

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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Company Name

A	L	L	I	E	D	C	A	R	E	E	X	P	E	R	T	S	(A	C	E)					
M	E	D	I	C	A	L	C	E	N	T	E	R	-	Z	A	M	B	O	A	G	A	C	I	T	Y	,
I	N	C	.	(D	O	I	N	G	B	U	S	I	N	E	S	U	N	D	E	R	T	H	E		
N	A	M	E	A	N	D	S	T	Y	L	E	O	F	P	R	E	M	I	E	R						

Principal Office (No./Street/Barangay/City/Town)Province)

D	O	N	A	L	F	A	R	O	S	T	R	E	E	T	,	T	E	T	U	A	N	,			
Z	A	M	B	O	A	N	G	A	C	I	T	Y													

Form Type

A	F	S	
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Department requiring the report

S	E	C	
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Secondary License Type, if applicable

N	A		
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COMPANY INFORMATION

Company's Email Address

acemczamboanga@gmail.com

Company's Telephone Number/s

991-3928

Mobile Number

09177799878

No. of Stockholders

36

Annual Meeting
Month/Day

2nd Sunday of May

Fiscal Year
Month/Day

DECEMBER 31

CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

James Robertson Pichel

Email Address

acezamboanga.corpsec@gmail.com

Telephone Number/s

991-9893

Mobile Number

09177799816

Contact Person's Address

133 Canelar Street, Zamboanga City

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

**STATEMENT OF MANAGEMENT’S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of Allied Care Experts (ACE) Medical Center-Zamboanga City, Inc. (*Doing Business Under the Name and Style of Premier Medical Center Zamboanga*) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2022, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company’s financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein, and submits the same to the stockholders.

Mendoza Querido & Co., and Florivel M. De Jesus the independent auditors appointed by the stockholders for the year ended December 31, 2022, and December 31 2020 and 2021, respectively, have audited the financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, have expressed its opinion on the fairness of presentation upon completion of such audit.


ROMEO A. ONG, M.D.
Chairman of the Board


JAMES ROBERTSON C. PICHEL, M.D.
President


LIEZA G. SAHI, M.D.
Treasurer

NOTARY PUBLIC
JULIO A. ABUENAGA, JR.
Commission No. 23-193/01-28-2023 until 12-31-2024
Block E-43 & 44-E, Plaza del Pilar, Sta. Barbara Road,
Brgy. Zone IV, beside Hall of Justice, Zamboanga City
PTR No. 2845814; 01-09-2023; Z.C.
Roll of Atty. No. 76188, 05-04-2022
IBP No. 259013; 01-03-2023


ATTY. FATIMA RITZA A. ABUALAS
Notary Public for Zamboanga City
Commission No. 23-193/01-28-2023 until 12-31-2024
Block E-43 & 44-E, Plaza del Pilar, Sta. Barbara Road,
Brgy. Zone IV, beside Hall of Justice, Zamboanga City
PTR No. 2845814; 01-09-2023; Z.C.
Roll of Atty. No. 76188, 05-04-2022
IBP No. 259013; 01-03-2023
MCLE Exemption No. VIII-BEP002580; until 04-14-2028

Signed this 26th day of July 2023

DATE: 473
PAGE: 95
BOOK NO: 01
SERIES OF: 1000



Mendoza Querido & Co.

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169 H.V. de la Costa St., Salcedo Village
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PRC/BOA Accreditation No. 0966

September 22, 2020, valid until

August 22, 2023

SEC Accreditation No. 0966-SEC (Group A)

Issued November 24, 2020

Valid for Financial Periods 2020 to 2024

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Allied Care Experts (ACE) Medical Center-Zamboanga City, Inc.
*(Doing Business Under the Name and Style of
Premier Medical Center Zamboanga)*
Don Alfaro Street, Tetuan
Zamboanga City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Allied Care Experts (ACE) Medical Center-Zamboanga City, Inc. *(Doing Business Under the Name and Style of Premier Medical Center Zamboanga)* (the Company), which comprise the statement of financial position as at December 31, 2022, and the statement of comprehensive income, statement of changes in equity and statements of cash flows for the three year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and of its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audit in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The financial statements of the Company as of December 31, 2021 and for the years ended December 31, 2021 and 2020 were audited by another auditor whose report thereon dated June 30, 2022 expressed an unqualified opinion on those statements.



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PRC/BOA Accreditation No. 0966
September 22, 2020, valid until
August 22, 2023
SEC Accreditation No. 0966 SEC (Group A)
Issued November 24, 2020
Valid for Financial Periods 2020 to 2024

To the Stockholders and the Board of Directors
Allied Care Experts (ACE) Medical Center-Zamboanga City, Inc.
*(Doing Business Under the Name and Style of
Premier Medical Center Zamboanga)*
CNN and Go Law Office, 64 Tomas Claudio Street
Zamboanga City

We have audited the financial statements of Allied Care Experts (ACE) Medical Center-Zamboanga City, Inc. *(Doing Business Under the Name and Style of Premier Medical Center Zamboanga)* for the year ended December 31, 2022, on which we have rendered the attached report dated July 26, 2023.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the said Company has a total number of thirty-six (36) stockholders owning one hundred (100) or more shares each.

For the Firm: **MENDOZA QUERIDO & CO.**

RICHARD S. QUERIDO
Partner
CPA Certificate No. 84807
SEC Accreditation No. 84807-SEC (Group A)
Issued November 24, 2020
Valid for Financial Periods 2020 to 2024
TIN 102-094-633
BIR Accreditation No. 08-002617-002-2022
January 25, 2022, valid until January 24, 2025
PTR No. 9569440, January 7, 2023, Makati City

July 26, 2023

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

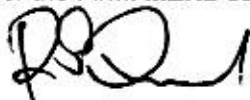
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties, license fees and schedules prescribed under existing revenue issuances in Note 19 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Richard S. Querido.

For the Firm: **MENDOZA QUERIDO & CO.**



RICHARD S. QUERIDO

Partner

CPA Certificate No. 84807

SEC Accreditation No. 84807-SEC (Group A)

Issued November 24, 2020

Valid for Financial Periods 2020 to 2024

TIN 102-094-633

BIR Accreditation No. 08-002617-002-2022

January 25, 2022, valid until January 24, 2025

PTR No. 9569440, January 7, 2023, Makati City

July 26, 2023

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER-ZAMBOANGA CITY, INC.
(Doing Business Under the Name and Style of Premier Medical Center Zamboanga)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2022
(With Comparative Figures for 2021)
(Amounts in Philippine Peso)

	2022	2021
ASSETS		
Current Assets		
Cash (Notes 2, 3, 4 and 5)	P51,004,080	P13,329,211
Input tax (Notes 2, 3 and 18)	80,125,502	63,939,839
Total Current Assets	131,129,582	77,269,050
Noncurrent Assets		
Property and equipment – net (Notes 2, 3, 6 and 18)	885,844,823	648,314,815
Intangible asset (Notes 2, 3 and 7)	155,224	173,661
Deposit (Notes 2 and 3)	4,609,112	–
Total Noncurrent Assets	890,609,159	648,488,476
TOTAL ASSETS	P1,021,738,741	P725,757,526
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 2, 3, 4 and 8)	P66,483,780	P64,518,527
Loans payable – current portion (Notes 2, 3, 4 and 9)	65,116,355	–
Income tax payable (Note 2)	534	–
Total Current Liabilities	131,600,669	64,518,527
Noncurrent Liability		
Loans payable (Notes 2, 3, 4 and 9)	672,183,645	607,500,000
Total Liabilities	803,784,314	672,018,527
Equity		
Share capital (Notes 2 and 4)	285,458,000	85,607,000
Deficit (Notes 2 and 4)	(67,503,573)	(31,868,001)
Total Equity	217,954,427	53,738,999
TOTAL LIABILITIES AND EQUITY	P1,021,738,741	P725,757,526

See accompanying Notes to Financial Statements.

AUG 24 2023

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER-ZAMBOANGA CITY, INC.
(Doing Business Under the Name and Style of Premier Medical Center Zamboanga)
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022
(With Comparative Figures for 2021 and 2020)
(Amounts in Philippine Peso)

	2022	2021	2020
OTHER INCOME (Note 2)	P53,393	P-	P-
EXPENSES (Notes 2 and 10)	(23,605,147)	(9,977,311)	(5,303,267)
FINANCE COST (Notes 2 and 9)	(12,083,284)	(5,258,906)	(1,152,183)
LOSS BEFORE INCOME TAX	(35,635,038)	(15,236,217)	(6,455,450)
PROVISION FOR INCOME TAX (Notes 2 and 13)	(534)	-	-
NET LOSS	(P35,635,572)	(P15,236,217)	(P6,455,450)
LOSS PER SHARE (Notes 2 and 14)	(P174.45)	(P123.87)	(P67.24)

There was no other comprehensive income during the years ended December 31, 2022, 2021 and 2020.

See accompanying Notes to Financial Statements.

AUG 24 2023

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER-ZAMBOANGA CITY, INC.
(Doing Business Under the Name and Style of Premier Medical Center Zamboanga)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2022

(With Comparative Figures for 2021 and 2020)

(Amounts in Philippine Peso)

	2022	2021	2020
AUTHORIZED SHARE CAPITAL (Notes 2 and 4)			
Common shares – 179,400 shares at P1,000 par value per share	P179,400,000	P179,400,000	P179,400,000
Founder's shares – 600 shares at P1,000 par value per share	600,000	600,000	600,000
Preferred shares – 180,000 shares at P1,000 par value per share	180,000,000	180,000,000	180,000,000
	<u>360,000,000</u>	<u>360,000,000</u>	<u>360,000,000</u>
SUBSCRIBED COMMON SHARES			
Balance at beginning of year – 150,400 shares in 2022, 137,650 shares in 2021 and 134,650 shares in 2020	150,400,000	137,650,000	134,650,000
Current year issuance – 4,000 shares in 2022 12,750 shares in 2021 and 3,000 shares in 2020	4,000,000	12,750,000	3,000,000
Balance at end of year – 154,400 shares in 2022 150,400 shares in 2021 and 137,650 shares in 2020	<u>154,400,000</u>	<u>150,400,000</u>	<u>137,650,000</u>
SUBSCRIBED FOUNDER'S SHARES			
600 shares	600,000	600,000	600,000
SUBSCRIBED PREFERRED SHARES			
Balance at beginning of year – 151,000 shares in 2022, 138,250 shares in 2021 and 135,250 shares in 2020	151,000,000	138,250,000	135,250,000
Current year issuance – 12,750 shares in 2021 and 3,000 shares in 2020	–	12,750,000	3,000,000
Balance at beginning of year – 151,000 shares in 2022 and 2021 and 138,250 shares in 2020	<u>151,000,000</u>	<u>151,000,000</u>	<u>138,250,000</u>
SUBSCRIPTION RECEIVABLE			
Balance at beginning of year	(216,393,000)	(225,000,000)	(234,500,000)
Additions during the year	(4,000,000)	(25,500,000)	(6,000,000)
Collections during the year	199,851,000	34,107,000	15,500,000
Balance at end of year	<u>(20,542,000)</u>	<u>(216,393,000)</u>	<u>(225,000,000)</u>
PAID-UP SHARE CAPITAL			
	285,458,000	85,607,000	51,500,000
DEFICIT (Notes 2 and 4)			
Balance at beginning of year	(31,868,001)	(16,631,784)	(10,176,334)
Net loss	(35,635,572)	(15,236,217)	(6,455,450)
Balance at end of year	<u>(67,503,573)</u>	<u>(31,868,001)</u>	<u>(16,631,784)</u>
	<u>P217,954,427</u>	<u>P53,738,999</u>	<u>P34,868,216</u>

See accompanying Notes to Financial Statements.

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER-ZAMBOANGA CITY, INC.
(Doing Business Under the Name and Style of Premier Medical Center Zamboanga)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

(With Comparative Figures for 2021 and 2020)

(Amounts in Philippine Peso)

	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	(P35,635,038)	(P15,236,217)	(P6,455,450)
Adjustments to reconcile pretax loss to cash:			
Finance cost (Note 9)	12,083,284	5,258,906	1,152,183
Depreciation (Notes 6 and 10)	4,859,954	256,901	225,930
Amortization (Notes 7 and 10)	18,437	10,714	-
Loss before working capital changes	(18,673,363)	(9,709,696)	(5,077,337)
Increase in input VAT	(16,185,663)	(31,967,936)	(22,973,398)
Increase in trade and other payables (Note 8)	1,965,253	63,327,029	1,187,140
Net cash generated by (used in) operating activities	(32,893,773)	21,649,397	(26,863,595)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment of deposit	(4,609,112)	-	-
Additions to property and equipment (Note 6)	(242,389,962)	(331,522,505)	(211,589,963)
Additions to intangible asset (Note 7)	-	(77,232)	(107,143)
Cash used in investing activities	(246,999,074)	(331,599,737)	(211,697,106)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from loans payable (Notes 9 and 15)	129,800,000	247,500,000	135,000,000
Proceeds from subscription of capital stock	199,851,000	34,107,000	15,500,000
Finance cost paid (Note 9)	(12,083,284)	(5,258,906)	(1,152,183)
Net cash provided by financing activities	317,567,716	276,348,094	149,347,817
NET INCREASE (DECREASE) IN CASH	37,674,869	(33,602,246)	(89,212,884)
CASH AT BEGINNING OF YEAR	13,329,211	46,931,457	136,144,341
CASH AT END OF YEAR	P51,004,080	P13,329,211	P46,931,457

See accompanying Notes to Financial Statements.

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER-ZAMBOANGA CITY, INC.
(Doing Business Under the Name and Style of Premier Medical Center Zamboanga)
NOTES TO FINANCIAL STATEMENTS

1. General Information

Allied Care Experts (ACE) Medical Center-Zamboanga City, Inc. (the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on December 18, 2015, primarily to establish, maintain, operate, own, and manage hospitals, medical and related healthcare facilities and business such as but without restriction to clinical laboratories, diagnostic centers, ambulatory clinics, condo-hospitals, scientific research, 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 August 17, 2019, the majority of the Board of Directors and the vote of the shareholders owning and representing at least two-thirds of the outstanding share capital approved the amendment of Article I of the Articles of Incorporation (AOI) by changing its name from Allied Care Experts (ACE) Medical Center-Zamboanga City, Inc. to Allied Care Experts (ACE) Medical Center-Zamboanga City, Inc. Doing Business Under the Name and Style of Premier Medical Center-Zamboanga City. On January 20, 2021, the SEC approved the amendment to the Articles of Incorporation of the Company to change its corporate name.

Its principal place of business is located at Don Alfaro Street, Tetuan, Zamboanga City.

The Company has nine (9) and seven (7) employees as at December 31, 2022 and 2021, respectively.

The accompanying financial statements of the Company for the years ended December 31, 2022 and 2021 were approved and authorized for issue by the Board of Directors on July 26, 2023.

2. Summary of Significant Accounting Policies and Disclosures

Basis of Preparation

The accompanying financial statements of the Company have been prepared on a historical cost basis, except as otherwise stated. Historical costs refer to the amount of cash paid to acquire an asset or, in the case of exchange, the fair value of the consideration given to acquire an asset. The financial statements are presented in Philippine peso, which is the functional and presentation currency under the Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest peso except as otherwise indicated.

Statement of Compliance

The accompanying financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). The term PFRS, in general, includes all applicable PFRS, Philippine Accounting Standards (PAS) and Interpretations issued by former Standing Interpretations Committee, the Philippine Interpretations Committee and the International Financial Reporting Interpretations Committee (IFRIC), which have been approved by the Philippine Financial Reporting Standards Council and adopted by the Philippine SEC.

Changes in Accounting Policies

The Company consistently adopted and applied all accounting policies under PFRS which have been issued and becomes effective except adoption of the following amendments effective beginning January 1, 2022. Adoption of these amendments to PFRS, PAS and Philippine Interpretations did not have any significant impact on the Company's financial position or performance unless otherwise indicated.

- Amendments to PFRS 3, "*Reference to the Conceptual Framework*"

The amendments updated the reference to the "*Conceptual Framework*" and an exception to its requirement for an entity to refer to the "*Conceptual Framework*" to determine what constitutes an asset or a liability. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying PFRS 3 should instead refer to PAS 37, "*Provisions, Contingent Liabilities and Contingent Assets*". This exception is to avoid an unintended consequence of updating the reference. Without the exception, an entity would have recognized some liabilities on the acquisition of a business that it would not recognize in other circumstances. Immediately after the acquisition, the entity would have had to derecognize such liabilities and recognize a gain that did not depict an economic gain.

The amendments will apply on future business combinations of the Company, if any.

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

The amendments prohibit from deducting the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The adoption of this amendment is not expected to have any significant impact on the financial statements.

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

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or 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 adoption of this amendment is not expected to have any significant impact on the financial statements.

Annual Improvements to PFRSs 2018-2020 Cycle

The Annual Improvements to PFRSs (2018-2020 cycle) are effective for annual periods beginning 2022 and are not expected to have a material impact on the Company.

- Amendments to PFRS 1, "*Subsidiary as a First-time Adopter*"

The amendment permits a subsidiary that measures the assets and liabilities at the carrying amounts that would be included in the parent's consolidated financial statements, based on the parent's date of transition to PFRSs, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary, to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRSs.

The adoption of this amendment is not expected to have any significant impact on the financial statements.

- Amendments to PFRS 9, "*Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*"

The improvements clarify the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

The adoption of this amendment is not expected to have any significant impact on the financial statements.

- Amendments to PFRS 16, "*Lease Incentives*"

The amendment removes reimbursement relating to leasehold improvements. PFRS 16 does not contain explicit guidance on how to account for leasehold improvements made by the lessee or when reimbursements made by the lessor in respect of those leasehold improvements can be regarded as lease incentives. Thus, created some confusion on how a lessee should account for such reimbursement by stating that the lessee should apply the appropriate standard and should not account for the reimbursement as a lease incentive. The standard had not clearly explained the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

The adoption of this amendment is not expected to have any significant impact on the financial statements.

- Amendments to PAS 41, "*Taxation in Fair Value Measurements*"

The amendment removes the requirement for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.

The adoption of this amendment is not expected to have any significant impact on the financial statements.

New Accounting Standards, Amendments to Existing Standards and Interpretations Effective Subsequent to December 31, 2022

The standards, amendments and interpretations which have been issued but not yet effective as at December 31, 2022 are disclosed below. Except as otherwise indicated, the Company does not expect the adoption of the applicable new and amended PFRS to have a significant impact on the financial position or performance.

Effective beginning on or after January 1, 2023

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

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

The adoption of this amendment is not expected to have any significant impact on the financial statements.

- Amendments to PAS 1 and PFRS Practice Statement 2, "*Disclosure Initiative – Accounting Policies*"

The amendments to PAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to PFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The adoption of this amendment is not expected to have any significant impact on the financial statements.

- Amendments to PAS 8, "*Definition of Accounting Estimates*"

The amendments clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

The adoption of this amendment is not expected to have any significant impact on the financial statements.

- Amendments to PAS 12, "*Deferred Tax related to Assets and Liabilities from a Single Transaction*"

The amendments require companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The proposed amendments will typically apply to transactions such as leases for the lessee and decommissioning obligations.

The adoption of this amendment is not expected to have any significant impact on the financial statements.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, "*Presentation of Financial Statements – Noncurrent Liabilities with Covenants*"

The amendments clarify how conditions with which an entity must comply within twelve months after the reporting date affect the classification of a liability. The amendments modify the requirements introduced by PAS 1, *Presentation of Financial Statements – Classification of Liabilities as Current or Noncurrent*, on how an entity classifies debt and other financial liabilities as current or noncurrent in particular circumstances. Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or noncurrent. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that noncurrent liabilities with covenants could become repayable within twelve months.

The adoption of this amendment is not expected to have any significant impact on the financial statements.

- Amendments to PAS 16, "*Leases – Lease Liability in a Sale and Leaseback*"

The amendments specify how a seller-lessee should apply the subsequent measurement requirements in PFRS 16 to the lease liability that arises in the sale and leaseback transaction. The amendments require a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss relating to the partial or full termination of a lease. The amendments also do not prescribe specific measurement requirements for lease liabilities arising from a leaseback.

The adoption of this amendment is not expected to have any significant impact on the financial statements.

Effective beginning on or after January 1, 2025

- PFRS 17, "*Insurance Contracts*"**

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, "*Insurance Contracts*". This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adoption for contracts with direct participation features (the variable fee approach)

- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

- Amendments to PFRS 17, "*Insurance Contracts*"**

The amendments, which respond to feedback from stakeholders, are designed to:

- Reduce costs by simplifying some requirements in the Standard;
- Make financial performance easier to explain; and
- Ease transition by deferring the effective date of the Standard to 2023 and by providing additional relief to reduce the effort required when applying PFRS 17 for the first time.

The amendments are not applicable to the Company since it does not have activities that are predominantly connected with insurance or issue insurance contracts.

- Amendment to PFRS 17, "*Initial Application of PFRS 17 and PFRS 9 – Comparative Information*"

The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements.

The adoption of this amendment is not expected to have any significant impact on the financial statements.

**On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of IFRS 17 by two (2) years after its effective date as decided by the IASB.*

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 address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3, "*Business Combinations*". Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the FRSC deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

These amendments may apply to future transactions of the Company.

- Deferment of Implementation of International Financial Reporting Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, "Borrowing Cost") for the Real Estate Industry

In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under par. 35 (c) of PFRS 15. IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under PAS 23 considering that these inventories are ready for their intended sale in their current condition.

On February 21, 2020, the Philippine SEC issued MC No. 4, Series of 2020, providing relief to the Real Estate Industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Effective January 2021, the Real Estate Industry will adopt the IFRIC agenda decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC agenda decision.

The adoption of this amendment is not expected to have any significant impact on the financial statements since the Company is not in a real estate industry.

No Mandatory Effective Date

- PFRS 9, "Financial Instruments (Hedge Accounting and Amendments to PFRS 9, PFRS 7 and PAS 39)"

The amendments require the inclusion of general hedge accounting model in the notes disclosure to the financial statements. The amendments allow early adoption of the requirement to present fair value changes due to own credit on liabilities designated as at fair value through profit or loss (FVPL) to be presented in the other comprehensive income.

These amendments are not applicable to the Company and expected not to have an impact on the financial statements.

Significant Accounting Policies

Current versus Noncurrent Classification

The Company presents assets and liabilities in the statements of financial position based on current or noncurrent classification. An asset is current if:

- 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 (12) months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

All other assets are classified 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 12 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 income tax assets and liabilities, if any, are classified as noncurrent assets and liabilities.

Fair Value Measurement

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

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

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

A fair value measurement of a nonfinancial 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 prices (unadjusted) 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 - Unobservable inputs for the asset or liability

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 re-assessing 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 assets or liabilities and the level of the fair value hierarchy.

Financial Instruments

Financial instrument is any contract that gives rise to a financial asset of one entity or a financial liability or equity instrument of another entity.

Date of Recognition

The Company recognizes a financial asset or a financial liability in the statements 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

Financial assets are recognized initially at fair value, which is the fair value of the consideration given. The initial measurement of financial assets, except for those designated at fair value through profit or loss (FVPL), includes transaction cost.

Classification

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

Financial Assets at Amortized Cost

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

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

After initial recognition, financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Financial assets at amortized cost are included under current assets if realizability or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

The Company's cash is classified under this category (see Note 5).

Debt Instruments at FVOCI

For debt instruments that are not designated at FVPL under the fair value option, the financial assets are measured at FVOCI if both of the following conditions are met:

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

After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment gains or losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are classified from equity to profit or loss as a reclassification adjustment.

As at December 31, 2022 and 2021, the Company does not have debt instruments at FVOCI.

Equity Instruments at FVOCI

For equity instruments that are not held for trading, the Company may irrevocably designate, at initial recognition, a financial asset to be measured at FVOCI when it meets the definition of equity instrument under PAS 32, "*Financial Instruments: Presentation*". This option is available and made on an instrument by instrument basis.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. All other gains or losses from equity instruments are recognized in OCI and presented in the equity section of the statements of financial position. These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods, instead, these are transferred directly to retained earnings.

As at December 31, 2022 and 2021, the Company does not have equity instruments at FVOCI.

Financial Assets at FVPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVOCI are classified under this category. Specifically, financial assets at FVPL include financial assets that are (a) held for trading, (b) designated upon initial recognition at FVPL, or (c) mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments.

This category includes debt instruments whose cash flows, based on the assessment at initial recognition of the assets, are not "solely for payment of principal and interest", and which are not held within a business model whose objective is either to collect contractual cash flows or to both collect contractual cash flows and sell.

This category also includes equity instruments which the Company had not irrevocably elected to classify at FVOCI at initial recognition.

After initial recognition, financial assets at FVPL are subsequently measured at fair value. Gains or losses arising from the fair valuation of financial assets at FVPL are recognized in profit or loss.

As at December 31, 2022 and 2021, the Company has no financial assets at FVPL.

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 of Financial Assets at Amortized Cost and FVOCI

The Company recognizes an allowance for ECL for all debt instruments not held at FVPL. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation to the asset's 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.

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

The Company considers a financial asset in default when contractual payments are 30 days past due unless it is demonstrated that the nonpayment was an administrative oversight rather than resulting from financial difficulty of the borrower. 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 before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Derecognition

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

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

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

Financial Liabilities

Initial Measurement

Financial liabilities are recognized initially at fair value, which is the fair value of the consideration received. In case of financial liabilities at amortized cost, the initial measurement is net of any directly attributable transaction costs.

Classification and Subsequent Measurement

The Company classifies its financial liabilities at initial recognition as either financial liabilities at FVPL or financial liabilities at amortized cost.

Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

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 as at fair value through profit or loss.

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

Financial liabilities at amortized cost

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

After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate.

Included in this category are the Company's trade and other payables (except government payables) and loans payable.

Derecognition

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

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 FVOCI to be measured at FVPL 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 Assets and Liabilities

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

Input VAT

Input VAT represents value-added tax (VAT) paid to suppliers that can be claimed as credit against the Company's VAT liabilities.

Property and Equipment

Property and equipment, except land, are carried at cost less accumulated depreciation and amortization and accumulated provision for any impairment in value, if any.

The initial cost of property and equipment comprises its purchase price and other costs directly attributable in bringing the assets to its working condition and location for its intended use. Expenditures incurred after the property have been put into operation, such as repairs and maintenance, are normally charged to income in the year the costs are incurred. In situations when it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance and the cost of such item can be measured reliably, the expenditures are capitalized as an additional cost of the said property and equipment.

Land is stated at cost less impairment in value, if any.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

<u>Property and Equipment</u>	<u>No. of years</u>
Container van and vehicles	10
Office and other equipment	5
Furniture and fixtures	10
Medical equipment and fixtures	10

The useful life and depreciation method are reviewed periodically to ensure that the period and method of depreciation are consistent with the expected pattern of economic benefits from items of property.

Construction in progress represents structures under constructions and is stated at cost (include cost of construction, machinery and equipment under installation and other related costs). Construction in progress is not depreciated until such time as the relevant assets are completed and ready for its intended use.

The carrying values of property and equipment are reviewed for impairment when events or changes in the circumstances indicate that the carrying values may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization are recognized in profit or loss.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit and loss in the period the asset is derecognized.

Intangible Asset

Intangible asset represents cost of software which is measured initially at cost and subsequently stated at cost less accumulated amortization and impairment loss, if any.

Cost of software comprises: (a) its purchase price, including any import duties and non-refundable purchase taxes, after deducting any trade discounts and rebates; and (b) any directly attributable cost of preparing it for its intended use.

Subsequent research costs are expensed outright when incurred and recognized as expense in the statement of comprehensive income. Development costs incurred subsequently are capitalized as part of the software account, only when it is clearly demonstrated that it is an intangible asset in which probable future economic benefits associated with it will flow to the Company and it can be measured reliably.

Amortization commences once the software is available for use and is computed on the straight-line basis over three years. Amortization ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is derecognized. Amortization charge for each period is recognized as expense in the statements of comprehensive income. The useful life of software is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets.

The carrying value of software is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

An item of intangible asset is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income in the year the asset is derecognized.

The assets residual values, amortization period and amortization methods are reviewed, and adjusted if appropriate, at each financial year end.

Deposit

Deposit represents refundable deposits in Zambonga City Electric Cooperative Inc. are stated at cost less allowance for impairment loss, if any, unless it gives rise to a present right to receive cash or another financial asset in which these are stated at amortized cost.

Impairment of Nonfinancial Assets

Property and equipment, input VAT, intangible asset and deposit are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists and where the carrying amount of an asset exceeds its recoverable amount, the asset or cash-generating unit (CGU) is written down to its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less cost to sell and value in use. The fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's-length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. 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. In determining fair value less cost to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other fair value indicators. Impairment losses are recognized in the statement of comprehensive income.

Recovery of impairment loss recognized in prior years is recorded on nonfinancial asset when there is an indication that the impairment loss recognized for the asset no longer exists or has decreased. The recovery is recorded in the statement of comprehensive income. However, the increased carrying amount of an asset due to a recovery of an impairment loss is recognized to the extent that it does not exceed the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognized for that asset in prior years.

Equity

Share Capital

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

The share capital is classified into founders' share, common share and preferred share.

Deficit

Deficit includes all current and prior period results as disclosed in the statement of comprehensive income.

Revenue Recognition

Revenue from contract with customers is recognized when the performance obligation in the contract has been satisfied, either at a point in time or over time. Revenue is recognized over time if one of the following criteria is met: (a) the customer simultaneously receives and consumes the benefits as the Company performs its obligations; (b) the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or (c) the Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date. Otherwise, revenue is recognized at a point in time.

The Company also assesses its revenue arrangements to determine if it is acting as a principal or as an agent.

Interest Income

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

Other Income

Income from other sources is recognized when earned during the period.

Cost and Expenses

Costs and expenses are recognized in the statement of comprehensive income upon utilization of the service or goods or at the date these are incurred or received.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Interest and other finance costs incurred during the construction period on borrowings used to finance property development are capitalized to the appropriate asset accounts.

The capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. The capitalization of these borrowing costs ceases when substantially all activities necessary to prepare the asset for sale or its intended use are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Employee Benefits

Short-term Benefits

Short-term employee benefits are those benefits expected to be settled wholly before 12 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.

Leases

The Company assesses whether the contract is, or contains, a lease. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, it has the following:

- the contract involves an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Company has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Company has the right to direct the use of the asset. The Company when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. The Company has the right to direct the use of the asset of either:
 - a. the Company has the right to operate the asset; or
 - b. the Company designed the asset in a way that predetermines how and for what purpose it will be used.

Short-term Leases and Leases of Low-Value Assets

The Company applies the short-term lease recognition exemption to its short-term leases of office space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Related Parties

Parties were considered to be related if one party has the ability, directly or indirectly, to control the other party or exercises significant influence over the other party in making financial and operating decisions. Parties were also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Transactions between related parties are based on terms similar to those offered to non-related parties.

Income Taxes

Current Income Tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting period.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the profit or loss.

Deferred Income Tax

Deferred income tax is provided using the liability method on temporary differences at the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences except: (1) when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (2) in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carry-over (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefit of unused tax credits and unused tax losses can be utilized except: (1) when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (2) in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Provisions

Provisions are recognized when the Company has present obligations, legal or constructive, as a result of past events, when 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. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income, net of any reimbursements. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized as interest expense.

Contingencies

Contingent liabilities are not recognized in the financial statements. These 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 are disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Loss Per Share

Basic loss per share is calculated by dividing the net loss (less preferred dividends net of tax, if any) for the year attributable to common shareholders by the weighted average number of common shares outstanding during the year, with retroactive adjustment for any stock dividends or stock splits declared during the year.

Diluted loss per share is computed by dividing net loss by the weighted average number of common stocks outstanding during the year, after giving retroactive effect for any stock dividends, stock splits or reverse stock splits during the year, and adjusted for the effect of dilutive options.

Events After the Reporting Period

Post year-end events that provide additional information about the Company's financial position at the end of the reporting period (adjusting events) are reflected in the financial statements. Post year-end events that are not adjusting events are disclosed in the notes to financial statements when material.

3. Significant Judgments, Accounting Estimates and Assumptions

The preparation of the financial statements in conformity with PFRS requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities at the reporting date. The uncertainties inherent in these judgments and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in future years.

Judgments

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 statements 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 Instruments

The Company classifies its financial assets and financial liabilities in the following measurement categories: i) those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss) and ii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Determination Whether an Arrangement Contains a Lease

The Company uses its judgment in determining whether an arrangement contains a lease, based on the substance of the arrangement at inception date and makes assessment whether the arrangement is dependent on the use of a specific asset or assets, the arrangement conveys a right to use the asset and the arrangement transfers substantially all the risks and rewards incidental to ownership to the Company.

The details of these lease agreements are disclosed in Note 11.

Determining the Lease Term of Contracts with Renewal and Termination Options – Company as Lessee

The Company determines the lease term as the noncancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has lease contract that includes extension and termination options. The Company applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Company did not include the renewal period as part of the lease term for lease of its temporary office space even though the Company typically exercises its option to renew this lease because the Company does not have enforceable right to extend the lease beyond the noncancellable period.

Determining the Fair Values of Financial Instruments

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 valuation techniques including the discounted cash flows model. The inputs to this model are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed as follows:

Assessment for ECL on Other Financial Assets at Amortized Cost

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.

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.

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 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 in 2022 and 2021. The carrying amounts of other financial assets at amortized cost is as follows:

	2022	2021
Cash in banks	P50,836,040	P13,271,420

Assessment for Impairment of Nonfinancial Assets

The Company assesses impairment on nonfinancial 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 CGU 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 nonfinancial assets was recognized for the years ended December 31, 2022 and 2021. The carrying amounts of nonfinancial assets are as follows:

	2022	2021
Input tax	P80,125,502	P63,939,839
Property and equipment	885,844,823	648,314,815
Intangible asset	155,224	173,661
Deposit	4,609,112	-
	P970,734,661	P712,428,315

Estimating Useful Lives of Property and Equipment, Except Land

The estimated useful lives used as bases for depreciating the Company's property and equipment, excluding land, were determined on the basis of management's assessment of the period within which the benefits of these asset items are expected to be realized taking into account actual historical information on the use of such assets.

The carrying amount of property and equipment, except land, amounted to P853,432,119 and P815,902,111 as at December 31, 2022 and 2021, respectively (see Note 6).

Estimated Useful Life of Intangible Asset

The useful life of intangible assets is assessed at the individual asset level as having either a finite or indefinite life. Intangible assets are regarded to have an indefinite useful life when, based on analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Company. The useful life of tangible asset with definite life is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice and experience with similar assets.

Amortization of intangible asset is computed on the straight-line basis over the useful life of ten (10) years. The estimated useful life and amortization method are reviewed from time to time to ensure that these are consistent with the expected economic benefits of the intangible asset.

The carrying values of intangible asset amounted to P155,224 and P173,661 as at December 31, 2022 and 2021, respectively (see Note 7).

Recognition of Deferred Tax Assets

The Company reviews the carrying amounts of deferred tax assets at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

The management believes that the Company will not be able to realize the NOLCO in the future. The Company provided full valuation allowance on its NOLCO, thus, no deferred tax asset was set up in 2022 and 2021.

4. Financial Risk Management Objectives and Capital Management

Financial Risk Management Objectives and Policies

The main purpose of the Company's financial instruments is to fund its operations. The Company's principal financial instruments arising from operations consist of cash, trade and other payables (excluding government liabilities) and loans payable. The main risks from the use of financial instruments are credit and liquidity risk.

The Company does not have foreign currency risk because the Company has no monetary assets and liabilities denominated in foreign currency for the years ended December 31, 2022 and 2021.

The Company's Board of Directors reviews and approves the policies for managing each of these risks and these are summarized below:

Credit Risk

The Company's exposure to credit risk arises from the failure on the part of its counterparty in fulfilling its financial commitments to the Company under the prevailing contractual terms. Financial instruments that potentially subject the Company to credit risk consist primarily of other financial assets at amortized cost.

The carrying amounts of financial assets at amortized costs represent its maximum credit exposure.

Other Financial Assets at Amortized Cost

The Company's other financial assets at amortized cost is cash in banks. The Company limits its exposure to credit risk by investing its cash 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.

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 arises 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.

December 31, 2022				
Financial asset at amortized cost				
	12-month ECL	Lifetime ECL – not credit impaired	Lifetime ECL – credit impaired	Total
Cash in banks	P50,836,040	P–	P–	P50,836,040

December 31, 2021				
Financial asset at amortized cost				
	12-month ECL	Lifetime ECL – not credit impaired	Lifetime ECL – credit impaired	Total
Cash in banks	P13,271,420	P–	P–	P13,271,420

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.

To meet the Company's short-term obligations and funding for the construction of its building and purchase of medical equipment and furnitures, the Company will call for payment of the subscription receivable from the stockholders. Also, the Company secured from Development Bank of the Philippines a credit line facility in 2018 and 2021 as one of it sources in funding the construction of hospital building and purchase of medical equipment and furniture.

The table below summarizes the maturity profile of the Company's financial assets and liabilities as at December 31, 2022 and 2021 based on contractual and undiscounted payments.

As at December 31, 2022

	On Demand	Within 1 year	1 to 5 years	More than 5 years	Total
Financial liabilities:					
Accounts payable	P-	P65,006,112	P-	P-	P65,006,112
Accrued expense	-	1,256,748	-	-	1,256,748
Loans payable	-	65,116,355	342,442,514	329,741,131	737,300,000
	P-	P131,379,215	P342,442,514	P329,741,131	P603,562,860
Financial assets:					
Cash	P51,004,000	P-	P-	P-	P51,004,000

As at December 31, 2021

	On Demand	Within 1 year	1 to 5 years	More than 5 years	Total
Financial liabilities:					
Accounts payable	P-	P64,294,764	P-	P-	P64,294,764
Loans payable	-	-	259,004,012	348,495,988	607,500,000
	P-	P64,294,764	P259,004,012	P348,495,988	P671,794,764
Financial assets:					
Cash	P13,329,211	P-	P-	P-	P13,329,211

Fair Values of Financial Instruments

The historical cost carrying amounts of the Company's financial assets and financial liabilities are all subject to normal credit terms, and are short-term in nature, and approximate their fair values. Details are as follows:

	2022	2021
Financial assets:		
Cash	P51,004,080	P13,329,211
Financial liabilities:		
Accounts payable	P65,006,112	P64,294,764
Accrued expense	1,256,748	-
Loans payable	737,300,000	607,500,000
	P803,562,860	P671,794,764

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 shareholder 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 December 31, 2022 and 2021.

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

	2022	2021	2020
Share capital	P285,458,000	P85,607,000	P51,500,000
Deficit	(67,503,573)	(31,868,001)	(16,631,784)
	P217,954,427	P53,738,999	P34,868,216

5. Cash

This account consists of:

	2022	2021
Cash on hand	P168,040	P57,791
Cash in banks	50,836,040	13,271,420
	P51,004,080	P13,329,211

6. Property and Equipment

This account consists of:

	2021	Additions	Disposal	2022
Cost:				
Land	P32,412,704	P-	P-	P32,412,704
Construction in progress	557,372,311	183,475,141	-	740,847,452
Medical equipment and fixtures	10,857,143	39,272,297	-	50,129,440
Office and other equipment	16,178,863	16,088,495	-	32,267,358
Furniture and fixtures	29,920,958	510,622	-	30,431,580
Container van and vehicles	2,232,643	3,043,407	-	5,276,050
	<u>648,974,622</u>	<u>242,389,962</u>	<u>-</u>	<u>891,364,584</u>
Accumulated depreciation:				
Office and other equipment	256,655	1,644,594	-	1,901,249
Furniture and fixtures	9,252	2,992,096	-	3,001,348
Container van and vehicles	393,900	223,264	-	617,164
	<u>659,807</u>	<u>4,859,954</u>	<u>-</u>	<u>5,519,761</u>
Net book value	P648,314,815			P885,844,823
	2020	Additions	Disposal	2021
Cost:				
Land	P32,412,704	P-	P-	P32,412,704
Construction in progress	281,289,561	276,082,750	-	557,372,311
Medical equipment and fixtures	1,785,714	9,071,429	-	10,857,143
Office and other equipment	604,875	15,573,988	-	16,178,863
Furniture and fixtures	46,263	29,874,695	-	29,920,958
Container van and vehicles	1,313,000	919,643	-	2,232,643
	<u>317,452,117</u>	<u>331,522,505</u>	<u>-</u>	<u>648,974,622</u>
Accumulated depreciation:				
Office and other equipment	135,680	120,975	-	256,655
Furniture and fixtures	4,626	4,626	-	9,252
Container van and vehicles	262,600	131,300	-	393,900
	<u>402,906</u>	<u>256,901</u>	<u>-</u>	<u>659,807</u>
Net book value	P317,049,211			P648,314,815

Land pertains to properties located in Don Alfaro Street, Tetuan, Zamboanga City, where its hospital building is being constructed.

Construction in progress pertains to building under construction to be used as hospital building upon completion.

Beginning 2016, the Company entered into contracts with various contractors and suppliers for the construction of its hospital building.

The total estimated cost for the construction of the hospital building is P1.3 billion. The total estimated cost for the whole project until full operation is P2 billion.

As per construction manager, the estimated percentage of completion of the construction as at December 31, 2022 are as follows:

Description	Progress Report
General requirements	100.00%
Earth works	100.00%
Pile driving works	100.00%
Structural works	100.00%
Masonry works	100.00%
Architectural works	98.00%
Mechanical works	98.49%
Electrical works	95.92%
Sanitary and plumbing works	98.45%
Fire protection works	98.52%

Construction of the hospital building is estimated to be completed by the 4th quarter of 2023.

The Company entered into two term loan agreements with the Development Bank of the Philippines (DBP) in 2018 and in 2021 to finance the construction of hospital building and purchase of medical equipment and furniture (see Note 9).

Borrowing cost from loan related to construction of hospital building were capitalized as part of the construction in progress amounting to P23,311,094 and P22,115,625 in 2022 and 2021, respectively.

The carrying amount of the assets held as collaterals as of December 31, 2022 and 2021 are as follows.

	2022	2021
Land	P32,412,704	P32,412,704
Construction in progress	740,847,452	557,372,311
Medical equipment and fixture	50,129,440	10,857,143
	<u>P823,389,596</u>	<u>P600,642,158</u>

There were no amount of compensations received from any third parties for items of property and equipment that were impaired, lost or given up.

No impairment loss was recognized in 2022, 2021 and 2020.

The carrying values of the property and equipment approximate their fair values.

7. Intangible Asset

The following are the movements of software:

	2021	Additions	Disposal	2022
Cost	P184,375	P-	P-	P184,375
Accumulated amortization	10,714	18,437	-	29,151
Net book value	P173,661			P155,224

	2020	Additions	Disposal	2021
Cost	P107,143	P77,232	P-	P184,375
Accumulated amortization	-	10,714	-	10,714
Net book value	P107,143			P173,661

No impairment loss was recognized in 2022, 2021 and 2020.

The carrying value of the intangible asset approximate its fair value.

8. Trade and Other Payables

This account consists of:

	2022	2021
Accounts payable	P65,006,112	P64,294,764
Accrued expense	1,256,748	-
Withholding tax payable	165,943	188,393
SSS/PHIC/HDMF payable	54,977	35,370
	P66,483,780	P64,518,527

Accounts payable pertains to short-term, unsecured, noninterest-bearing payable to other party.

Accrued expense pertains to unpaid professional fees, security expense, outside services and other expenses incurred but not yet paid as at December 31, 2022.

9. Loans Payable

In 2018, the Company entered into a Term Loan Agreement with Development Bank of the Philippines (DBP) for loan and credit accommodations to finance the construction of the hospital building. The Term Loan Agreement is secured by the land including the buildings and all improvements.

The terms and conditions of the Term Loan Agreement were as follows:

- principal amount is payable monthly beginning March 2, 2023 until February 2, 2034
- effective interest rate is 5.25% per annum and payable monthly
- conduct its business in an orderly, efficient and customary manner
- maintain adequate books, accounts and records
- comply with applicable laws, statutes, rules, regulations, orders and directives of any government agency
- pay all indebtedness and perform all contractual obligations promptly and in accordance with the terms
- deliver to the lender its financial statements

- h) promptly give written notice any legal proceedings and other matters
- i) open and maintain depository account
- j) environmental compliance
- k) not make or permit any material change in the character of its business, or engage in any business operation or activity other than authorized by law
- l) not permit any material change in ownership or control of its business or of its capital stock or in the composition of top-level management
- m) not incur additional loan
- n) not act as guarantor or surety
- o) not declare or pay dividends
- p) not sell, lease, transfer or dispose all or substantially the properties and assets
- q) not extend any loans, advances or subsidies
- r) not create or suffer to exist any lien, security interest, or other charge or encumbrance , or any other type of preferential arrangement
- s) not permit the debt to equity ratio to exceed 2.1:1
- t) not permit the current ratio to be less than 1:1

In 2021, the Company entered into a Term Loan Agreement with DBP for loan and credit accommodations to finance the acquisition of various hospital equipment and building utilities. The Term Loan Agreement is secured by the Security Agreement for Movable Property to be registered under the Personal Property Security Act when the system is in place and Deed of Assignment of receivables from Philippine Health Insurance Corporation.

The terms and conditions of the Term Loan Agreement were as follows:

- a) principal amount is payable monthly beginning February 5, 2023 until July 5, 2031
- b) effective interest rate is 5.5% per annum and payable monthly
- c) conduct its business in an orderly, efficient and customary manner
- d) maintain adequate books, accounts and records
- e) comply with applicable laws, statutes, rules, regulations, orders and directives of any government agency
- f) pay all indebtedness and perform all contractual obligations promptly and in accordance with the terms
- g) deliver to the lender its financial statements
- h) promptly give written notice any legal proceedings and other matters
- i) open and maintain depository account
- j) environmental compliance
- k) not make or permit any material change in the character of its business, or engage in any business operation or activity other than authorized by law
- l) not permit any material change in ownership or control of its business or of its capital stock or in the composition of top-level management
- m) not incur additional loan
- n) not act as guarantor or surety
- o) not declare or pay dividends
- p) not sell, lease, transfer or dispose all or substantially the properties and assets
- q) not extend any loans, advances or subsidies
- r) not create or suffer to exist any lien, security interest, or other charge or encumbrance , or any other type of preferential arrangement
- s) not permit the debt to equity ratio to exceed 2.33:1
- t) not permit the current ratio to be less than 1:1

The movements of the loans payable are as follows:

	2022	2021
Construction loan		
Balance at beginning of year	P427,500,000	P360,000,000
Additions	15,000,000	67,500,000
Payments	-	-
Balance at end of year	442,500,000	427,500,000
Equipment loan		
Balance at beginning of year	180,000,000	-
Additions	114,800,000	180,000,000
Payments	-	-
Balance at end of year	294,800,000	180,000,000
Total	737,300,000	607,500,000
Less current portion	65,116,355	-
Noncurrent portion	P672,183,645	P607,500,000

The Company incurred borrowing cost as follows:

	2022	2021
Construction loan		
Interest	P23,311,094	P22,115,625
Documentary stamp tax	112,500	506,250
Gross receipts tax	233,110	221,156
Equipment loan		
Interest	10,768,983	3,150,000
Documentary stamp tax	861,000	1,350,000
Gross receipts tax	107,691	31,500
	P35,394,378	P27,374,531

Interest incurred from loan related to construction of hospital building were capitalized as part of the construction in progress amounting to P23,311,094 and P22,115,625 in 2022 and 2021, respectively.

Interest incurred from loan amounted to P12,083,284, P5,258,906 and P1,152,183 in 2022, 2021 and 2020, respectively, charged as finance cost in the statement of comprehensive income.

10. Expenses

This account consists of:

	2022	2021	2020
Depreciation (Note 6)	P4,859,954	P256,901	P225,930
Salaries and wages	4,820,640	2,978,064	1,402,885
Insurance	3,184,419	-	1,088,009
Security services	3,019,532	2,295,244	436,425
Professional fees	2,098,712	796,357	638,143
Communication, light and water	1,543,177	1,768,792	421,882
Taxes and licenses	1,278,231	18,948	13,641
Directors' fee	660,000	-	-
Supplies	485,333	696,668	188,343
SSS, PHIC and HDMF contributions	390,105	161,806	84,820
Outside services	305,103	294,923	54,977
Transportation and travel	215,174	124,368	123,709
Representation	202,000	-	-
Fuel and oil	186,697	7,225	-
Meetings and forums	157,097	242,659	40,759
Donation	44,134	89,869	207,054
Amortization (Note 7)	18,437	10,714	-
Trainings and seminars	12,500	-	18,000
Repairs and maintenance	5,357	39,458	-
Rent (Note 11)	-	-	336,960
Miscellaneous	118,545	196,315	21,730
	P23,605,147	P9,977,311	P5,303,267

11. Lease Agreement

The Company entered into a contract of lease for its office space. The lease contract was terminated in 2020.

Rent expense charged to operations amounted to nil in 2022 and 2021, and P336,960 in 2020 (see Note 10).

As at December 31, 2022, 2021 and 2020, the Company has no outstanding commitments under non-cancellable operating leases.

12. Related Party Disclosure

Related party relationships exist 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 relationship also exists between and/or among entities, which are under common control with the reporting enterprises and its key management personnel, directors, or its shareholders.

In considering each related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Related parties may be individuals or corporate entities.

Compensation of Key Management Personnel

	2022	2021	2020
Short-term benefits	P-	P-	P-
Retirement benefits	-	-	-
Directors' fees	660,000	-	-
	P660,000	P-	P-

13. Income Tax

The provision for income tax for 2022 represents MCIT.

The following are the computations of MCIT:

	2022	2021	2020
Taxable income	P53,393	P-	P-
Tax due at 1%	P534	P-	P-

The reconciliation of the tax computed at statutory tax rate to provision for income tax follow:

	2022	2021	2020
Tax at applicable statutory income tax rate	(P8,908,760)	(P3,809,054)	(P1,613,863)
Adjustments for:			
Nondeductible representation	50,367	-	-
Unrecognized deferred tax assets	8,858,927	3,809,054	1,613,863
	P534	P-	P-

As at December 31, 2022, the Company has NOLCO which can be carried forward as a deduction for the next three consecutive taxable years immediately following the year of such loss, under certain conditions, as provided under Section 34(D) of the Tax Code. Details are as follows:

Date Incurred	Amount	Applied/ Expired	Remaining Balance	Expiry Date
December 31, 2022	P35,433,572	P-	P35,433,572	2025
December 31, 2019	4,051,473	(4,051,473)	-	2022
	P39,485,045	(P4,051,473)	P35,433,572	

As at December 31, 2022, the Company has NOLCO in taxable years 2021 and 2020 which can be carried forward as a deduction for the next five consecutive taxable years immediately following the year of such loss, pursuant to the Bayanihan to Recover As One Act. Details are as follows:

Date Incurred	Amount	Applied/ Expired	Remaining Balance	Expiry Date
December 31, 2021	P15,236,217	P-	P15,236,217	2026
December 31, 2020	6,455,450	-	6,455,450	2025
	P21,691,667	P-	P21,691,667	

Details of Company's MCIT which can be claimed as tax credits against regular income tax are as follows:

Date Incurred	Amount	Applied/ Expired	Remaining Balance	Expiry Date
December 31, 2022	P534	P-	P534	2025

The management believes that the Company will not be able to realize the tax benefits from NOLCO and MCIT in the future. The Company provided full valuation allowance on its NOLCO and MCIT, thus, no deferred tax asset was set up.

14. Loss Per Share

Basic loss per share is computed as follows:

	2022	2021	2020
Net loss	(P35,635,572)	(P15,236,217)	(P6,455,450)
Weighted average number of shares outstanding	204,275	123,000	96,000
Basic loss per share	(P174.45)	(P123.87)	(P67.24)

There were no common stock equivalents outstanding that would require calculation of diluted loss per share.

15. Changes in Liabilities Arising from Financing Activities

The following table summarizes the changes in liabilities arising from financing activities:

	2021	Cash flows	Foreign exchange movement	2022
Loans payable	P607,500,000	P129,800,000	P-	P737,300,000

	2020	Cash flows	Foreign exchange movement	2021
Loans payable	P360,000,000	P247,500,000	P-	P607,500,000

	2019	Cash flows	Foreign exchange movement	2020
Loans payable	P225,000,000	P135,000,000	P-	P360,000,000

16. Impact of Coronavirus of 2019 (COVID-19) Update

The Company has been exposed to the risks brought about by COVID-19, a novel strain of coronavirus, which has rapidly spread worldwide and reached a pandemic magnitude as it continues to affect more and more countries and territories.

On March 16, 2020, the President of the Philippines issued Proclamation No. 929 declaring a state of calamity throughout the Philippines due to COVID-19 which resulted to the imposition of an Enhanced Community Quarantine throughout Luzon starting midnight of March 16, 2020 until May 15, 2020. As of to date, Zamboanga City is under Alert Level 1 quarantine classification.

The enhanced community quarantine, travel restrictions, temporary closure of different establishments, and social distancing measures imposed by the government exposed the Company's operations to risks that may impact its financial performance.

The construction of Company's hospital building has started in June 2016. However, due to COVID-19 outbreak, delivery of construction supplies was postponed and deployment of engineers and construction workers were postponed resulting to a delay in the construction of the hospital building. Upon the lifting of some quarantine restrictions particularly sea travel, the contractor continues the construction and catches up with the delay.

The events surrounding the outbreak did not have a significant impact to the Company's financial position and performance as at and for the year ended December 31, 2022. Nevertheless, the Company will continue to monitor the situation.

17. Events After the End of the Reporting Period

No events occurred between the statements of financial position date and the date on which these financial statements were approved by the Company's Board of Directors that would require adjustments to or disclosure in the financial statements.

18. Reclassification of Account

The following accounts on December 31, 2021 have been reclassified to conform with the December 31, 2022 financial statements presentation:

Reclassified From	Reclassified To	Amount
Construction in progress (presented under noncurrent assets)	Construction in progress (under property and equipment)	P557,372,311
Other current asset (presented under current assets)	Input VAT (presented under current assets)	63,939,839

19. Supplemental Information Required Under Revenue Regulation No. 15-2010

On November 25, 2010, the BIR issued Revenue Regulation (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. These supplemental information, which are additions to the disclosures required under PFRS, are presented as follows:

VAT Output Tax

	Net Sales	Output VAT
<u>Taxable sales</u>	<u>P53,393</u>	<u>P6,407</u>

VAT Input Tax

Balance at January 1	P63,939,839
Current year's domestic purchases	16,192,070
	<hr/>
	80,131,909
VAT output	(6,407)
Balance at December 31	<hr/>
	P80,125,502

Taxes on Importation

In 2022, the Company has not imported goods for business use. No customs duties and tariff fees were accrued or paid during the year.

Excise Tax

The Company does not have excise tax in 2022 since it does not have any transactions which are subject to excise tax.

Withholding Taxes

The details of total withholding taxes are as follows:

Compensation and benefits	P174,061
Creditable - at source	1,026,644
	<hr/>
	P1,200,705

Documentary Stamp Tax

The Company paid documentary stamp tax for the availment of loan amounting to P973,500 in 2022 charged to finance cost.

Taxes and Licenses

The details of taxes and licenses included in expenses are as follows:

Local permits	P776,782
Real property tax	40,974
Annual registration	1,000
Others	459,475
	<hr/>
	P1,278,231

Deficiency Tax Assessment

The Company does not have any deficiency tax assessments with BIR or tax cases outstanding or pending in courts or bodies outside of the BIR as of December 31, 2022.

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER-ZAMBOANGA CITY, INC.
SCHEDULE OF TAXES AND LICENSES
CALENDAR YEAR ENDED DECEMBER 31, 2022

<u>Kind of Tax</u>	<u>Official Receipt Number</u>	<u>Date Paid</u>	<u></u>
Local permits	Various	Various	P776,782
Real property tax	Various	Various	40,974
Annual registration	Various	Various	1,000
Others	Various	Various	459,475
TOTAL <i>[To Schedule 4 - Item 32 of Ordinary Allowable Itemized Deductions (BIR Form 1702 - RT)]</i>			<u>P1,278,231</u>



Mendoza Querido & Co.

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www.mqc.com.ph

PRC/BOA Accreditation No. 0966

September 22, 2020, valid until

August 22, 2023

SEC Accreditation No. 0966-SEC (Group A)

Issued November 24, 2020

Valid for Financial Periods 2020 to 2024

INDEPENDENT AUDITORS' REPORT TO ACCOMPANY INCOME TAX RETURN

The Stockholders and the Board of Directors
Allied Care Experts (ACE) Medical Center-Zamboanga City, Inc.
*(Doing Business Under the Name and Style of
Premier Medical Center Zamboanga)*
Don Alfaro Street, Tetuan
Zamboanga City

We have audited the financial statements of Allied Care Experts (ACE) Medical Center-Zamboanga City, Inc. *(Doing Business Under the Name and Style of Premier Medical Center Zamboanga)* for the year ended December 31, 2022 on which we have rendered the attached report dated July 26, 2023.

In compliance with Revenue Regulations V-20, we are stating the following:

1. The taxes paid or accrued by the above company for the year ended December 31, 2022 are shown in the Schedule of Taxes and Licenses attached to the Annual Income Tax Return.
2. No partner of our Firm is related by consanguinity or affinity to the president, manager or principal stockholder of the Company.

For the Firm: **MENDOZA QUERIDO & CO.**

RICHARD S. QUERIDO

Partner

CPA Certificate No. 84807

SEC Accreditation No. 84807-SEC (Group A)

Issued November 24, 2020

Valid for Financial Periods 2020 to 2024

TIN 102-094-633

BIR Accreditation No. 08-002617-002-2022

January 25, 2022, valid until January 24, 2025

PTR No. 9569440, January 7, 2023, Makati City

July 26, 2023



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PRC/BOA Accreditation No. 0966
September 22, 2020, valid until
August 22, 2023
SEC Accreditation No. 0966-SEC (Group A)
Issued November 24, 2020
Valid for Financial Periods 2020 to 2024

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Allied Care Experts (ACE) Medical Center-Zamboanga City, Inc.
*(Doing Business Under the Name and Style of
Premier Medical Center Zamboanga)*
Don Alfaro Street, Tetuan
Zamboanga City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Allied Care Experts (ACE) Medical Center-Zamboanga City, Inc. *(Doing Business Under the Name and Style of Premier Medical Center Zamboanga)* (the Company) as at and for the year ended December 31, 2022, and have issued our report thereon dated July 26, 2023. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary schedules required by paragraph 7, Part II of Revised Securities Regulation Code (SRC) Rule 68 (2019) (Annex 68-J), Reconciliation of Retained Earnings Available for Dividend Declaration, Map of the Relationships Between and Among the Companies in the Group, its Ultimate Parent and Co-subsidiaries, and Schedule of Financial Soundness Indicators are the responsibility of the Company's management. These schedules are presented for purposes of complying with Revised SRC Rule 68 (2019), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

For the Firm: **MENDOZA QUERIDO & CO.**

RICHARD S. QUERIDO

Partner

CPA Certificate No. 84807

SEC Accreditation No. 84807-SEC (Group A)

Issued November 24, 2020

Valid for Financial Periods 2020 to 2024

TIN 102-094-633

BIR Accreditation No. 08-002617-002-2022

January 25, 2022, valid until January 24, 2025

PTR No. 9569440, January 7, 2023, Makati City

July 26, 2023



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PRC/BOA Accreditation No. 0986

September 22, 2020, valid until

August 22, 2023

SEC Accreditation No. 0986-SEC (Group A)

Issued November 24, 2020

Valid for Financial Periods 2020 to 2024

To the Stockholders and the Board of Directors
Allied Care Experts (ACE) Medical Center-Zamboanga City, Inc.
*(Doing Business Under the Name and Style of
Premier Medical Center Zamboanga)*
Don Alfaro Street, Tetuan
Zamboanga City

We have audited the financial statements of Allied Care Experts (ACE) Medical Center-Zamboanga City, Inc. *(Doing Business Under the Name and Style of Premier Medical Center Zamboanga)* for the year ended December 31, 2022, on which we have rendered the attached report dated July 26, 2023.

In compliance with the Revised Securities Regulation Code Rule 68, we are stating that the said Company has a total number of thirty-six (36) stockholders owning one hundred (100) or more shares each.

For the Firm: **MENDOZA QUERIDO & CO.**

RICHARD S. QUERIDO

Partner

CPA Certificate No. 84807

SEC Accreditation No. 84807-SEC (Group A)

Issued November 24, 2020

Valid for Financial Periods 2020 to 2024

TIN 102-094-633

BIR Accreditation No. 08-002617-002-2022

January 25, 2022, valid until January 24, 2025

PTR No. 9569440, January 7, 2023, Makati City

July 26, 2023