

# **Allied Care Experts (ACE) Medical Center – Gensan Inc.**

## **Financial Statements**

As at September 30, 2023 and 2022

and for the 3-months ended September 30, 2023 and 2022

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended **SEPTEMBER 30, 2023**
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)

**2<sup>nd</sup> FLR, GENMEDEX, SANTIAGO BLVD, GENERAL SANTOS CITY**

7. Address of issuer's principal office **9500**  
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

	<u>Number of Shares</u>	<u>Outstanding Debt</u>
Founder Shares	600	
Common Shares	147,070	
Preferred Shares	60,000	
Amount of Outstanding Debt		P 300,762,388

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:

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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 1<sup>st</sup> Quarter of 2023 is incorporated herein. (ANNEX A)

### Item 2. Management's Discussion and Analysis or Plan of Operations

#### Results of Operations (September 30, 2023 vs September 30, 2022)

Statement of Profit and Loss	As of SEPTEMBER 30		Horizontal Analysis		Vertical Analysis	
	2023	2022	Difference	%-age	2023	2022
Revenue	0	0	0	0.00%	NA	NA
Direct Cost	0	0	0	0.00%	NA	NA
Gross Profit	0	0	0	0.00%	NA	NA
Other Income	3,146	3,656	-510	-13.95%	NA	NA
Gross Income	3,146	3,656	-510	-13.95%	NA	NA
General And Administrative Expenses	-21,774,313	-13,738,210	-8,036,103	58.49%	NA	NA
Income/(Loss) from Operations	-21,771,167	-13,734,554	-8,036,613	58.51%	NA	NA
Finance Cost	0	0	0	0.00%	NA	NA
Net Income/(Loss) Before Taxes	-21,771,167	-13,734,554	-8,036,613	58.51%	NA	NA
Income Tax Expenses	0	0	0	0.00%	NA	NA
Net Income/(Loss)	-21,771,167	-13,734,554	-8,036,613	58.51%	NA	NA
Other Income/(Loss)	0	0	0	0.00%	NA	NA
Total Comprehensive Income/(Loss)	-21,771,167	-13,734,554	-8,036,613	58.51%	NA	NA

#### Other Income

Interest income earned from bank deposits make up the other income figures. The hospital is not yet operating, though, thus, no operational income has been recognized.

#### General and Administrative Expenses

The company is still constructing the hospital building. Given so, it cannot be avoided that costs will be incurred. These costs comprise the administrative and general expenses as the costs were incurred in relation to the construction of the building. For the 3-quarter period ending September 2023, total costs incurred amount to P21.77M. This is P12.85M higher than the same period in year 2022. Among those that registered the highest increase are the Honorarium, Professional Fees and Salaries. This is because of the frequent meetings held so as to address the adjustments on the structural plans of the building to accommodate the requirements of the DOH. Tax payments also increased as well as Travel Expenses.

Hereunder is the summary of expenses for the third quarter of 2023:

Summary of Expenses	As of SEPTEMBER 30		Horizontal Analysis		Vertical Analysis	
	2023	2022	Difference	%-age	2023	2022
Transportation and Travel Allowances	638,835	177,979	460,856	258.94%	2.93%	1.99%
Honorarium	8,147,500	2,545,000	5,602,500	220.14%	37.42%	28.51%
Salaries and Wages	8,486,886	5,261,920	3,224,966	61.29%	38.98%	58.95%
13th Month Pay Expenses	102,669	0	102,669	0.00%	0.47%	0.00%
Utility Contributions (SSS/PHIC/HDMF)	178,379	45,610	132,769	291.10%	0.82%	0.51%
Employees Welfare & Benefits	20,160	0	20,160	0.00%	0.09%	0.00%
Board Meeting and Meals	97,049	11,212	85,837	765.58%	0.45%	0.13%
Professional Fees	722,874	309,200	413,674	133.79%	3.32%	3.46%
Office Supplies	100,989	68,613	32,376	47.19%	0.46%	0.77%
Depreciation	100,965	70,545	30,420	43.12%	0.46%	0.79%
Power, Light and Water & Communications	77,789	6,571	71,218	1083.82%	0.36%	0.07%
Postage and Courier	4,235	0	4,235	0.00%	0.02%	0.00%
Repairs and Maintenance	54,174	0	54,174	0.00%	0.25%	0.00%
Rentals	200,812	120,000	80,812	67.34%	0.92%	1.34%
Taxes and Licenses	2,357,013	39,818	2,317,195	5819.47%	10.82%	0.45%
Marketing Expenses	236,194	0	236,194	0.00%	1.08%	0.00%
Advertising and Promotions	16,043	93,392	-77,349	-82.82%	0.07%	1.05%
Bank Service Charges	3	200	-197	-98.50%	0.00%	0.00%
Fuel Expenses	65,617	24,347	41,270	169.51%	0.30%	0.27%
Trainings and Seminars	6,500	0	6,500	0.00%	0.03%	0.00%
Penalties and Surcharges	82,751	0	82,751	0.00%	0.38%	0.00%
Miscellaneous Expenses	76,877	151,046	-74,169	-49.10%	0.35%	1.69%
<b>TOTAL EXPENSES</b>	<b>21,774,314</b>	<b>8,925,453</b>	<b>12,848,861</b>	<b>143.96%</b>	<b>100.00%</b>	<b>100.00%</b>

### Net Loss

The company is not yet operational. Also, the company has been recognizing and recording general and administrative expenses, thus, the net loss.

### Financial Condition (September 30, 2023 vs September 30, 2022)

Statement of Financial Condition	As of SEPTEMBER 30		Horizontal Analysis		Vertical Analysis	
	2023	2022	Difference	%-age	2023	2022
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and Cash Equivalents	6,111,101	2,277,759	3,833,342	168.29%	0.87%	0.37%
Advances and other Receivables	7,540,066	20,000	7,520,066	0.00%	1.08%	0.00%
Prepayments	48,000	20,000	28,000	140.00%	0.01%	0.00%
	13,699,167	2,317,759	11,381,408	491.05%	1.95%	0.37%
<b>NON-CURRENT ASSETS</b>						
Advances to Contractors and Suppliers	26,099,000	24,901,600	1,197,400	4.81%	3.72%	3.99%
Property and Equipment (net)	90,919,755	90,850,314	69,441	0.08%	12.97%	14.57%
Construction in Progress	570,053,413	505,592,899	64,460,514	12.75%	81.35%	81.07%
	687,072,168	621,344,813	65,727,355	17.63%	98.05%	99.63%
<b>TOTAL ASSETS</b>	<b>700,771,335</b>	<b>623,662,572</b>	<b>77,108,763</b>	<b>12.36%</b>	<b>100.00%</b>	<b>100.00%</b>

	As of SEPTEMBER 30		Horizontal Analysis		Vertical Analysis	
	2023	2022	Difference	%-age	2023	2022
<b>LIABILITIES AND EQUITY</b>						
<b>CURRENT LIABILITIES</b>						
Accounts Payables and Other Liabilities	51,014,821	33,187,312	17,827,509	53.72%	7.28%	5.32%
	51,014,821	33,187,312	17,827,509	53.72%	7.28%	5.32%
<b>NON-CURRENT LIABILITIES</b>						
Notes Payable	214,292,000	204,092,000	10,200,000	5.00%	30.58%	32.72%
Advances from Shareholders	35,455,567	27,750,000	7,705,567	27.77%	5.06%	4.45%
	249,747,567	231,842,000	17,905,567	7.72%	35.64%	37.17%
<b>TOTAL LIABILITIES</b>	<b>300,762,388</b>	<b>265,029,312</b>	<b>35,733,076</b>	<b>13.48%</b>	<b>42.92%</b>	<b>42.50%</b>
<b>EQUITY</b>						
Share Capital	157,270,000	153,210,000	4,060,000	2.65%	22.44%	24.57%
Share Premium (net)	280,357,620	219,226,495	61,131,125	27.88%	40.01%	35.15%
Revaluation Increment on Land	51,301,213	51,301,213	0	0.00%	7.32%	8.23%
Deficit	-88,919,886	-65,104,448	-23,815,438	36.58%	-12.69%	-10.44%
	400,008,947	358,633,260	41,375,687	11.54%	57.08%	57.50%
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>700,771,335</b>	<b>623,662,572</b>	<b>77,108,763</b>	<b>12.36%</b>	<b>100.00%</b>	<b>100.00%</b>

## ASSETS

### Cash and Cash Equivalent

Cash balance as of end of September 2023 increased comparing it to last year's of the same period. Even so, this balance is quite low which is mainly because it is always used to pay-off the company's obligations due to the construction of the hospital building.

### Advances and Other Receivables

Normally are advances to employees intended for use for a specific project or activity. This is liquidated once the project is done or completed.

### Advances to Contractors and Suppliers

These are down payments made in favor of suppliers or contractors so as to start the projects and activities that were already approved of.

### Property and Equipment

There are not much movement in the property and equipment account except for the computer sets and printer purchased during the period. The difference amounts to P 69.4K.

### Construction in Progress

There is not much movement in the construction of the hospital, given that there are still some concerns that needs to be ironed out for the changes that will be done in relation to some structural change requirements. Comparing to the previous year, however, the CIP account grew

12.75% or P64.46M this September 2023.

## **LIABILITIES AND EQUITY**

### **Accounts Payable**

As of end of September 2023, balance of accounts payable is P51.01M. This is composed of Retention payable, P22.65M (44%) Payable to Contractors/Suppliers, P495.1K governmental obligations and 10.54M (21%) of accrued expenses, P299.0K of accrued interests, and P17.03M (33%) other payables.

### **Loans Payable**

LBP released an additional loans of P12.7M during the third quarter of 2022. As of September 2023, total loans released by LBP is P204.092M. Compared to the same period in 2022, there is a difference of P10.2M which is the amount of loan released by LBP IFO ACEMC Gen San before the year ended in 2022.

### **Advances from Shareholders**

Early in 2022, the board asked the founders to help out in the financing of the construction requirement of the hospital. To date, at least P35.45M were recorded as advances from shareholders.

### **Share Capital**

Comparing September 2023 and September 2022, the company was able to generate P4.06M from sale of securities. The company continues to sell shares to the public, however, because of the priority changes brought about by the pandemic, the sale of securities has been somewhat slow.

### **Share Premium**

Amount generated in excess of the par value of sold shares amounted to P280.36M (net). This is P61.1M higher than the previous year.

### **Revaluation Increment on Land**

The company uses the same valuation on its land for the last 3 years. Should there be new valuations on subject property, the same will be reflected in this account.

### **Deficit**

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

**Statement of Financial Condition**

As of SEPTEMBER 30

	2023	2022	2021
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and Cash Equivalents	6,111,101	2,277,759	3,100,464
Advances and other Receivables	7,540,066	20,000	156,700
Prepayments	48,000	20,000	0
	13,699,167	2,317,759	3,257,164
<b>NON-CURRENT ASSETS</b>			
Advances to Contractors and Suppliers	26,099,000	24,901,600	0
Property and Equipment (net)	90,919,755	90,850,314	90,952,346
Construction in Progress	570,053,413	505,592,899	353,707,744
	687,072,168	621,344,813	444,660,090
<b>TOTAL ASSETS</b>	<b>700,771,335</b>	<b>623,662,572</b>	<b>447,917,254</b>

As of SEPTEMBER 30

	2023	2022	2021
<b>LIABILITIES AND EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
Accounts Payables and Other Liabilities	51,014,821	33,187,312	23,404,962
	51,014,821	33,187,312	23,404,962
<b>NON-CURRENT LIABILITIES</b>			
Notes Payable	214,292,000	204,092,000	124,992,000
Advances from Shareholders	35,455,567	27,750,000	0
	249,747,567	231,842,000	124,992,000
<b>TOTAL LIABILITIES</b>	<b>300,762,388</b>	<b>265,029,312</b>	<b>148,396,962</b>
<b>EQUITY</b>			
Share Capital	157,270,000	153,210,000	149,180,000
Share Premium (net)	280,357,620	219,226,495	147,277,140
Revaluation Increment on Land	51,301,213	51,301,213	51,301,213
Deficit	-88,919,886	-65,104,448	-48,238,061
	400,008,947	358,633,260	299,520,292
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>700,771,335</b>	<b>623,662,572</b>	<b>447,917,254</b>

## KEY PERFORMANCE INDICATORS

	2023	2022	2021
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### LIQUIDITY RATIOS

#### QUICK ASSET RATIO

Cash + Cash Equivalents + Current Accounts Receivables	/ Current Liabilities	0.27 : 1	0.07 : 1	0.14 : 1
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Remarks:

Because of the low balance of cash, the quick asset ratio reflected a very low figure. It is quite understandable that this ratio will be below expectation at this stage given that the construction is midway its completion.

#### CURRENT RATIO

Current Assets / Current Liabilities	0.27 : 1	0.07 : 1	0.14 : 1
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Remarks:

The same as the quick asset ratio, the current ratio is dependent on the balances of the quick assets such as cash and receivables. Of course, given the low balance of cash, the current ratio would surely be reflected at a low figure.

### SOLVENCY RATIO

#### DEBT TO EQUITY RATIO

Long Term Debt / Equity	0.62 : 1	0.65 : 1	0.43 : 1
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Remarks:

The ratio of long-term debt of the company continues to go down as what the previous years' figures suggest. This is because, LBP released additional funds for the building construction this year. The numbers are still good, however, it may look better, if we can see better numbers for equity.

### PROFITABILITY RATIOS

#### NET PROFIT MARGIN RATIO

Net Income / Sales	0	0	0
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Remarks:

No financial data available yet given that the hospital is still on construction.

#### RETURN ON EQUITY

Net Income / Stockholder's Equity	0	0	0
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Remarks:

No financial data available yet given that the hospital is still on construction.



**LEVERAGE****DEBT TO TOTAL ASSET RATIO**

Total Debts / Total Assets	0.43 : 1	0.42 : 1	0.33 : 1
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Remarks:

Total debts increased, thus, the debt to asset ratio is also affected. 43% of the total assets of the company now is equal to its debts. The figures are good to read, and connotes that the company's total assets fully cover its liabilities, but, it must be considered that these assets are not liquid and not readily available.

**ASSET TO EQUITY RATIO**

Total Assets / Equity	1.57 : 1	1.58 : 1	1.67 : 1
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Remarks:

Sale of securities and collections of receivables slacked a little, thus, the not so good numbers reflected in the asset to equity ratio.

**INTEREST RATE COVERAGE RATIO****INTEREST RATE COVERAGE RATIO**

Earnings Before Interests & Taxes / Interest Expense	0	0	0
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Remarks:

No financial data available yet given that the hospital is still on construction.

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

**As of SEPTEMBER 30, 2023**


- The company has not been involved in any legal proceedings, tax and/or regulatory assessments.
- There has been no off-balance sheet transactions, arrangements, obligations and other relationships of the company with unconsolidated entities or other persons created during the reporting period.
- There are no seasonal aspects that had a material impact on the results of operations of the company.
- There are no events nor any default acceleration of an obligation that will trigger direct or contingent financial obligation that is material to the company
- The company intends to commence its operations in 2025, when the hospital facility will be completed.
- The company has no investments on foreign securities.

## **PART II - OTHER INFORMATION**

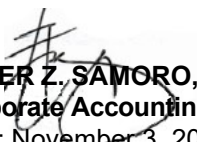
There are no additional material information to be disclosed which were not previously reported under SEC Form 17-C

## **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. NATIVIDAD TORRE**  
**Vice-President**  
Date: November 3, 2023



**ELMER Z. SAMORO, CPA**  
**Corporate Accounting Officer**  
Date: November 3, 2023

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

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### **NOTES TO FINANCIAL STATEMENTS**

As at September 30, 2023 and 2022 and for the 3-months ended September 30, 2023 and 2022  
(Amounts in Philippine Peso)

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#### **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 licensed physicians or surgeons who may or may not be connected with the hospitals and whose services shall be freely and individually contracted by the patients.

On June 28, 2019, the SEC En Banc approved the registration application 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 Corporate Governance, and other applicable laws and orders as may be issued by the Commission.

The registered office of the Company is located at Second Flr. Genmedex, Santiago Blvd. General Santos City, South Cotabato.

##### ***Status of Operations***

Currently, the Company is constructing a multidisciplinary medical facility (hospital) which is expected to be fully completed by 2025.

The Company has incurred an accumulated deficit of ₱88,919,886 and ₱65,104,448 as at September 30, 2023 and 2022, respectively, as a result of various general and administrative expenses incurred while the Company is still in its pre-commercial operation stage. It is expected to generate positive result upon commencement of its commercial operations.

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#### **NOTE 2 - FINANCIAL REPORTING FRAMEWORK AND BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS**

##### **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 and Sustainability Reporting Standards Council (FSRSC) 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, except when otherwise stated.

#### **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.

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### **NOTE 3 - ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS**

#### **Adoption of New and Revised Accounting Standards Effective in 2022**

The Company adopted all applicable accounting standards and interpretations as at December 31, 2022. The new and revised accounting standards and interpretations that have been published by the International Accounting Standards Board (IASB) and approved by the FRSC in the Philippines, were assessed by the Management to be applicable to the Company’s financial statements as follows:

#### **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.

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

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 adoption of the amendments has no 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 statements of comprehensive loss, 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 statements of comprehensive loss 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.

The Management has assessed that the adoption of the amendments has no impact on the Company's financial statements as the Company does not generate proceed when testing the equipment before its intended use.

#### **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.

The Management has assessed that the adoption of the amendments has no impact on the Company's financial statements as the Company has not yet started its commercial operations.

#### ***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 Management has assessed that the adoption of the amendments has no impact on the Company's financial statements since the Company is not a subsidiary of any company.

##### ***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.

The Management has assessed that the adoption of the amendments has no impact on the Company's financial statements since the Company has no biological assets.

**Effective Beginning on or after January 01, 2023**

**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 contracts 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 contracts (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.

PFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

An amendment issued on June 2020 and adopted by FSRSC on August 2020 addresses concerns and implementation challenges that were identified after PFRS 17 was published.



PFRS 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

For the purpose of the transition requirements, the date of initial application is the start of the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The standard (incorporating the amendments) is effective for periods beginning on or after January 1, 2025, as amended by the FSRSC from January 1, 2023. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB. Earlier application is permitted.

The future 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 an 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 IASB; however, earlier application of the amendments is permitted.

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

#### ***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 statements 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.

#### **Amendments to PAS 1 and PERS Practice Statement 2, Disclosure Initiative – Accounting Policies**

The amendments are as follows:

- An entity is now required to disclose its material accounting policy information instead of its significant accounting policies;
- several paragraphs are added to explain how an entity can identify material accounting policy information and to give examples of when accounting policy information is likely to be material;
- the amendments clarify that accounting policy information may be material because of its nature, even if the related amounts are immaterial;
- the amendments clarify that accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements; and
- the amendments clarify that if an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

The amendments are applied prospectively. The amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Earlier application is permitted.

The management is still evaluating the impact of the new standard on the Company's financial statements.

#### **Amendments to PAS 8, Definition of Accounting Estimates**

With the amendment, accounting estimates are now defined as "monetary amounts in financial statements that are subject to measurement uncertainty."

The amendment clarified that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

A change in an accounting estimate may affect only the current period's profit or loss, or the profit or loss of both the current period and future periods. The effect of the change relating to the current period is recognized as income or expense in the current period. The effect, if any, on future periods is recognized as income or expense in those future period.

The amendments are effective for annual periods beginning on or after January 1, 2023 and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted.

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

### **Amendments to PAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to PAS 12, an entity is required to recognize the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in PAS 12.

The Board also adds an illustrative example to PAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognizes:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with:
- Right-of-use assets and lease liabilities
- Decommissioning, restoration and similar liabilities and the corresponding amounts recognized as part of the cost of the related asset
- 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 that date

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted.

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

### **Amendments to PFRS 16, Lease Liability in a Sale and Leaseback**

The amendments to PFRS 16 that require a seller-lessee to subsequently measure lease liabilities arising from a sale and leaseback transaction in a way that does not result in recognition of a gain or loss that relates to the right of use it retain.

The amendments add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 Revenue from Contracts with Customers to be accounted for as a sale.

The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognize a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognized by the seller-lessee relating to the partial or full termination of a lease.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2024, with early application permitted. Still subject to approval of the Board of Accountancy and Financial and Sustainability Reporting Standard Council.

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

#### **Amendments to IAS 1, Non-current Liabilities with Covenants**

The amendments to PAS 1 to specify that only covenants an entity must comply with on or before the reporting period should affect classification of the corresponding liability as current or non-current.

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g., a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The amendments specify that the right to defer settlement is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual periods beginning on or after January 1, 2024, with early application permitted. Still subject to approval of the Board of Accountancy and Financial and Sustainability Reporting Standard Council.

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

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#### **NOTE 4 - SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING 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 statements 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.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

The Company also modifies classification of prior year amounts to conform to current year's presentation.

### **Fair Value Measurement**

Fair value is the estimated 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.

#### ***Date of Recognition***

The Company recognizes a financial asset or a financial liability in the statement of financial position when it becomes a party to the contractual provisions of a financial instrument. In the case of a regular way purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting.

#### ***"Day 1" Difference***

Where the transaction in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a "Day 1" difference) in profit or loss. In cases where there is no observable data on inception, the Company deems the transaction price as the best estimate of fair value and recognizes "Day 1" difference in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the "Day 1" difference.

### **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 (FVPL).

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. The Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

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

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

and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

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

### ***Subsequent Measurement***

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

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

#### **Financial assets at amortized cost (debt instruments)**

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

The Company's financial assets at amortized cost includes cash and cash equivalents (excluding petty cash fund) and advances and other receivables as at reporting dates (see Note 6).

#### **Financial assets fair value through OCI (debt instruments)**

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation, if any, and impairment losses or reversals are recognized in the statements of profit or 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 and loss.

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

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

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

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the statements 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 (FVOCI) as at reporting dates.

#### **Financial assets at fair value through profit or loss**

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

The 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's statements 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 risk and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risk 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' agreement, it evaluates if, and to what extent, it has retained the risk 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 the 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.

### ***Reclassification***

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

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

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

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

For a financial asset reclassified out of the financial assets at FVOCI category to financial assets at amortized cost, any gain or loss previously recognized in OCI, and any difference between the new amortized cost and maturity amount, are amortized to profit or loss over the remaining life of the



investment using the effective interest method. If the financial asset is subsequently impaired, any gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognized in profit or loss when the financial asset is sold or disposed. If the financial asset is subsequently impaired, any previous gain or loss that has been recognized in OCI is reclassified from equity to profit or loss.

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

### ***Impairment***

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

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

The Company considers a financial asset in default when contractual payments are 30 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.

### ***Subsequent Measurement***

The measurement of financial liabilities are classified into two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost (loans and borrowings)

#### Financial liabilities at fair value through profit or loss

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 EIR 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 EIR. The EIR amortization is included as "Finance cost" in the statements of comprehensive loss.

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

### ***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 statements of comprehensive loss.

### ***Fair Value Option***

The Company may, at initial recognition, irrevocably designate a financial asset or liability that would otherwise have to be measured at amortized cost or fair value through other comprehensive loss to be measured at fair value through profit or loss if doing so would eliminate or significantly reduce an accounting mismatch or otherwise results in more relevant information.

### ***Classification of Financial Instrument between Liability and Equity***

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

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

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

### ***Offsetting of financial instruments***

Financial assets and financial liabilities are offset and the net amount is reported in the statements 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, or to realize the assets and settle the liabilities simultaneously.

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

### **Cash**

Cash and cash equivalents comprise of petty cash fund, 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 to contractors and suppliers are payments made in advance, such as down payments for a contractual project and acquisition of equipment. Advances are initially recorded at the amount of cash paid. These will be subsequently reclassified to property and equipment upon completion of the project and/or once the equipment is actually or constructively delivered.

Other receivables on the other hand, is recognized if an amount of consideration that is unconditional (i.e. only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets earlier discussed.

### **Prepayments**

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

### **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 carried at cost less any impairment in value. Land is not depreciated.

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

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

Fully depreciated and fully amortized assets are retained by the Company as part of property and equipment until these are derecognized or until they are no longer in use.

### **Construction-in-progress**

Construction-in-progress is stated at cost. This includes the costs related to the construction of the hospital building and installation of medical equipment, property development costs and other direct costs. Cost of borrowings and any additional costs incurred in relation to the project are recognized in this account. Construction-in-progress is not depreciated until such time that the relevant assets are completed and ready for its intended 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 dates, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When the asset does not generate cash flows that are independent from the other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

## **Equity**

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

### *Share capital*

Share capital is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement and is measured at par value.

### *Share premium*

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

### *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.

### *Deficit*

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

### *Other comprehensive income (loss)*

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

## **Revenue Recognition**

Revenue from contracts with customers 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 Company utilizes the five-step model.

#### *Step 1: Identifying a contract with customer*

The Company accounts for a contract with a customer when all of the following are met

- the parties to the contract have approved the contract and are committed to perform their respective obligations;
- the Company can identify each party's rights regarding the goods or services to be transferred;
- the Company can identify the payment terms for the goods or services to be transferred; the contract has commercial substance; and
- it is probable that the Branch Office will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer.

In evaluating whether collectability of an amount of consideration is probable, the Company considers the customer's ability and intention to pay that amount of consideration when it is due.

#### *Step 2: Identifying performance obligations*

At contract inception, the Company assesses the services promised in a contract with a customer and identify each promise to transfer to the customer a service that is distinct as a performance obligation.

#### *Step 3: Determine transaction price*

The Company considers the terms of the contract and its customary business practices to determine the transaction price. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised services to a customer, excluding amounts collected on behalf of third parties.

#### *Step 4: Allocating transaction price to performance obligations*

The Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for transferring the promised goods or services to the customer.

#### *Expected cost plus a margin approach*

The Company forecasts its expected costs of satisfying a performance obligation and then add an appropriate margin for that service.

#### *Step 5: Satisfaction of performance obligations*

The Company recognizes revenue as the entity satisfies a performance obligation by transferring a promised service to a customer. An asset is transferred as the customer obtains control of that asset.

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

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

The Company does not have revenues from hospital services nor sale of medical goods since it is still in its construction stage, thus, not yet in commercial operations as at December 31, 2022.

#### **Other Revenues**

##### *Interest income*

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

#### **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 statements of financial position as an asset.

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

#### **Related Party Relationships and Transactions**

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

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

#### **Employee Benefits**

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

#### Short-term Benefits

Short-term employee benefits are those benefits expected to be settled wholly before twelve months after the end of the annual reporting period during which employee services are rendered, but do not include termination benefits. Short-term benefits given by the Company to its employees include salaries and wages, social security, health insurance and housing contributions, short-term compensated absences, bonuses and other non-monetary benefits.

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

#### Compensated Absences

Compensated absences are recognized for the number of paid leave days (including holidays). They are included in the salaries and wages account and are recognized when paid at the end of every year to the employee.

#### Retirement or Post-employment Benefits

The Company is subject to the provisions 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 shall prevail where an employee, upon reaching the age of 60 years or more, but not beyond 65 years, who has served 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.

As at reporting dates, the Company has not yet established a Retirement Benefits Plan for its employees since no employee is entitled to date.

#### Termination Benefits

Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Company recognizes termination benefits when it is demonstrably committed to either (a) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (b) providing termination benefits as a result of an offer made to encourage voluntary redundancy.

#### **Borrowing costs**

Borrowing costs are generally recognized as expense in the year in which these costs are incurred. However, borrowing costs that directly attributable to the acquisition, construction or production of a qualifying asset are capitalized. Capitalization of borrowing costs commences when the activities necessary to prepare the asset for intended use are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the asset is available for their intended use. It includes interest expense, finance charges in respect of finance leases and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

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.



## **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.

## **Income Tax**

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

### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statements of comprehensive loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

### *Deferred tax*

Deferred tax is recognized on 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 dates 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 is 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 or directly in equity respectively.

### **Earnings (Loss) per Share**

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

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

### **Provisions and Contingencies**

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

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

Contingent liabilities are not recognized in the Company 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 Company financial statements.

### **Events after the Reporting Period**

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

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**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:

*Business Model Assessment*

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate, whether there has been a change in business model and so a prospective change to the classification of those assets.

*Significant Increase of Credit Risk*

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The input to these models is taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. These estimates may include considerations of liquidity, volatility and correlation.

*Classification of Financial Instrument*

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 statements of financial position.

#### Operating Lease Commitments – Company as Lessee

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

#### *Recognition of Deferred Income Taxes*

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations 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 are 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, subheading “*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:

#### *Assessment for allowance for expected credit losses*

The Company determines the allowance for ECL using general approach based on the probability-weighted estimate of the present value of all cash shortfalls over the expected life of financial assets at amortized cost. ECL is provided for credit losses that result from possible default events within the next 12-months unless there has been a significant increase in credit risk since initial recognition in which case ECL is provided based on lifetime ECL.

When determining if there has been a significant increase in credit risk, the Company considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the borrower.

The Company also considers financial assets that are more than 30 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent a significant risk in credit risk such as when non-payment was an administrative oversight rather than resulting from financial difficulty of the borrower.

The Company has assessed that the ECL on other financial assets at amortized cost is not material because the transactions with respect to these financial assets were entered into by the Company only with reputable banks and companies with good credit standing and relatively low risk of defaults. Accordingly, no provision for ECL on other financial assets at amortized cost was recognized as at September 30, 2023 and 2022. The carrying amounts of other financial assets at amortized cost are as follows:

	Sept. 2023	Sept. 2022
Cash*	6,061,101	2,227,759
Advances and other receivables	7,540,066	20,000
	<b>13,601,167</b>	<b>2,247,759</b>

*\*excluding petty cash fund of P50,000 as at September 30, 2023 and 2022*

#### *Assessment for Impairment of Non-financial Assets*

The Company assesses impairment on non-financial assets whenever events or changes in circumstances indicate that the carrying amount of the assets or group of assets may not be recoverable. The relevant factors that the Company considers in deciding whether to perform an asset impairment review include, among others, the following:

- Significant underperformance of a business in relation to expectations;
- Significant negative industry or economic trends; and
- Significant changes or planned changes in the use of the assets.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

The recoverable amount of the asset is the greater of the fair value less cost of disposal or value in use. The fair value less cost of disposal is the amount obtainable from the sale of an asset in an arm's-length transaction. 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.

No impairment loss on non-financial assets was recognized as at September 30, 2023 and 2022.

The carrying amounts of non-financial assets are as follows:

	Sept. 2023	Sept. 2022
Advances to contractors and suppliers	26,099,000	24,901,600
Property and equipment (net)	90,919,755	90,850,314
Construction-in-progress	570,053,413	505,592,899
	<b>687,072,168</b>	<b>623,662,572</b>

#### *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 and intangible assets 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:

<b>Categories</b>	<b>Estimated Useful Life</b>
Office furniture and equipment	5 years
Transportation and equipment	5 years

As at September 30, 2023 and 2022, the Company's property and equipment had carrying amounts of ₱90,919,755 and ₱90,850,314, respectively, as disclosed in Note 8.

#### *Asset impairment other than goodwill*

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

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

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

As at September 30, 2023 and 2022, Management believes that the recoverable amounts of the Company's property and equipment approximate its carrying amounts. Accordingly, no impairment loss was recognized in both years.

#### *Deferred tax assets*

The Company reviews the carrying amounts of deferred tax assets at each financial reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to be utilized. The Company'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 September 30, 2023, December 31, 2022 and 2021, 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 September 30, 2023, December 31, 2022 and 2021 amounted to ₱16,165,113, ₱10,721,535 and ₱10,320,567, respectively (see Note 15).

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**NOTE 6 - CASH**

This account consists of:

	<b>Sept. 2023</b>	Sept. 2022
Petty cash fund	<b>50,000</b>	50,000
Cash in banks	<b>8,174,538</b>	4,516,222
	<b>8,224,538</b>	4,566,222

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Cash includes petty cash fund and in banks that are unrestricted and available for current operations.

This is stated in the statements of financial position at face amount. Cash in banks generally earn interest at the prevailing bank's deposit rates.

Interest earned from cash in banks and cash equivalents accounts amounted to ₱3,146, ₱3,656 and ₱60,786 in September 30, 2023, 2022 and 2021, respectively, and is presented as "interest income" in the statements of comprehensive loss.

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**NOTE 7 - ADVANCES TO CONTRACTORS AND SUPPLIERS**

This account consists of:

	<b>Sept. 2023</b>	Sept. 2022
Advances to contractors <sup>1)</sup>	<b>18,033,600</b>	18,566,200
Advances to suppliers <sup>2)</sup>	<b>8,065,400</b>	6,335,400
	<b>26,099,000</b>	24,901,600

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

<sup>2)</sup> Advances to suppliers are down payments made to suppliers of medical equipment and/or construction materials ordered. The amounts represent 15% - 50% of the total contract price of the items purchased.

**NOTE 8 - PROPERTY AND EQUIPMENT (net)**

Reconciliation of property and equipment (net) as at September 30, 2023 is as follows:

	Land	Office Furniture and Equipment	Transportation Equipment	Total
<b>Cost:</b>				
At beginning of year	39,334,287	696,469	160,000	40,190,756
Additions	—	49,889	—	49,889
<b>At end of year</b>	<b>39,334,287</b>	<b>746,358</b>	<b>160,000</b>	<b>40,240,645</b>
<b>Accumulated depreciation:</b>				
At beginning of year	—	441,138	80,000	521,138
Depreciation	—	82,298	18,667	100,965
<b>At end of year</b>	<b>—</b>	<b>523,436</b>	<b>98,667</b>	<b>622,103</b>
<b>Revaluation increment on Land</b>	<b>51,301,213</b>	—	—	<b>51,301,213</b>
<b>Net carrying value, March 31, 2023</b>	<b>90,635,500</b>	<b>222,922</b>	<b>61,333</b>	<b>90,919,755</b>

Reconciliation of property and equipment (net) as at September 30, 2022 is as follows:

	Land	Office Furniture and Equipment	Transportation Equipment	Total
<b>Cost:</b>				
At beginning of year	39,334,287	545,989	160,000	40,040,276
Additions	—	—	—	—
<b>At end of year</b>	<b>39,334,287</b>	<b>545,989</b>	<b>160,000</b>	<b>40,040,276</b>
<b>Accumulated depreciation:</b>				
At beginning of year	—	376,415	48,000	424,415
Depreciation	—	42,760	24,000	66,760
<b>At end of year</b>	<b>—</b>	<b>419,175</b>	<b>72,000</b>	<b>491,175</b>
<b>Revaluation increment on Land</b>	<b>51,301,213</b>	—	—	<b>51,301,213</b>
<b>Net carrying value, June 30, 2022</b>	<b>90,635,500</b>	<b>126,814</b>	<b>88,000</b>	<b>90,850,314</b>

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 (Note 9) and is the subject of a real estate mortgage as disclosed in Note 11.

On June 7, 2019, the Company engaged an independent appraiser and determined the land's fair value at ₱90,635,500 as of appraisal date. This resulted to a revaluation increment on land amounting to ₱51,301,213 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.

Management has reviewed the carrying values of property and equipment as at September 30, 2023 and 2022, for any impairment. Based on the results of its evaluation, there are no indications that these assets are impaired.

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#### **NOTE 9 - CONSTRUCTION-IN-PROGRESS**

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

	As at end of year 2022	Amount of Transactions 2023	As at end of year Sept. 2023
Construction-In-Progress	531,051,726	39,001,687	570,053,413

During the development and construction of the hospital building, borrowing costs on interest-bearing loans were capitalized (see Note 11).

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

As certified by the Construction Manager of the Company, the percentage of completion as of report date is pegged at forty-five point thirty-seven percent (45.37%).

As at December 31, 2022, the total construction cost to complete the hospital building is estimated to be at ₱1,136,853,613.

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#### **NOTE 10 - ACCOUNTS PAYABLE AND OTHER LIABILITIES**

This account consists of:

	Sept. 2023	Sept. 2022
Retention payable <sup>1)</sup>	22,645,552	19,715,400
Accrued expenses <sup>2)</sup>	10,543,551	10,446,686
Accounts payable <sup>2)</sup>	16,671,749	2,536,865
Accrued interest payable <sup>4)</sup>	854,973	0
Statutory liabilities <sup>3)</sup>	298,996	488,361
	<b>51,014,821</b>	<b>33,187,312</b>

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

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

3) Statutory liabilities pertain to tax withheld from payment to suppliers, employees' compensation and statutory contributions to SSS, PHIC and HDMF.

4) Accrued interest payable refers to interest expense incurred on loans from bank (see Note 11).

#### NOTE 11 - NOTES PAYABLE

Notes payable as at December 31 consist of:	<b>Sept. 2023</b>	Sept. 2022
Current portion	—	—
Non-current portion	<b>214,292,000</b>	204,092,000
	<b>214,292,000</b>	204,092,000

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.

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

Total accumulated finance costs incurred on loans for financing the construction of hospital building which were capitalized to the building account amounted to ₱3,739,836 and ₱9,398,356 as at September 30, 2023 and 2022, respectively, and was capitalized to construction-in-progress account in the statements of financial position (see Note 9).

#### NOTE 12 - RELATED PARTY TRANSACTIONS

In the normal course of business, the Company transacts with companies/individuals, which are considered related parties. The following were carried out with related parties as at September 31, 2023 and 2022:

	Outstanding Balance	Amount of Transactions	Outstanding Balance	Amount of Transactions	Outstanding Balance		
Category	2021	2022	2022	Sept. 2023	Sept. 2023	Terms	Conditions
						Non-interest	
Advances from shareholders	-	35,455,567	35,455,567	-	<b>35,455,567</b>	bearing, to be paid in cash (a)	Unsecured, unguaranteed, not impaired

(a) Advances from shareholders

In a special meeting of the Board of Directors held on October 11, 2016, the directors and shareholders were mandated and empowered to contribute resources and make cash advances to the Company for the development of its medical structures and appurtenances.

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 a rough time to 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 the excess resources with the company ready for use in case needed. 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 2021, these advances from shareholders are now fully paid.

In 2022, however, there was immediate need of funds, thus, the company called on their founders to lend a hand which were positively answered. As at close of 2022, a total of P35,455,567 were reported as related account transaction.

Key Management Personnel Compensation

In a meeting held on November 16, 2018, the Board of Directors approved and ratified the payment of its key management personnel with salaries equivalent to the services they rendered in overseeing the pre-operating stage of the Company, which mainly pertains to the construction of the hospital building as of reporting date.

Key management compensation amounted to ₱5,401,000 and ₱7,235,000 for the periods ended September 30, 2023 and 2022, respectively. These amounts are incorporated in the “salaries and other benefits” account in the statements of comprehensive loss (see Note 14).

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

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**NOTE 13 - SHARE CAPITAL - net**

Details of the Company's share capital as at March 31, 2023 is as follows:

	No. of Shares	Amount
Authorized share capital – ₱1,000 par value		
Founders' 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 share capital:		
Founders' shares	600	600,000
Common shares	147,070	147,070,000
Preferred shares	60,000	60,000,000
Total subscribed share capital	207,670	207,670,000
Paid-up share capital (net of subscriptions receivable of ₱50,400,000):		
Founders' shares	600	600,000
Common shares	147,070	138,670,000
Preferred shares	60,000	18,000,000
Total paid-up share capital	207,670	157,270,000

Details of the Company's share capital as at September 30, 2022 is as follows:

	No. of Shares	Amount
Authorized share capital – ₱1,000 par value		
Founders' 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 share capital:		
Founders' shares	600	600,000
Common shares	143,010	143,010,000
Preferred shares	60,000	60,000,000
Total subscribed share capital	203,610	203,610,000
Paid-up share capital (net of subscriptions receivable of ₱50,400,000):		
Founders' shares	600	600,000
Common shares	143,010	134,610,000
Preferred shares	60,000	18,000,000
Total paid-up share capital	203,610	153,210,000

In 2018, the Company filed a registration application covering its proposed Initial Public Offering (IPO) of its 36,000 common shares. Said registration statement was approved on June 28, 2019, in accordance with the provisions of the SEC's Securities Regulation Code (see Note 1).

As of reporting date, pursuant to the SEC's approval, the Company issued a total of **FIFTEEN THOUSAND SIX HUNDRED SEVENTY (15,670)** common shares. The related share premium after deducting transaction costs associated with the issuance of shares amounted to ₱280,357,620. The common share offer price amounted to ₱250,000 up to ₱400,000 per block; [one (1) block is equivalent to ten (10) common shares].

Founders' shares have the exclusive right to vote and be voted upon as directors for five (5) years from the date of SEC registration. Thereafter, the holders of Founders' shares shall have the same rights and privileges as holders of common shares. The Company has forty-four (44) shareholders, each owning 100 or more shares of the Company's shares of stock as at September 30, 2023 and 2022.

Preferred shares shall be 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. 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

Details of account consists of:

Summary of Expenses	September 30		
	2023	2022	2021
Transportation and Travel Allowances	638,835	177,979	120
Honorarium	8,147,500	2,545,000	1,177,500
Salaries and Wages	8,486,886	5,261,920	4,262,756
13th Month Pay Expenses	102,669	0	0
Utilities Contribution (SSS/PHIC/HDMF)	178,379	45,610	52,079
Employees Welfare & Benefits	20,160	0	0
Board Meeting and Meals	97,049	11,212	19,770
Professional Fees	722,874	309,200	517,303
Office Supplies	100,989	68,613	42,562
Depreciation	100,965	70,545	70,545
Power, Light and Water & Telecom Exp.	77,789	6,571	20,561
Postage and Courier	4,235	0	0
Repairs and Maintenance	54,174	0	0
Rentals	200,812	120,000	0
Taxes and Licenses	2,357,013	39,818	28,387
Marketing Expenses	236,194	0	0
Advertising and Promotions	16,043	93,392	125,719
Bank Service Charges	3	200	50
Fuel Expenses	65,617	24,347	12,180
Trainings and Seminars	6,500	0	29,908
Penalties and Surcharges	82,751	0	0
Miscellaneous Expenses	76,877	151,046	112,057
<b>TOTAL EXPENSES</b>	<b>21,774,314</b>	<b>8,925,453</b>	<b>6,471,497</b>

## NOTE 15 – INCOME TAX

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

<b>I. Regular Corporate Income tax (RCIT)</b>	<b>Sept. 2023</b>	<b>2022</b>	<b>2021</b>
Net loss before income tax	(21,771,167)	(15,778,825)	(13,609,972)
Add (deduct) reconciling items:			
Interest income subjected to final tax (Note 6)	(3,146)	(4,010)	(62,925)
Net operating loss	(21,774,313)	(15,782,835)	(13,672,897)
Tax rate	25%	25%	25%
<b>RCIT</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>

## II. Minimum Corporate Income Tax (MCIT)

No MCIT computation is presented as there were no taxable revenues for the years 2022 and 2021. In 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.

## **CREATE LAW**

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.

The following are the key features of the CREATE Law that are relative to the Company:

### **A. Corporate Income Tax (CIT)**

1. Starting July 1, 2020, CIT rate for corporations will be reduced as follows:
  - a. Reduced CIT rate of 20% shall be applicable to domestic corporations with net taxable income not exceeding ₱5,000,000 and with total assets not exceeding ₱100 Million (excluding land on which the business entity’s office, plant and equipment are situated).
  - b. Reduced CIT rate of 25% shall be applicable to all other domestic and resident foreign corporations.
2. For the period beginning July 1, 2020 until June 30, 2023, minimum corporate income tax rate shall be 1%, instead of 2%.
3. Improperly accumulated earnings tax is repealed.
4. The option to be taxed at 15% of gross income if allowed by the President subject to certain conditions is repealed.

### **B. Deductions from Gross Income**

Due to the proposed reduction in corporate income tax (CIT) rate, interest arbitrage shall be reduced to 20% of interest income subjected to final tax, and will be further adjusted in case final tax on interest income will be adjusted in the future.

### **C. VAT Exempt Transactions**

1. Additional VAT exemption on sale or importation of the following goods from January 1, 2021 to December 31, 2023:
  - a. Capital equipment, its spare parts and raw materials, necessary to produce personal protective equipment component;
  - b. all drugs, vaccines and medical devices specifically prescribed and directly used for the treatment of COVID-19;
  - c. drugs, including raw materials, for the treatment of COVID-19 approved by the FDA for use in clinical trials
2. VAT exemption on sale or importation of prescription drugs and medicines for cancer, mental illness, tuberculosis, and kidney diseases will start on January 1, 2021 instead of January 1, 2023.

## **III. Net Operating Loss Carry Over**

As at September 30, 2023, the Company’s NOLCO that can be claimed as deduction from future taxable income follows:

<b>Year</b>	<b>Expiration</b>	<b>Beginning</b>	<b>Ending</b>
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<b>Incurred</b>	<b>date</b>	<b>balance</b>	<b>Additions</b>	<b>Expired</b>	<b>Claimed</b>	<b>Balance</b>
<b>NOLCO</b>						
<b>2019</b>	<b>2022</b>	<b>14,178,961</b>		<b>– (14,178,961)</b>	<b>–</b>	<b>–</b>

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. 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.

<b>Year</b>	<b>Expiration</b>	<b>Beginning</b>				<b>Ending</b>
<b>Incurred</b>	<b>date</b>	<b>balance</b>	<b>Additions</b>	<b>Expired</b>	<b>Claimed</b>	<b>Balance</b>
<b>NOLCO</b>						
2020	2025	13,430,409	–	–	–	13,430,409
2021	2026	13,672,897	–	–	–	13,672,897
2022	2025	15,782,835	–	–	–	15,782,835
<b>June</b>	<b>2026</b>	<b>–</b>	<b>21,774,313</b>	<b>–</b>	<b>–</b>	<b>21,774,313</b>
<b>2023</b>						
		<b>42,886,141</b>	<b>21,774,313</b>	<b>–</b>	<b>–</b>	<b>64,660,454</b>

#### **IV. Deferred Tax Asset**

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

	<b>June 2023</b>	<b>Dec. 2022</b>	<b>Dec. 2021</b>
NOLCO	<b>64,660,454</b>	42,886,141	41,282,267
Tax rate	<b>25%</b>	25%	25%
	<b>16,165,113</b>	10,721,535	10,320,567
Valuation allowance (Note 5)	<b>(16,165,113)</b>	(10,721,535)	(10,320,567)
	<b>–</b>	<b>–</b>	<b>–</b>

The Company provides full valuation allowance on its deferred tax assets from NOLCO since management believes that the Company will not be able to generate future taxable income in which such can be applied. The deferred tax asset of the Company arising from net operating loss carry over (NOLCO) prior to 2020 can be charged against future taxable income of the next three (3) years. On the other hand, deferred tax assets arising from NOLCO for the years 2020 and 2021 can be charged against future taxable income of the next five (5) taxable years pursuant to the CREATE Law (Note 15).

#### **NOTE 16 - BASIC LOSS PER SHARE**

Basic loss per share is computed as follows:

	<b>June 2023</b>	<b>Dec. 2022</b>	<b>Dec. 2021</b>
Loss attributable to ordinary shares	<b>(21,771,167)</b>	(15,778,825)	(13,609,972)
Divide by: Weighted average number of ordinary shares outstanding	<b>147,070</b>	143,920	142,350
Basic loss per share	<b>(148.03)</b>	(109.64)	(95.61)

There are no potential dilutive ordinary shares outstanding as at September 30, 2023, December 31, 2022 and 2021.

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**NOTE 17 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES****Financial Risk**

The Company's financial risk management policies seek to minimize potential adverse effects of financial risk such as credit risk, liquidity risk, and interest rate risk to its financial assets and financial liabilities.

The Company's principal financial assets and financial liabilities consist of cash (excluding petty cash fund), advances and other receivables, accounts payable and other liabilities (excluding government liabilities), notes payable and advances from shareholders which arise from operations. The Company's Board of Directors reviews and approves the policies for managing each of these risks and these are summarized below:

***Credit risk***

Credit risk is the risk that the third party will default on its obligation to the Company and cause the Company to incur financial loss. The Company's business policy aims to limit the amount of credit exposure to any individual client and financial institution. The Company has credit management



policies in place to ensure that contracts are entered into with clients who have sufficient financial capacity and good credit history.

The Company's financial assets at amortized cost are composed of cash and cash equivalents (excluding petty cash fund) and advances and other receivables. The Company limits its exposure to credit risk by investing its cash and cash equivalents only with banks that have good credit standing and reputation in the local and international banking industry. These instruments are graded in the top category by an acceptable credit rating agency and, therefore, are considered to be low credit risk investments.

Advances and other receivables are being monitored on a regular basis to ensure timely execution of necessary intervention efforts to minimize credit losses.

It is the Company's policy to measure ECL on the above instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

When determining if there has been a significant increase in credit risk, the Company considers reasonable and supportable information that is available without undue cost or effort and that is relevant for the particular financial instrument being assessed such as, but not limited to, the following factors:

- Actual or expected external and internal credit rating downgrade;
- Existing or forecasted adverse changes in business, financial or economic conditions; and
- Actual or expected significant adverse changes in the operating results of the borrower.

The Company also considers financial assets that are more than 30 days past due to be the latest point at which lifetime ECL should be recognized unless it can demonstrate that this does not represent significant credit risk such as when non-payment arising from administrative oversight rather than resulting from financial difficulty of the borrower.

The table below presents the summary of the Company's exposure to credit risk and shows the credit quality of the assets by indicating whether the assets are subjected to 12-month ECL or lifetime ECL. Assets that are credit-impaired are separately presented.

<b>As at September 30, 2023</b>				
	<b>Financial assets at amortized cost</b>			
	<b>12-month ECL</b>	<b>Lifetime ECL – not credit impaired</b>	<b>Lifetime ECL – credit impaired</b>	<b>Total</b>
<b>Cash*</b>	<b>6,061,101</b>	–	–	<b>6,061,101</b>
<b>Advances and other receivables</b>	<b>7,540,066</b>	–	–	<b>7,540,066</b>
	<b>13,601,167</b>	–	–	<b>13,601,167</b>

*\*excluding petty cash fund amounting to ₱50,000 as at September 30, 2023.*

<b>As at September 30, 2022</b>				
	<b>Financial assets at amortized cost</b>			
	<b>12-month ECL</b>	<b>Lifetime ECL – not credit impaired</b>	<b>Lifetime ECL – credit impaired</b>	<b>Total</b>
<b>Cash*</b>	<b>2,227,759</b>	–	–	<b>2,227,759</b>
<b>Advances and other receivables</b>	<b>20,000</b>	–	–	<b>20,000</b>
	<b>2,247,759</b>	–	–	<b>2,247,759</b>

*\*excluding petty cash fund amounting to ₱50,000 as at September 30, 2022.*

### ***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 and cash equivalents (excluding petty cash fund) and notes payable (Notes 6 and 11).

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

The Company's notes payable is exposed to prevailing interest rates subject to repricing based on the tenor of the benchmark rate used (see Note 11). However, upon management assessment, these do not present significant interest rate risk.

Interest rate risk, however, is directed to the portion of the Company's interest-bearing liability, loans payable to a related party, which carry fixed interest rate and are measured at amortized cost. The Company has no established policy in managing interest rate risk. Management believes that fluctuations on the interest rates will not have significant effect on the Company's financial performance.

### ***Liquidity Risk***

In the management of liquidity, the Company monitors and maintains a level of cash deemed adequate by the management to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

The table below summarizes the maturity profile of the Company's financial assets and liabilities based on contractual and undiscounted payments:

As at September 30, 2023

	On Demand	Within 1 year	More than 1 year but less than 5 years	More than 5 years	Total
<b><u>Financial Assets:</u></b>					
Cash*	6,061,101	—	—	—	6,061,101
Advances and other Receivables	7,540,066	—	—	—	7,540,066
	13,601,167	—	—	—	13,601,167

\*Excluding petty cash fund amounting to P50,000 as at September 30, 2023.

### **Financial Liabilities:**

Accounts payable and other liabilities**	50,715,825	—	—	—	50,715,825
Notes payable	—	—	45,001,320	169,290,680	214,292,000
	50,715,825	—	45,001,320	169,290,680	265,007,825

\*\*Excluding government liabilities amounting to P298,996 as at September 30, 2023.

As at September 30, 2022

	On Demand	Within 1 year	More than 1 year but less than 5 years	More than 5 years	Total
<b>Financial Assets:</b>					
Cash*	2,227,759	—	—	—	2,222,759
Advances and other receivables	20,000	—	—	—	20,000
	2,247,759	—	—	—	2,247,759

\*Excluding petty cash fund amounting to ₱50,000 as at September 30, 2022..

<b>Financial Liabilities:</b>					
Accounts payable and other liabilities**	32,698,951	—	—	—	32,698,951
Notes payable	—	—	54,043,559	150,048,441	204,092,000
	32,698,951	—	54,043,559	150,048,441	236,790,951

\*\*Excluding government liabilities amounting to ₱488,361 as at September 30, 2022.

## FAIR VALUES OF FINANCIAL INSTRUMENTS

The carrying amounts and estimated fair values of the Company's financial assets and financial liabilities are presented below:

	As at Sept. 30, 2023		As at Sept. 30, 2022	
	Carrying Amounts	Fair Values	Carrying Amounts	Fair Values
<b>Financial Assets:</b>				
Cash*	6,061,101	6,061,101	2,222,759	2,222,759
Advances and other receivables	7,540,066	7,540,066	20,000	20,000
	13,601,167	13,601,167	2,247,759	2,247,759

\*Excluding petty cash fund amounting to ₱50,000 as at September 30, 2023 and 2022.

<b>Financial Liabilities:</b>				
Accounts payable and other liabilities**	50,715,825	50,715,825	32,698,951	32,698,951
Notes payable	214,292,000	214,292,000	204,092,000	204,092,000
Advances from shareholders	35,455,567	35,455,567	27,750,000	27,750,000
	300,463,392	300,463,392	264,540,951	264,540,951

\*\*Excluding government liabilities amounting to ₱298,996 and ₱488,361 as at September 30, 2023 and 2022, respectively.

## Assumption Used to Estimate Fair Values

The carrying amounts of cash and cash equivalents, advances and other receivables, and accounts payable and other liabilities approximate their fair values as at reporting dates due to the short-term nature of the transactions.

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

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

## Fair Value Hierarchy

The Company uses the following hierarchy for determining the fair value of financial assets and liabilities:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3 - Inputs are unobservable for the asset or liability

The table below summarizes the classification of the Company's financial assets and liabilities based on the fair value measurement hierarchy:

As at September 30, 2023			
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Un- observable Inputs (Level 3)
<b>Financial Assets:</b>			
Cash*	6,061,101	—	—
Advances and other receivables	—	7,540,066	—
	<b>6,061,101</b>	<b>7,540,066</b>	<b>—</b>
*Excluding petty cash fund amounting to ₱50,000 as at September 30, 2023.			
<b>Financial Liabilities:</b>			
Accounts payable and other liabilities**	—	50,715,825	—
Notes payable	—	214,292,000	—
Advances from Shareholders	—	35,455,567	—
	—	<b>300,463,392</b>	<b>—</b>

\*\*Excluding government liabilities amounting to ₱298,996 as at September 30, 2023.

As at September 30, 2022			
	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Un- observable Inputs (Level 3)
<b>Financial Assets:</b>			
Cash*	2,227,759	—	—
Advances and other receivables	—	20,000	—
	<b>2,227,759</b>	<b>20,000</b>	<b>—</b>
*Excluding petty cash fund amounting to ₱50,000 as at June 30, 2022.			
<b>Financial Liabilities:</b>			
Accounts payable and other liabilities**	—	32,698,951	—
Notes payable	—	204,092,000	—
Advances from Shareholders	—	27,750,000	—
	—	<b>264,540,951</b>	<b>—</b>

\*\*Excluding government liabilities amounting to ₱488,361 as at September 30, 2022.

There were no reclassifications made between the different fair value hierarchy level as at September 30, 2023 and 2022.

## CAPITAL MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business, pay existing obligations and maximize shareholders value.

The Company manages capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust capital, the Company may adjust the dividend payment

to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended September 30, 2023 and 2022.

The following table pertains to the account balances the Company considers as its core economic capital:

	<b>September 2023</b>	September 2022
Share capital	<b>157,270,000</b>	153,210,000
Share premium	<b>280,357,620</b>	219,226,495
Revaluation increment on land	<b>51,301,213</b>	51,301,213
Deficit	<b>-88,919,886</b>	-65,104,448
	<b>400,008,947</b>	358,633,260

The loan agreement with Landbank (Note 11) provides certain restrictions and requirements with respect to, among others, maintenance of financial ratios (debt-to-equity ratio ,of 80:20), percentage of ownership of specific shareholders, creation of property encumbrances and additional guarantees for the incurrence of additional long-term indebtedness.

As of reporting dates, all covenants and requirements are complied with.

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#### **NOTE 18 - CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITES**

The following table summarizes the changes in liabilities arising from financing activities as at September 30, 2023 and 2022:

	<b>2022</b>	<b>Cash Inflows</b>	<b>Payments</b>	<b>Sept. 2023</b>
<b>Notes payable</b>	<b>214,292,000</b>	-	-	<b>214,292,000</b>
<b>Advances from shareholders</b>	<b>35,455,567</b>	-	-	<b>35,455,567</b>
	<b>249,747,567</b>	-	-	<b>249,747,567</b>

	<b>2021</b>	<b>Cash Inflows</b>	<b>Payments</b>	<b>Sept. 2022</b>
Notes payable	124,992,000	79,100,000	-	204,092,000
Advances from shareholders	-	27,750,000	-	27,750,000
	124,992,000	106,850,000	-	231,842,000

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#### **NOTE 19 - APPROVAL OF FINANCIAL STATEMENTS**

The financial statements of the Company as at and for the quarter ended September 30, 2023, including its comparative figures as at September 30, 2023 and for the quarter ended September 30, 2022, were approved and authorized for issuance by the Board of Directors on August 15, 2023.

## **SUPPLEMENTARY INFORMATION REQUIRED BY REVENUE REGULATION (RR)**

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

### ***Revenue Regulations (RR) 15-2010***

On November 25, 2010, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) 15-2010, which requires 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 quarter ended September 30 are follows:  
as

	<b>2023</b>
DST on additional loans capitalized to construction-in-progress	<b>0</b>
DST on additional subscription of shares charged to expense	<b>5,900</b>
	<b>76,393</b>

#### **Taxes and licenses**

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

	<b>2023</b>
Documentary stamp tax	<b>0</b>
Notarial fees	<b>300</b>
Real property tax	<b>0</b>
Business permits	<b>0</b>
Annual BIR registration fee	<b>0</b>
Others	<b>4,531</b>
	<b>4,831</b>

#### **Withholding Taxes**

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

	<b>2023</b>
Expanded withholding taxes	<b>841,391</b>
Compensation withholding tax	<b>312,449</b>
	<b>1,153,840</b>

#### **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 June 30, 2023.

***RR 19-2020 and RR 34-2020***

In 2020, the Bureau of Internal Revenue (BIR) issued the foregoing Revenue Regulations for the effective implementation of Philippine Accounting Standard No. 24 (PAS 24) governing the guidelines and procedures for "transfer pricing documentations" involving related party transactions thru the submission of BIR Form No. 1709 and the supporting documents, as an attachment to the financial statements to be filed with the BIR.

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

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