOUNTS PAYABLE AND OTHER LIABILITIES

This account consists of:

	March 31, 2021	December 31, 2020	March 31, 2020
Payable to contractors[1)]	**5,730,126**	27,964,286	0
Accrued expenses[2)]	**990,636**	10,321,065	5,353,697
Retention payable[3)]	**7,500,000**	3,000,000	0
Other payables[4)]	**0**	2,755,409	1,878,815
Government liabilities[5)]	**1,224,842**	668,035	0
Accrued interest payable[6)]	**0**	67,789	0
	15,445,604	44,776,584	7,232,512

[1)]Payable to contractors represent billings received from the contactors that are not yet paid.

[2)]Accrued expenses and other payables pertain to unpaid expenses incurred as of the period which were paid the following year.

[3)]Retention payable refers to the amounts 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.

[4)]Other payables pertain to unpaid expenses incurred during the reporting period which are noninterest-bearing and are generally settled within the next 12 months.

[5)]Government liabilities represent payable to government agencies (e.g., BIR, SSS, PHIC, HDMF) for other taxes due other than income tax not yet settled as of reporting date but which are normally settled within the next financial year.

[6)]Accrued interest payable refers to accrued interest expense on the bank loans as at the end of reporting date (see Note 11).

NOTE 11. NOTES PAYABLE

In 2020, the Landbank of the Philippines extended a term loan equivalent to a credit line facility totaling ₱500,000,000 to partially finance the construction of a six (6) storey hospital building with roof deck and ancillary building.

The loan can be availed in several drawdowns, payable in 12 years in ladderized quarterly amortizations, including a 3-year grace period for principal amortization. Interest rate is at prevailing rate at the time of availment subject to quarterly repricing. The Company may opt to shift to fix rate after the full drawdown based on the applicable benchmark plus spread at the time of conversion based on the fixing or on the remaining term of the Loan.

The loan is secured by a real estate mortgage on the Company's land including all existing and future improvements thereon (Note 8).

Notes payable is classified as follows:

	March 31, 2020	**Amount of Transactions 2021**	**March 31, 2021**
Current portion	0	**0**	**0**
Non-current portion	22,392,000	**49,200,000**	**71,592,000**
	22,392,000	**49,200,000**	**71,592,000**

Total finance costs incurred on loans for financing of hospital building amounted to ₱408,985 ₱1,197,205 and ₱0 as at March 31, 2021, December 31, 2020 and March 31, 2020, respectively, and was capitalized to construction-in-progress account in the statements of financial position (see Note 9).

NOTE 12. RELATED PARTY TRANSACTIONS

The Company, in the normal course of business, has entered into transactions with related parties principally consisting of:

Category			Outstanding Advances 2020	**Amount of Transactions 2021**	**Outstanding Advances March, 2021**	**Terms**	**Conditions**
Advances from shareholders	-	-	8,690,550	**8,690,550**	**0**	(a)	Unsecured, no impairment

Advances from shareholders

In 2020, the company called on to its founders to be ready to help in the construction of the hospital in case the need arises given the current situation. It has been tough for the company. The pandemic is really taking its toll, so any help from the founders would surely go a long way.

To heed this call, some of the founders voluntarily parked some of their excess resources with the company ready for use in case needed, these were non-interest bearing funds.

These funds, however, were not used in 2020 so the company decided to liquidate these amounts and return them to the founders. As of the first quarter of the year, these advances were already fully liquidated.

Key Management Personnel Compensation

For the year 2018, the Company did not pay its key management personnel with any kind of compensation. Instead, only fixed allowances for meetings and per diems were given as per Board Resolution dated October 5, 2016, which was increased in a special meeting held last July 07, 2018 (see Note 14).

However, in a meeting held on November 16, 2018, the Board approved and ratified the payment of its key management personnel with salaries equivalent to the services they render in overseeing the pre-operating stage of the Company, which mainly pertains to the construction of the hospital building as of date. Key management personnel compensation paid for the periods ended March 31, 2021, December 31, 2020 and March 31, 2020 amounted to ₱1,590,000, ₱8,372,500 and ₱1,635,000, respectively and is included in the "salaries and other benefits" account (see Note 14).

Key management includes the board of directors, all members of management and other Company officers.

NOTE 13. SHARE CAPITAL

Details of share capital as at March 31, 2021:

	No. of Shares	Amount
Authorized – P1,000 par value		
Founder's shares	**600**	**600,000**
Common shares	**179,400**	**179,400,000**
Preferred shares	**60,000**	**60,000,000**
Total authorized share capital	**240,000**	**240,000,000**
Subscribed and outstanding:		
Founder's shares	**600**	**600,000**
Common shares	**139,020**	**139,020,000**
Preferred shares	**60,000**	**60,000,000**
Total subscribed share capital	**199,620**	**199,620,000**
Issued and paid up (net of subscription receivable of P52,200,000):		
Founder's shares	**600**	**600,000**
Common shares (net of subscription receivable of P8,700,000)	**130,320**	**130,320,000**
Preferred shares (net of subscription receivable of P43,500,000)	**60,000**	**16,500,000**
Total paid-up share capital	**199,620**	**147,420,000**

Details of share capital as at March 31, 2020:

	No. of Shares	Amount
Authorized – P1,000 par value		
Founder's shares	600	600,000
Common shares	179,400	179,400,000
Preferred shares	60,000	60,000,000

Total authorized share capital	240,000	240,000,000
Subscribed and outstanding:		
Founder's shares	600	600,000
Common shares	133,290	133,290,000
Preferred shares	60,000	60,000,000
Total subscribed share capital	193,890	193,890,000
Issued and paid up (net of subscription receivable of P54,000,000):		
Founder's shares	600	600,000
Common shares	124,690	124,690,000
Preferred shares	15,000	15,000,000
Total paid-up share capital	140,290	140,290,000

During the year, pursuant to the approval of its permit to offer securities for sale by the Securities and Exchange Commission (SEC) (See Note 1), the Company issued an additional **ONE THOUSAND FIVE HUNDRED TWENTY (1,520)** common shares. The related share premium

arising thereof, after deducting transaction costs associated with the issuance of shares, amounted to ₱29,330,000.

In May 15, 2018, the SEC approved the Company's proposed increase in the authorized share capital from **ONE HUNDRED TWENTY MILLION (P120,000,000) PESOS** to **TWO HUNDRED FORTY MILLION (P240,000,000) PESOS** divided into **TWO HUNDRED FORTY THOUSAND (240,000) SHARES** consisting of **SIX HUNDRED (600) FOUNDER SHARES**, **ONE HUNDRED SEVENTY-NINE THOUSAND FOUR HUNDRED (179,400) COMMON SHARES** and **SIXTY THOUSAND (60,000) PREFERRED SHARES** at **ONE THOUSAND (P1,000) PESOS PER SHARE**.

Founder's shares have the exclusive right to vote and be voted upon in the election of directors for five (5) years from the date of the Company's SEC registration. Thereafter, the holders of Founder's share shall have the same rights and privileges as holders of common shares. The Company has forty-five (45) shareholders, each owning 100 or more shares of the Company's shares of stock as at March 31, 2021.

Preferred shares shall be the subject to the following terms and conditions:

1. Shall be entitled to a reasonable monthly interest to be determined by the board, subject to availability of funds.
2. Convertible to common shares on or before five (5) years.
3. However, the board at its discretion may at any time, allow the conversion of preferred shares to common shares.
4. Shall not be entitled to voting rights until converted to common shares.

NOTE 14. GENERAL AND ADMINISTRATIVE EXPENSES

This account consists of the following:

	Notes	**Mar. 31, 2021**	Dec. 31, 2020	Mar. 31, 2020
Salaries and other benefits[1)]		**2,025,569**	9,595,729	1,908,248
Honorarium	*11*	**542,500**	1,335,000	585,000

Professional fees		**244,200**	1,074,800	218,000
Transportation and travel allowances[2)]	***11***	**120**	440,156	368,994
Advertising and promotions		**1,800**	230,261	0
Office supplies		**17,529**	147,753	25,792
Depreciation	***8***	**35,273**	119,235	24,255
Board meetings and meals		**0**	96,712	73,767
SSS/PHIC/HDMF contribution		**28,675**	94,035	20,370
Communication, light and water		**7,810**	76,147	15,853
Taxes and licenses		**16,112**	45,661	46,934
Bank service charge		**0**	24,995	192,935
Trainings and seminars		**0**	23,796	0
Fuel Expenses		**4,500**	0	0
Miscellaneous expense		**12,240**	126,129	21,450
		2,936,328	13,430,409	3,501,598

[1)]As discussed in Note 12, aside from per diems and travel allowances granted to key personnel for their services to the Company, the Board ratified granting these key personnel salaries and other benefits.

[2)]During the year, due to pandemic's travel restriction, meetings were held online.

NOTE 15. INCOME TAX

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

I. Regular Corporate Income Tax (RCIT)	**Mar. 31, 2021**	Dec. 31, 2020	Dec. 31, 2019
Net loss before income tax	**(2,889,137)**	(12,996,327)	(14,015,660)
Add: Non-deductible expense			
Penalties and surcharges (Note 14)	**-**	-	191,477
Less: Non-taxable income			
Interest income subjected to final tax (Note 6)	**(47,191)**	(434,082)	(354,778)
NOLCO	**(2,936,328)**	(13,430,409)	(14,178,961)
Tax rate	**30%,**	30%,	30%
RCIT	**-**	-	-

II. Minimum Corporate Income Tax (MCIT)

No MCIT computation is presented as there were no taxable revenues during the year 2021. In 2020 and 2019, as per National Internal Revenue Code (NIRC), the Company is not yet covered by the Minimum Corporate Income Tax (MCIT) since the Company has not yet started its commercial operations.

III. Net Operating Loss Carry-Over (NOLCO)

As at March 31, 2021, the Company's NOLCO that can be claimed as deduction from future taxable income and income tax payable, respectively, are as follows:

Year Incurred	Expiration Date	Beginning balance	Additions	Expired	Claimed	Ending balance
2017	2020	4,701,516	-	(4,701,516)	-	-
2018	2021	5,015,946	-	-	-	5,015,946
2019	2022	14,178,961	-	-	-	14,178,961

2020	2023	13,430,409	-	-	-	13,430,409
		37,326,832	**-**	**(4,701,516)**	**-**	**32,625,316**

The Bureau of Internal Revenue (BIR) has extended to five years the carry-over period for net operating losses incurred by businesses in 2020 and 2021 due to the impact of the coronavirus pandemic. On September 30, 2020, Finance Secretary Carlos Dominguez and Internal Revenue Commissioner Caesar Dulay signed Revenue Regulation 25-2020, implementing Section 4 of the Bayanihan To Recover As One or Bayanihan 2 Act, particularly on the NOLCO of companies.

Year Incurred	Expiration Date	Beginning balance	Additions	Expired	Claimed	Ending balance
2020	2025	-	**13,430,409**	-	-	**13,430,409**

IV. Deferred Tax Assets

The Company's deferred tax assets as at March 31, 2021, December 31, 2020, and 2019 are as follows:

	Mar. 31, 2020	Dec. 31, 2020	Dec. 31, 2019
NOLCO	**37,326,832**	32,625,316	23,896,423
Tax rate	**30%**	30%	30%
	11,198,050	9,787,595	7,168,927
Valuation allowance (Note 5)	**(11,198,050)**	(9,787,595)	(7,168,927)
	-	-	-

The deferred tax asset of the Company arising from the net operating loss carry over (NOLCO) can be charged against taxable income for the next three taxable years.

The Company, however, provides full valuation allowance on its deferred tax assets from NOLCO since the Management believes that the Company will not be able to generate taxable income until it commences its commercial operations.

NOTE 16. CREATE ACT

On March 26, 2021, Republic Act No. 11534, otherwise known as "The Corporate Recovery and Tax Incentives for Enterprises Act" 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. Certain provisions that may have direct 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 22% 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, any current and, or deferred taxes reported on the financial statements are measured using the income tax rate of 30%.

The foregoing amendments to the National Internal Revenue Code (NIRC) of 1998, as amended, - bears no direct impact on the Company's operations since it neither recognized income tax expense nor income tax payable, in the books during the year.

NOTE 17. BASIC LOSS PER SHARE

Basic loss per share is computed as follows:

	Mar. 31, 2021	Dec. 31, 2020	Dec. 31, 2019
Loss attributable to ordinary shares	**(2,889,137)**	(12,996,327)	(14,015,660)
Divide by: Weighted average number of ordinary shares outstanding	**199,620**	195,410	193,890
Basic loss per share	**(14.47)**	(66.51)	(72.29)

There are no potential dilutive ordinary shares outstanding as at December 31, 2020, 2019 and 2018.

NOTE 18. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to financial risks such as market risk which includes foreign exchange risk and 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 foreign exchange rates and interest rates affect the Company's profit or the value of its financial instruments. The Company focuses on two market risk areas, the foreign currency risk and interest rate risk. The objective and management of these risks are discussed below.

Foreign Currency Risk

The Company has no financial assets and liabilities that are denominated in foreign currency. As such, the Company is not exposed to foreign currency risk.

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 in banks and cash equivalents (Note 6).

Cash in banks and cash equivalents are subject to prevailing interest rates (see Note 6). Considering that such financial asset has 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 has no established policy is 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 a 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:

Cash and cash equivalents

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

Receivables

The Company has no significant concentrations of credit risk on its receivables as these are reviewed on a continuous basis. As such, Management believes that there are no indicators of impairment on the Company's receivables.

Liquidity Risk

Liquidity risk arises when the Company encounters difficulty in meeting the obligations 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.

As part of its overall liquidity management, the Company maintains sufficient levels of cash to meet building construction requirements and operation requirements. The Company avails of funds from related parties and from shareholders when needed. Excess cash are invested to short-term investments such as time deposits (cash equivalents) which can be used for emergency expenses.

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*	**14,220,762**	**-**	**14,220,762**
Notes payable	**-**	**71,592,000**	**71,592,000**

Advances from shareholders	**-**	**0**	**0**
	14,220,762	**80,282,550**	**85,812,762**

December 31, 2020	1 to 12 months	1 to 5 years	Total
Accounts payable and other liabilities*	44,108,549	-	44,108,549
Notes payable	-	22,392,000	22,392,000
Advances from shareholders	-	8,690,550	8,690,550
	44,108,549	31,082,550	75,191,099

**excluding government liabilities*

NOTE 19. 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		December 31, 2020	
Financial assets	**Fair Value**	**Carrying Value**	Fair Value	Carrying Value
Cash and cash equivalents*	**31,281,029**	**31,281,029**	64,192,602	64,192,602
Other Receivables	**68,500**	**68,500**	101,357	101,357
	31,349,529	**31,349,529**	64,293,959	64,293,959
Accounts payable and other liabilities**	**14,220,762**	**14,220,762**	44,108,549	44,108,549
Notes payable	**71,592,000**	**71,592,000**	22,392,000	22,392,000
Advances from shareholders	**0**	**0**	8,690,550	8,690,550
	85,812,762	**85,812,762**	75,191,099	75,191,099

**excluding cash on hand*

***excluding government liabilities*

The difference between the cash and payables disclosed in the statements of financial position and the amounts disclosed in this note pertains to petty cash fund 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 and payable to individuals, their carrying amounts approximate their fair values.

NOTE 20. 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 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	December 31, 2020	March 31, 2020
Total liabilities	**87,037,604**	75,859,134	29,624,512
Total equity	**271,409,293**	221,481,291	206,452,823
	0.32:1	0.34:1	0.14:1

NOTE 21. EVENTS 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 is still on its formative or organizational stage(s) and 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 22. APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Company as at and for the year ended March 31, 2021, including its comparatives for December 31, 2020 and March 31, 2020, were approved and authorized for issuance by the Board of Directors on April 24, 2021.

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

On November 25, 2010, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) 15-2010, which required certain information on taxes, duties, and 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 disclosures 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

Details of the documentary stamp taxes paid for the year ended December 31 are as follows:

	March 31, 2021
DST for sale charged to taxes and licenses	**3,700**
DST paid for loans charged to construction-in-progress	**369,000**
	372,700

Taxes and Licenses

Detail of Company's other local and national taxes for the year ended December 31 are as follows:

	March 31, 2021
Documentary stamp tax	**3,700**
Real property tax	**6,840**
Business permit and licenses	**5,072**
BIR annual registration fees	**500**
Others	**-**
	16,112

Withholding Taxes

Withholding taxes paid by the Company for the year ended December 31 are as follows:

	March 31, 2021
Withholding taxes compensation	**269,100**
Expanded withholding taxes	**1,675.949**

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 December 31, 2020.

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.

***