

KAISER INTERNATIONAL HEALTH GROUP, INC.

FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
IN PHILIPPINE PESOS

BUREAU OF INTERNAL REVENUE
RR NO. 8A - MAKATI CITY
RECEIVED
MARCIANO P. CASTOR
Collector in Charge
RDO 48 WEST MAKATI

MAY 28 2021

May 10, 2021


The Bureau of Internal Revenue
RDO No. 048
5th Floor, BIR Regional Office, 313 Sen. Gil
Puyat Ave., Makati City


STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The management of **Kaiser International Healthgroup, Inc.** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2020. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the management affirms that the attached audited financial statements for the year ended December 31, 2020 and the accompanying Annual Income Tax Return are in accordance with the books and records of **Kaiser International Healthgroup, Inc.** complete and correct in all material respects. Management likewise affirms that:

- (a.) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b.) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- (c.) the **Kaiser International Healthgroup, Inc.** has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.


Dr. Tito Torralba
Chairman of the Board


Dra. Leah Uy-Yolo
President


Louis Bartolome J. Borja
Treasurer



E. P. De Guzman & Company

Certified Public Accountants

PRC-BOA Accreditation No. 2190

BIR AN-07-001845-004-2018

IC AN-F-2019-002-R

43 Sgt. Ybardolaza St., Sacred Heart, Quezon City

Tel. 922-7246, 929-3139

E-Mail Address: epdeguzmanandcompany@gmail.com

INDEPENDENT AUDITOR'S REPORT TO ACCOMPANY INCOME TAX RETURN

The Board of Directors and Stockholders
KAISER INTERNATIONAL HEALTHGROUP, INC.
G/F King's Court 1 Bldg., Chino Roces Avenue, Makati City

We have examined the financial statement of KAISER INTERNATIONAL HEALTHGROUP, INC. for the year ended December 31, 2020, on which we have rendered the attached report dated May 10, 2021.

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, 2020 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 stockholders of the Company.

E. P. DE GUZMAN & COMPANY

TIN: 239-187-805


ESPRELLITA G. DEL ROSARIO

Partner

CPA Certificate No. 14705

PTR No. 0655871D, January 15, 2021, Quezon City

TIN: 106-090-137

BIR AN-07-001846-003-2018, issued on 08/30/2018, valid until 08/30/2021 (individual)

BIR AN-07-001845-004-2018, issued on 08/30/2018, valid until 08/30/2021 (firm)

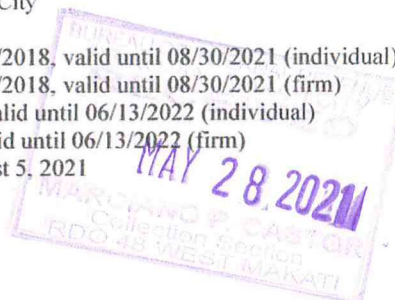
IC AN-SP-2019-03-R, issued on 06/14/2019, valid until 06/13/2022 (individual)

IC AN-F-2019-02-R, issued on 06/14/2019, valid until 06/13/2022 (firm)

BOA/PRC Reg. No. 2190, effective until August 5, 2021

Quezon City, Metro Manila

May 10, 2021



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
KAISER INTERNATIONAL HEALTHGROUP, INC.
G/F King's Court 1 Bldg., Chino Roces Avenue, Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **KAISER INTERNATIONAL HEALTHGROUP, INC.** which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of income, statements of changes in equity and statements of cash flows for the 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, 2020 and 2019 and its financial performance and its cash flows for the year ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

We conducted our audits 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.

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

Management is responsible for the preparation and fair presentation of 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.

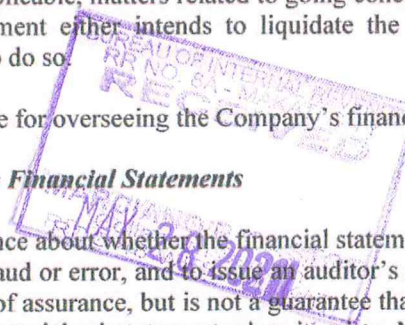
Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's 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.

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.

Other Mater

The company's financial statements as at and for the year ended December 31, 2019 were audited by another auditor on which an unqualified opinion dated June 10, 2020 was issued.

Report on the Supplementary Information Required Under Revenue Regulation (RR) 15-2010

The supplementary information required under Revenue Regulations 15-2010 for purposes of filing with the Bureau of Internal Revenue is presented by management of the Company in a separate schedule. Revenue regulations 15-2010 requires the information to be presented in the notes to financial statements. Such information is not a required part of the basic financial statements. Such information is the responsibility of the management of KAISER INTERNATIONAL HEALTHGROUP, INC. The information is also not required by Securities Regulation Code Rule 68, As Amended. Our opinion on the basic financial statements is not affected by the presentation of the information in a separate schedule.

E. P. DE GUZMAN & COMPANY

TIN: 239-187-805


ESTRELLITA G. DEL ROSARIO

Partner

CPA Certificate No. 14705

PTR No.0655871D, January 15, 2021, Quezon City

TIN: 106-090-137

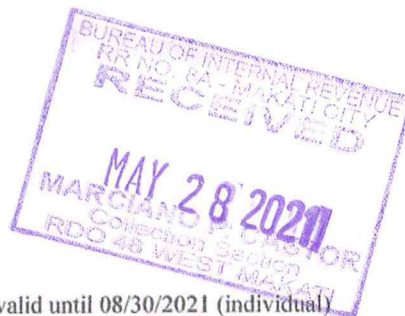
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BOA/PRC Reg. No. 2190, effective until August 5, 2021



Quezon City, Metro Manila

May 10, 2021

E. P. De Guzman & Company

Certified Public Accountants

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BIR AN-07-001845-004-2018

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43 Sgt. Ybardolaza St., Sacred Heart, Quezon City

Tel. 922-7246, 929-3139

E-Mail Address: epdeguzmanandcompany@gmail.com

SUPPLEMENTAL WRITTEN STATEMENT

The Board of Directors and Stockholders
KAISER INTERNATIONAL HEALTHGROUP, INC.
G/F King's Court I Bldg., Chino Roces Avenue, Makati City

We have examined the financial statement of KAISER INTERNATIONAL HEALTHGROUP, INC. for the year ended December 31, 2020, on which we have rendered the attached report dated May 10, 2021.

In compliance with SRC Rule 68, we are stating that the said company has a total number of eight (8) stockholders owning one hundred (100) or more shares each.

E. P. DEGUZMAN & COMPANY

TIN: 239-187-805


ESTRELLITA G. DEL ROSARIO

Partner

CPA Certificate No. 14705

PTR No. 0655871D, January 15, 2021, Quezon City

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BOA/PRC Reg. No. 2190, effective until August 5, 2021

Quezon City, Metro Manila

May 10, 2021



KAISER INTERNATIONAL HEALTHGROUP, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019
(Amounts in Philippine Pesos)

	Note	2020	2019
ASSETS			
Current Assets			
Cash	6	₱311,424,094	₱184,568,292
Short-term investments	7	23,751,193	10,000,000
Receivables	8	6,297,876	7,810,501
Financial assets at fair value through other comprehensive income (FVOCI)	10	955,560,780	899,262,674
Due from affiliates	14	47,700,560	63,506,134
Prepaid expenses and other current assets	9	14,604,487	12,244,204
Total Current Assets		1,359,338,990	1,177,391,805
Noncurrent Assets			
Property and equipment - net	11	4,695,094	6,247,163
Right of use asset - net	21	14,630,381	19,682,842
Investment properties	12	147,852,083	147,852,083
Security deposit	21	1,232,420	1,390,200
Deferred tax asset	20	3,002,190	4,144,648
Total Noncurrent Assets		171,412,168	179,316,936
		₱1,530,751,158	₱1,356,708,741
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	13	₱1,210,208,247	₱1,174,438,334
Due to affiliates	14	26,286,747	36,176,235
Current portion of:			
Long-term loans payable	16	8,691,854	8,053,698
Lease liability	21	4,908,440	4,193,559
Total Current Liabilities		1,250,095,288	1,222,861,826
Noncurrent Liabilities			
Reserved liability to planholders	15	160,061,390	—
Noncurrent portion of long-term loans payable	16	49,541,485	58,233,339
Lease liability	21	10,539,622	15,448,062
Retirement liability	17	3,315,465	1,359,216
Total Noncurrent Liabilities		223,457,962	75,040,617
Equity			
Capital stock – ₱1 par value			
Authorized – 160,000,000 shares			
Issued and subscribed – 68,240,000 shares			
net of subscriptions receivable of ₱15,000,000	25	53,240,000	53,240,000
Cumulative fair value gain (loss) on financial asset at FVOCI	10	(6,852,511)	1,094,331
Cumulative remeasurement loss	17	(1,016,297)	—
Retained earnings		11,826,716	4,471,967
Total Equity		57,197,908	58,806,298
		₱1,530,751,158	₱1,356,708,741

See accompanying Notes to Financial Statements.



KAISER INTERNATIONAL HEALTHGROUP, INC.
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes	2020	2019
SERVICE REVENUES	22	₱462,807,574	₱528,780,432
COST OF SERVICES	18	406,529,155	459,409,521
GROSS PROFIT		56,278,419	69,370,911
GENERAL AND ADMINISTRATIVE EXPENSES	19	45,487,715	59,423,170
INCOME FROM OPERATIONS		10,790,704	9,947,741
OTHER INCOME (CHARGES) – Net			
Interest expense	16, 21	(6,496,999)	(6,834,874)
Dividend income	10	2,001,390	1,302,850
Interest income	6, 7, 21	1,323,958	536,441
Bank charges		(423,207)	(385,175)
Gain on lease modification	21	481,964	–
Gain on sale of property and equipment	11	–	380,000
Commission income		–	362,135
Others		219,593	155,004
		(2,893,301)	(4,483,619)
INCOME BEFORE INCOME TAX		7,897,403	5,464,122
PROVISION FOR INCOME TAX	20		
Current		3,574,455	1,405,361
Deferred		(1,996,441)	1,211,235
		1,578,014	2,616,596
NET INCOME		6,319,389	2,847,526
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Not reclassifiable subsequently to profit or loss</i>			
Fair value gain (loss) on financial asset at FVOCI	10	(6,911,482)	1,554,552
Remeasurement loss on retirement benefits	17	(1,451,853)	–
		(8,363,335)	1,554,552
Deferred income tax benefit	20	435,556	–
		(7,927,779)	1,554,552
TOTAL COMPREHENSIVE INCOME (LOSS)		(₱1,608,390)	₱4,402,078

See accompanying Notes to Financial Statements.



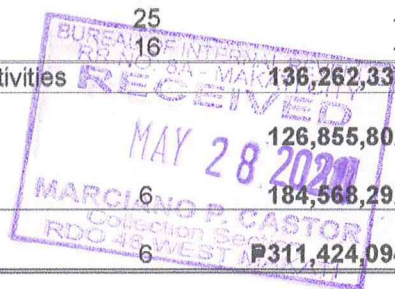
KAISER INTERNATIONAL HEALTHGROUP, INC.
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Amounts in Philippine Pesos)

	Note	2020	2019
CAPITAL STOCK – ₱1 par value	25	₱53,240,000	₱53,240,000
CUMULATIVE REMEASUREMENT LOSS – Net			
Balance at beginning of year		–	–
Remeasurement loss during the year	17	(1,016,297)	–
Balance at end of year		(1,016,297)	–
CUMULATIVE FAIR VALUE GAIN (LOSS) ON FINANCIAL ASSET AT FVOCI – Net			
Balance at beginning of year		1,094,331	(460,221)
Fair value gain (loss) during the year	10	(6,911,482)	1,554,552
Reclassification to retained earnings		(1,035,360)	–
Balance at end of year		(6,852,511)	1,094,331
RETAINED EARNINGS			
Balance at beginning of year		4,471,967	1,624,441
Net income during the year		6,319,389	2,847,526
Sale of equity instruments at FVOCI		1,035,360	–
Balance at end of year		11,826,716	4,471,967
		₱57,197,908	₱58,806,298



KAISER INTERNATIONAL HEALTHGROUP, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Amounts in Philippine Pesos)

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		₱7,897,403	₱5,464,122
Adjustments for:			
Depreciation and amortization	11, 21	6,829,530	10,388,152
Interest expense on loans	16	4,834,693	4,987,834
Dividend income	10	(2,001,390)	(1,302,850)
Interest expense on lease liability	21	1,662,306	1,847,040
Interest income	6, 7, 21	(1,323,958)	(536,441)
Provision for retirement expense	17	504,396	102,060
Gain on sale of property and equipment	11	—	(380,000)
Income before working capital changes		18,402,980	20,569,917
Changes in operating assets and liabilities:			
Decrease (increase) in:			
Receivables	8	1,512,625	(1,793,144)
Prepaid expenses and other current assets	9	542,581	(351,038)
Increase in trade and other payables	13	35,769,913	167,767,566
Cash generated from operations		56,228,099	186,193,301
Interest paid	16	(4,834,693)	(4,987,834)
Income tax paid	20	(2,902,864)	(2,029,681)
Dividends received	10	2,001,390	1,302,850
Interest received	6	1,180,210	415,930
Net cash provided by operating activities		51,672,142	180,894,566
CASH FLOWS FROM INVESTING ACTIVITIES			
Decrease (increase) in:			
Financial asset at FVOCI	10	(63,209,588)	(168,780,281)
Security deposit	21	301,528	1,473,632
Increase in short-term investment	7	(13,751,193)	(10,000,000)
Additions to property and equipment	11	(225,000)	(4,830,728)
Proceeds from:			
Collections from affiliates	14	15,805,574	27,629,423
Sale of property and equipment	11	—	380,000
Net cash used in investing activities		(61,078,679)	(154,127,954)
CASH FLOWS FROM FINANCING ACTIVITIES			
Increase in reserved liability to plan holders	15	160,061,390	—
Payments on:			
Long-term loans	16	(8,053,698)	(8,027,980)
Lease liability	21	(5,855,865)	(5,783,572)
Advances from affiliates	14	(9,889,488)	—
Proceeds from:			
Advances received from affiliates	14	—	16,484,944
Issuance of stocks	25	—	3,240,000
Loan adjustment	16	—	10,231,573
Net cash provided by (used in) financing activities		136,262,339	16,144,965
NET INCREASE IN CASH		126,855,802	42,911,577
CASH AT BEGINNING OF YEAR	6	184,568,292	141,656,715
CASH AT END OF YEAR	6	₱311,424,094	₱184,568,292



KAISER INTERNATIONAL HEALTHGROUP, INC.

NOTES TO FINANCIAL STATEMENTS

(Amounts in Philippine Pesos)

1. Corporate Information

Kaiser International Healthgroup, Inc. (the "Company") was incorporated on June 8, 2004 under the laws of the Philippines. Its primary purpose is to operate as a healthcare provider and as a broker for other healthcare companies. The Company is regulated by the Department of Health and was granted clearance to operate on July 26, 2004.

The Company's principal place of business is at G/F King's Court 1 Bldg., Chino Roces Avenue, Makati City.

The financial statements as of and for the year ended December 31, 2020 was authorized and approved for issue by the Board of Directors (BOD) on May 10, 2021.

2. Basis of Preparation of Financial Statements

The financial statements have been prepared on the historical cost basis except for financial assets and investment property that are measured at fair value. The financial statements are presented in Philippine Pesos, which is the Company's functional and presentation currency. All values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance

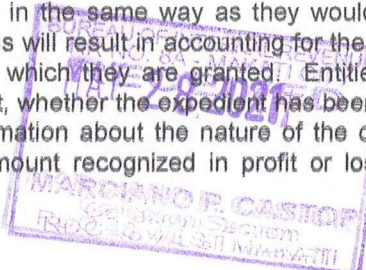
The accompanying financial statements of the Company have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS and Philippine Accounting Standards (PAS), and interpretations of the Philippine Interpretations Committee (PIC), Standing Interpretations Committee (SIC) and International Financial Reporting Interpretations Committee (IFRIC) which have been approved by the Financial Reporting Standards Council (FRSC) and adopted by Security and Exchange Commission (SEC).

3. Changes in Accounting and Financial Reporting Policies

The accounting policies adopted by the Company are consistent with those of the previous financial years except for the applicable amended accounting standards that became effective in the current year. Unless otherwise indicated, the following amended PAS and PFRS that became effective in 2020 did not have any significant impact on the Company's financial statements or are not applicable to the Company.

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

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. An amendment to PFRS 16, *Leases* provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted. Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognized in profit or loss arising from the rent concessions.



Measurement of gain or loss on lease modification

On adoption of PFRS 16 amendments, the Company applied practical expedients to all its qualifying rent concessions. One lessor granted a one-month rent-free which amounted to ₱481,962 and included as part of 'other income' in profit or loss.

Adopted but Did Not Have Significant Impact on the Financial Statements

• Amendments to PFRS 3, *Definition of a Business*

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

• Amendments to PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments refine the definition of material in PAS 1 and align the definitions used across PRFSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments.

The amendments clarify when information is material and incorporate some of the guidance in PAS 1 about immaterial information. In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general-purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of financial information they need.

• Revised Conceptual Framework for Financial Reporting

The revised conceptual framework will be used in standard-setting decisions with immediate effect. Key changes include (a) increasing the prominence of stewardship in the objective of financial reporting, (b) reinstating prudence as a component of neutrality, (c) defining a reporting entity, which may be a legal entity, or a portion of an entity, (d) revising the definitions of an asset and a liability, (e) removing the probability threshold for recognition and adding guidance on derecognition, (f) adding guidance on different measurement basis, and, (g) stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

New and Amended Standards Issued but not yet Effective

Standards issued but not yet effective up to the date of the Company's financial statements are listed below and in the succeeding pages. Unless otherwise indicated, the Company does not expect that the adoption of these new and amended standards to have significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective in 2021

- PFRS 17, *Insurance Contracts*
This standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts within the scope of the Standard.

Effective in 2022

These are effective on or after January 1, 2022. Earlier adoption is permitted.

- Amendments to PAS 37, *Onerous Contracts - Cost of Fulfilling a Contract*
The amendments specify that the cost of fulfilling a contract comprises those that relate directly to the contract, which can either be incremental costs or an allocation of other costs that relate directly to fulfilling contracts. Entities apply the amendments to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparative financial statements are not restated.
- Amendments to PAS 16, *Property, Plant and Equipment - Proceeds before Intended Use*
The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced 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 and the cost of producing such items in profit or loss. An entity applies the amendments retrospectively on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.
- Amendments to PFRS 3, *Reference to the Conceptual Framework*
The amendments update a reference to the Conceptual Framework as this would cause conflicts for entities applying PFRS 3. Potential conflicts occur as the definition of assets and liabilities in the 2018 Framework differ from those in the 1989 Framework potentially leading to day 2 gains or losses post-acquisition for some balances recognized. An exception has been added to the 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*.

Annual Improvements to PFRS Standards 2018-2020 Cycle

- Amendments to PFRS 1, *Subsidiary as a First-Time Adopter*
- Amendments to PFRS 9, *Fees in the '10 Percent' Test for Derecognition of Financial Liabilities*
- Amendments to PFRS 16, *Lease Incentives*
- Amendments to PAS 41, *Taxation in Fair Value Measurements*

Deferred

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*
- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

No mandatory effective date

PFRS 9, *Financial Instruments* (Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39)

The Company will continue to assess the relevance and impact of the above standards, amendments and improvements to standards, and interpretations. The revised disclosures on the financial statements required by the above standards and interpretations will be included in the Company's financial statements when these are adopted.

4. **Summary of Significant Accounting and Financial Reporting Policies**

The principal accounting and financial reporting policies adopted in preparing the financial statements of the Company are summarized below and in the succeeding pages. The policies have been consistently applied to all years presented unless otherwise stated.

Current versus Noncurrent Classification

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

An asset is current when it is:

- expected to be realized or intended to be sold or consumed in normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realized within 12 months after the financial reporting period;
- expected to be settled on demand; or
- cash unless restricted from being exchanged or used to settle a liability for at least 12 months after the financial reporting period.

All other assets are classified as noncurrent. Deferred tax assets are classified as noncurrent.

A liability is current when:

- it is expected to be settled in normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within 12 months after the financial reporting period;
- it is expected to be settled on demand; or
- there is no unconditional right to defer the settlement of the liability for at least 12 months after the financial reporting period.

All other liabilities are considered noncurrent. Deferred tax liabilities are classified as noncurrent.

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by 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 liability and the level of the fair value hierarchy.

Financial Assets and Liabilities

Date of recognition

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

Initial recognition

At initial recognition, the Company measures a financial asset at its fair value plus or minus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL, if any, are expensed in profit or loss.

Determination of fair value

Fair value is determined by preference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value model where the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market rates of interest for a similar instrument with similar maturities. Other valuation techniques include comparing to similar instruments for which market observable prices exist; recent arm's length market transaction; option pricing model and other relevant valuation models.

Classification of financial assets

The Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value [either through other comprehensive income (OCI) or through profit or loss], and
- Those to be measured at amortized cost.

Financial assets at fair value through other comprehensive income (FVOCI)

Financial assets at FVOCI comprise:

- Equity instruments
Equity securities which are not held for trading, and which the Company has irrevocably elected at initial recognition to be recognized in this category. These are strategic investments and the Company considers this classification to be more relevant.

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

The Company classifies its investment in shares of stocks as financial asset at FVOCI as at December 31, 2020 and 2019 (see Note 10).

- Debt instruments
Debt securities where the contractual cash flows are solely principal and interest and the objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets.

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

The Company has no debt instruments at FVOCI as at December 31, 2020 and 2019.

Financial assets at FVPL

The Company classifies the following financial assets at FVPL:

- debt investments that do not qualify for measurement at either amortized cost or FVOCI
- equity investments that are held for trading, and
- equity investments for which the entity has not elected to recognize fair value gains and losses through OCI.

Financial assets at FVPL are carried in the statements of financial position at fair value with net changes in fair value recognized in the statements of comprehensive income. This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are also recognized as other income in the statements of profit or loss when the right of payment has been established.

The Company has no financial assets at FVPL as at December 31, 2020 and 2019.

Financial assets at amortized cost

The amortized cost of a financial asset is the present value of future cash receipts discounted at the effective interest rate. The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as FVPL:

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

This classification includes the Company's cash in banks (see Note 6), short-term investments (see Note 7), receivables (see Note 8), security deposits (see Note 21) and due from affiliates (see Note 14) as at December 31, 2020 and 2019.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Subsequent measurement of financial assets

- Debt instruments

There are three measurement categories into which the Company classifies its debt instruments:

- *Amortized cost:* Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains (losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statements of comprehensive loss.

Short-term receivables with no stated interest rate are measured at their invoice amounts or expected amounts of settlement without discounting, when the effect of not discounting is immaterial.

- *FVOCI:* Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains (losses) and impairment expenses are presented as separate line item in the statements of comprehensive loss.
- *FVPL:* Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains (losses) in the period in which it arises.

- Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Company's right to receive payments is established.

Impairment of financial assets

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

In measuring ECL, the Company must reflect:

- An unbiased evaluation of a range of possible outcomes and their probabilities of occurrence;
- Discounting for the time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

For cash in banks, receivables other than trade, short-term investments, security deposits and due from affiliates, the Company applies the general approach in calculating ECLs. The Company recognizes a loss allowance based on either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk on its cash in banks and due from related parties since initial recognition.

For trade receivables, the Company applies the simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full 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.

Classification and subsequent measurement of financial liabilities

The Company classifies its financial liabilities in the following categories:

- *Financial Liabilities at FVPL*
Financial liabilities are classified in this category if these result from trading activities or derivatives transactions that are not accounted for as accounting hedges, or the Company elects to designate a financial liability under this category. Financial liabilities at FVPL are measured at fair value and net gains and losses, including interest expense, are recognized in profit or loss.

As at December 31, 2020 and 2019, the Company has no financial liabilities at FVPL.

- *Financial liabilities at amortized cost*

This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon inception of the liability. These include liabilities arising from operations (e.g. payables excluding statutory regulated payables) or borrowing (e.g. long-term debt).

The financial liabilities are initially recorded at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using effective interest method. These include liabilities arising from operations and borrowings. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gains and losses on derecognition is also recognized in profit or loss.

As at December 31, 2020 and 2019, this classification includes the Company's trade and other payables (except government payables) (see Note 13), due to affiliates (see Note 14) and loans payable (see Note 16).

The classification depends on the purpose for which the financial liabilities are acquired and whether they are quoted in an active market. Management determines the classification at initial recognition and, where allowed and appropriate, reevaluates this classification at every reporting date.

Derecognition of Financial Instruments

Financial assets

A financial asset is derecognized when (1) the rights to receive cash flows from the financial instruments expire, (2) the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement, or (3) the Company has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

On disposal of debt investments, any related balance within the FVOCI reserve is reclassified to profit or loss.

On disposal of equity investments, any related balance within the FVOCI reserve is reclassified to retained earnings.

Financial Liabilities

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where the 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 statements of comprehensive loss.

Classification of Financial Instrument between Debt and Equity

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest relating to a financial instrument or a component that is a financial liability is reported as expenses. A financial instrument is classified as debt if it provides for a contractual obligation to: (a) deliver cash or another financial asset to another entity; or (b) exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or (c) satisfy the obligation other than by exchange of a fixed amount of cash or other 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 Financial Instruments

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

Prepaid Expenses

Prepaid expenses are costs which are paid in advance of actually incurring them and regularly recurring in the normal course of the business. Prepaid expenses are initially recorded at actual amount paid for expenses and subsequently amortized and recognized as expense in profit or loss as the benefits of the payments are received by the Company.

Creditable Withholding Tax (CWT)

Creditable withholding tax is recognized for income taxes withheld by customers and is deducted from income tax payable. The balance at each end of the reporting date represents the unutilized amount after deducting any income tax payable. CWT is initially recognized at actual amount withheld and subsequently stated at its realizable value.

Property and Equipment

Property and equipment are initially recorded at cost and subsequently stated at cost less accumulated depreciation, amortization and any impairment in value.

The initial cost of property and equipment comprises its purchase price, including legal and brokerage fees, import duties and non-refundable purchases taxes, after deducting trade discounts and rebates, and any directly attributable costs of bringing the asset to its location and condition necessary for it to be capable of operating in the manner intended by management. Expenses incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul costs, the cost of day-to-day servicing of an item of property and equipment, are normally charged to operations or profit or loss in the period when the costs are incurred.

In situations where 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, the expenditures are capitalized as an additional cost of property and equipment.

Depreciation and amortization commence once the assets are available for use and is computed on a straight-line method over the following estimated useful lives of the property and equipment, except for leasehold improvement, which are amortized over their estimated useful lives or term of the lease, whichever is shorter.

	Number of years
Transportation equipment	5
Office equipment	5
Leasehold improvement	5

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

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 or loss in the year the asset is derecognized.

Investment Property

Investment property is property held to earn rental or for capital appreciation or both rather than for use in the production or supply of goods or services or for administrative purposes, or sale in the ordinary course of business. Investment property is measured initially at cost, including transaction costs. The cost of a purchased investment property comprises its purchase price and any directly attributable costs such as legal and brokerage fees, property transfer taxes and other transaction costs. If payment is deferred beyond normal credit terms, the cost is the present value of all future payments. Investment property whose fair value can be measured reliably without undue cost or effort is measured at fair value at each reporting date with changes in fair value recognized in profit or loss. Where there is clear evidence that the fair value of an investment property is not reliably determinable on a continuing basis, the cost model shall be used. As at December 31, 2020 and 2019, the Company's investment property is measured at fair value.

Investment property is derecognized when these are disposed of or when the investment property is permanently withdrawn from use and there is no future economic benefit expected to arise from the continued use of the property. Any gain or loss on the retirement or disposal of said property is recognized in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. These transfers are recorded using the carrying amount of the investment property at the date of change in use.

Impairment of Nonfinancial Assets

The carrying values of nonfinancial assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of net selling price (fair value less cost to sell) or value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's-length transaction less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is charged to operations in the period in which it arises unless the asset is carried at a revalued amount in which case the impairment is charged to the revaluation increment of the said asset.

An assessment is made at the end of each financial reporting period to determine whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however, not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the company and its related parties, regardless whether a price is charged. Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the company and close members of the family of any such individual; and (d) other related parties such as directors, officers and stockholders.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

Equity

- *Capital stock* is measured at par value for all shares subscribed and paid, or issued.
- *Retained earnings* represent the cumulative balance of net profit or loss and any dividend distribution.
- *Cumulative fair value gain (loss) on financial asset at FVOCI* on financial asset at FVOCI are recognized immediately in other comprehensive income in equity in the period in which they arise and cannot be reclassified to profit or loss in subsequent periods.
- *Cumulative remeasurement loss* comprises the net actuarial gains and losses on the Company's retirement obligation as a result of remeasurement.

Revenue Recognition

The Company recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as a principal or agent. The Company has concluded that it is acting as a principal.

The Company also applies the following five steps:

1. Identify the contract(s) with a customer.
2. Identify the performance obligations in the contract. Performance obligations are promises in a contract to transfer to a customer goods or services that are distinct.
3. Determine the transaction price. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer. If the consideration promised in a contract includes a variable amount, an entity must estimate the amount of consideration to which it expects to be entitled in exchange for transferring the promised goods or services to a customer.
4. Allocate the transaction price to each performance obligation on the basis of the relative stand-alone selling prices of each distinct good or service promised in the contract.

5. Recognize revenue when a performance obligation is satisfied by transferring a promised good or service to a customer (which is when the customer obtains control of that good or service). A performance obligation may be satisfied at a point in time (typically for promises to transfer goods to a customer) or over time (typically for promises to transfer services to a customer). For a performance obligation satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognized as the performance obligation is satisfied.

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

- *Sale of services.* Revenue is recognized based on billings to customers upon completion of the jobs.
- *Dividend income.* Income is recognized when stockholder's right to receive the payment is established.
- *Interest income.* Interest income is recognized using the effective interest method on a time proportion basis that reflects the effective yield on the assets.
- *Commission and other income.* Other revenues are recognized as these accrue.

Contract Balances

Receivables

A receivable represents the Company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract. The contract liabilities also include payments received by the Company from the customers for which revenue recognition has not yet commenced.

Costs to Obtain Contract

The incremental costs of obtaining a contract with a customer are recognized as an asset if the Company expects to recover them. Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Value Added Tax (VAT)

Revenues, if any, expenses and assets are recognized, net of the amount of VAT, except when VAT incurred on a purchase of assets or services is not recoverable from the taxation authority such as the case of exempt transaction, in which case VAT is recognized as part of the cost of acquisition of the asset or as part of the cost and expense item, as applicable.

Cost and Expense Recognition

Direct costs or cost of services is recognized in the statements of comprehensive loss upon utilization of the service or at the date they are incurred. Operating and other expenses include expenses related to administering and operating the business and are expensed upon utilization of the service or at the date they are incurred. Interest and similar expenses are reported on accrual basis.

Employee Benefits

Short-term benefits are recognized as expense in the period when the economic benefits are given. Unpaid benefits at end of the financial reporting period are recognized as accrued expense while benefits paid in advance are recognized as prepayment to the extent that it will lead to a reduction in future payments.

Retirement benefits costs

The Company's retirement benefit cost is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in other comprehensive income in the period in which they occur. Remeasurement is not reclassified to statement of comprehensive income. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Retirement benefit costs are categorized as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlement)
- Net interest expense or income
- Remeasurement on the retirement obligation or asset

The current service cost is a level annual amount or a fixed percentage of salary which, when invested at the rate of interest assumed in the actuarial valuation, is sufficient to provide the required retirement benefit at the employee's retirement.

Past service cost is the present value of the excess of the projected retirement benefits over the amount expected to be provided by future contributions based on the service cost. It is recognized when plan amendment or curtailment occurs.

Net interest on the retirement benefit obligation or asset is the change during the period in the net defined retirement obligation or asset that arises from the passage of time. Net interest is recognized in profit and loss.

Remeasurements which comprises actuarial gains and losses, difference between the return on plan assets and interest income (calculated as part of net interest) and any change in the effect of the asset ceiling, (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income (loss) in the period in which they arise. Remeasurements are not reclassified to profit and loss in the subsequent period.

Actuarial gains and losses are changes in the present value of the retirement benefit obligation resulting from experience adjustments and the effects of changes in actuarial assumptions. Actuarial gains and losses are immediately recognized in other comprehensive income.

The retirement benefit obligation recognized in the statements of financial position represents the present value of the defined benefit obligation and as reduced by the fair value of plan assets. Any assets resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

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 assets for a period of time, the Company assesses whether, throughout the period of use, it has the right to obtain substantially all the economic benefits from the use of the identified asset and the right to direct the use of the asset. If the Company has the right to control the use of an identified asset only for a portion of the term of the contract, the contract contains a lease for that portion of the term.

Company as a lessee

The Company recognized ROU assets and a lease liability on the balance sheet.

Initial and subsequent measurement of ROU asset

ROU assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liabilities
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

The ROU assets are recognized at the present value of the lease liabilities adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the statements of financial position.

Subsequently, ROU assets are measured at cost, less any accumulated amortization and impairment losses, and adjusted for any remeasurement of lease liability. ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the ROU assets are depreciated over the underlying asset's useful life. Otherwise, the Company will depreciate the ROU asset from the commencement date to the earlier of the end of the useful life of each ROU asset or the end of lease term. In addition, the ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Initial and subsequent measurement of lease liabilities

Lease liabilities are measured at the present value of remaining lease payments at the date of adoption, discounted using the interest rate implicit to the lease, if that rate can be readily determined. Otherwise, the Company's incremental borrowing rate.

To determine the incremental borrowing rate, the Company:

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by a subsidiary, which does not have recent third party financing,
- makes adjustments specific to the lease, such as term and security, and
- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received

Lease payments included in the measurement of a lease liability comprise of the following:

- fixed payments, including in-substance fixed payments, less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price under a purchase option that the Company is reasonably certain to exercise that option; and,
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the ROU asset.

Lease liabilities are subsequently measured at amortized cost. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Lease terms are negotiated on an individual basis and contain similar terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Short-term leases and leases of low-value assets

The Company applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below US \$5,000 or ₱260,000). Lease payments are recognized as expense on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less.

The Company's existing contracts do not have non-lease components.

Income Taxes

Income taxes represent the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable income for the year. Taxable income differs from income as reported in the statements of comprehensive income because it excludes items of income or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted at the end of the financial reporting period. Deferred income tax is provided, using the balance sheet liability method, on all temporary differences at the end of financial reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits from excess minimum corporate income tax (MCIT) and carryforward benefit of unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets and liabilities are measured using the tax rate that is expected to apply to the period when the asset is realized or the liability is settled.

The carrying amount of deferred tax assets is reviewed at each end of financial reporting period and reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in profit or loss. Only changes in deferred tax assets or liabilities that relate to items recognized in equity are recognized directly in other comprehensive income.

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

Provisions

Provisions are recognized only when the following conditions are met: a) there exists a present obligation (legal or constructive) as a result of past event; b) it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and c) reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each financial reporting period and adjusted to reflect the current best estimate.

Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefit is probable.

Events After End of Financial Reporting Period

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

5. Management's Use of Judgments and Estimates

The preparation of the Company's financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. In preparing the Company's financial statements, management has made its best judgment and estimates of certain amounts, giving due consideration to materiality. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results could differ from those estimates, and such estimates will be adjusted accordingly.

The following is a summary of these significant judgments and estimates and the related impact and accounted risks on the financial statements:

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:

- *Assessment of Classification of Financial Instruments and Measurement Criteria*
The Company classifies financial assets at initial recognition depending on the financial assets contractual cash flows characteristics of the Company's business model for managing them.

The Company determines the classification at initial recognition and reevaluates this designation at every reporting date.

- *Determination of Fair Value of Financial Assets and Liabilities*
PFRS requires that certain financial assets and liabilities be carried at fair value, which requires the use of extensive accounting estimates and judgments. While significant components of fair value measurement are determined using verifiable objective evidence (i.e. interest rates, volatility rates), the timing and amount of changes in fair value would differ with the valuation methodology used. Any change in the fair value of these financial assets and liabilities would directly affect income and equity.

The summary of the carrying values and fair values of the Company's financial instruments as at December 31, 2020 and 2019 is shown in Note 23.

- *Classification of Lease as Operating and Finance Leases*
The Company has entered into various lease agreements as a lessee. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or finance lease by determining if the contract conveys a right to control the use of an identified asset. To assess whether a contract conveys the right to control the use of an identified assets for a period of time, the Company assesses whether, throughout the period of use, it has the right to obtain substantially all the economic benefits from the use of the identified asset and the right to direct the use of the asset. If the Company has the right to control the use of an identified asset only for a portion of the term of the contract, the contract contains a lease for that portion of the term. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

The Company recognized ROU assets and lease liabilities measured at the present value of lease payments to be made over the lease term using the Company's incremental borrowing rate on the lease contracts accounted as finance lease.

- *Determining the Lease Term*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases office spaces, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate).
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

- *Identification of Contract with Customers under PFRS 15*

The Company enters into a contract with customer through an approved written contract with specific details such as quantity, price, contract terms and their specific obligations are clearly identified. In addition, part of the assessment process of the Company before revenue recognition is to assess the probability that the Company will collect the consideration to which it will be entitled in exchange for the products that will be transferred to the customer.

- *Identifying Performance Obligations*

The Company identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customers and the Company's promise to transfer the good or service to the customer is separately identifiable.

The performance obligation of the Company is satisfied overtime as the customer simultaneously receives and consumes all of the benefits provided by the Company as the Company performs.

Estimates

- *Estimating Allowance for Impairment of Financial Assets*

The Company applies general approach for determining the expected credit losses of cash in banks, short-term investments, nontrade receivables, due from affiliates and security deposit. A credit loss is the difference between the cash flows that are expected to be received discounted at the original effective interest rate and contractual cash flows in accordance with the contract. The loss allowance for financial assets is based on the assumptions about risk of default and expected loss rates. In addition, management's assessment of the credit risk on the financial assets as at the reporting date is low.

For trade receivables, the Company applies the simplified approach in calculating ECLs. The Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Management assessed the credit risk of the trade receivables as of the reporting date as low, therefore the Company did not have to assess whether a significant increase in credit risk has occurred.

No allowance for impairment was recognized as at December 31, 2020 and 2019.

- *Estimation of Useful Lives of ROU Assets and Property and Equipment*

The useful life of each of the Company's property and equipment 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, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above.

A reduction on the estimated useful life of any property and equipment would increase the recorded operating expenses and decrease noncurrent assets.

The carrying value of depreciable property and equipment and ROU asset as at December 31, 2020 and 2019 amounted to ₱19.3 million and ₱25.9 million, respectively (see Notes 11 and 21).

- *Evaluation of Impairment of Nonfinancial Assets*

The Company assesses impairment on nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company consider important which could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

These assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss would be recognized whenever evidence exists that the carrying value is not recoverable. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that can materially affect the consolidated financial statements. An impairment loss is recognized and charged to earnings if the discounted expected future cash flows are less than the carrying amount. Fair value is estimated by discounting the expected future cash flows using a discount factor that reflects the market rate for a term consistent with the period of expected cash flows.

There was no allowance for impairment as of December 31, 2020 and 2019.

- *Estimation of Realizability of Deferred Tax Assets*

The carrying amount of deferred tax assets is reviewed at the end of each financial 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. Management expects future operations will generate sufficient taxable profit that will allow all or part of the deferred income tax assets to be utilized.

Deferred tax asset recognized in the Company's financial statements amounted to ₱3.0 million and ₱4.1 million as at December 31, 2020 and 2019, respectively (see Note 20).

- **Estimation of Retirement Benefits Costs**

The determination of the Company's obligation and cost for pension and other retirement benefits is dependent on management's selection of certain assumptions in calculating such amounts. The assumptions for pension costs and other retirement benefits are described in Note 17 and include among others, rates of compensation increase. Actual results that differ from assumptions are accumulated and amortized over future periods and therefore, generally affect the Company's recognized expense and recorded obligation in such future periods. While management believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in management assumptions may materially affect the Company's pension and other retirement obligations.

The Company's estimated retirement benefit liability amounted to ₱3.3 million and ₱1.4 million as of December 31, 2020 and 2019, respectively (see Note 17).

- **Estimation of Provisions**

The estimate of the probable costs for possible third-party claims, including tax liabilities, if any, has been developed based on management's analysis of potential results. When management believes that the eventual liabilities under these claims, if any, will not have a material effect on the Company's financial statements no provision for probable losses is recognized.

No provision for probable losses is recognized in the Company's financial statements in 2020 and 2019.

6. Cash

This account consists of:

	2020	2019
Cash in banks	₱311,384,094	₱184,528,292
Petty cash fund	40,000	40,000
	₱311,424,094	₱184,568,292

Cash in banks generally earn interest income based on the effective bank deposit rates of less than 1% annually. Interest income earned on cash in banks amounted to ₱526,573 in 2020 and ₱208,248 in 2019.

7. Short-term Investments

In 2019, in compliance with the requirement of the Insurance Commission (IC) on the Security Deposit Requirement on Health Maintenance Organizations, the Company invested in a time deposit. Carrying amount amounted to ₱10,460,952 and ₱10,000,000 as at December 31, 2020 and 2019, respectively. The investment earns interest at a rate of 4.0% from a trustee bank approved by IC. Interest income amounted to ₱199,193 and ₱207,682 in 2020 and 2019, respectively.

In 2020, in compliance with the amended circular issued by IC for the Security Deposit Requirement, the Company invested in government securities with carrying amount of ₱13,290,241 as at December 31, 2020. The investment earns interest at a rate of 3.9%. Interest income earned during the year amounted to ₱454,444.

Rollforward of this account follows:

	2020	2019
Balance at beginning of year	P10,000,000	P-
Additions during the year	13,097,556	9,792,318
Interest earned during the year	653,837	207,682
Balance at end of year	P23,751,193	P10,000,000

8. Receivables

This account consists of:

	2020	2019
Trade	P6,043,064	P7,271,881
Due from planholders	254,812	269,149
Credit card	-	269,471
	P6,297,876	P7,810,501

Trade receivables are noninterest-bearing and are generally collected within terms ranging from 30 to 90 days. This also includes receivable from a related party amounting to P1.1 million in 2019 (see Note 14).

Due from planholders pertains to loans from policy availed.

Credit card pertains to receivables from local banks for auto-debits of premium payments of the planholders which was covered by merchant agreement.

All of the Company's receivables are noninterest bearing and were not pledged to any of the Company's liabilities.

The Company's receivables have been reviewed for indicators of impairment. Accordingly, no provision was made in 2020 and 2019.

9. Prepaid Expenses and Other Current Assets

This account consists of:

	2020	2019
Deposit to healthcare providers	P9,015,000	P9,015,000
Creditable withholding tax (Note 20)	4,006,038	1,103,174
Prepaid expenses	1,161,411	1,861,771
Security deposit (Note 21)	422,039	264,259
	P14,604,488	P12,244,204

Deposit to healthcare providers are cash given to partner hospitals as a security to the Company's clients' outstanding hospital bills which are yet to be paid.

Prepaid expenses pertain to unutilized purchases of office supplies and marketing materials such as fliers and brochures which are charged to expense upon consumption.

10. Financial Assets at FVOCI

The Company's financial assets at FVOCI consist of investment in mutual funds and equity shares which consist of the following:

	2020	2019
Listed shares of stock	P384,751,120	P302,778,030
Mutual Funds	570,809,660	596,484,644
Total	P955,560,780	P899,262,674

The rollforward analysis of this account follows:

	2020	2019
Balance at beginning of year	P899,262,674	P728,927,841
Additions during the year	72,299,628	168,780,281
Fair value gain (loss) during the year	(6,911,482)	1,554,552
Sales of shares:		
Cost of equity instruments	(8,054,680)	-
Accumulated fair value changes	(1,035,360)	-
Balance at end of year	P955,560,780	P899,262,674

Rollforward analysis of fair value of this investment, which is shown as "Cumulative fair value gain (loss) on financial asset at FVOCI" in the equity section of the statements of financial position, is shown below:

	2020	2019
Balance at beginning of year	P1,094,331	(P460,221)
Fair value gain during the year	(6,911,482)	1,554,552
Realized gain on disposal of equity instruments at FVOCI transferred to retained earnings	(1,035,360)	-
Balance at end of year	(P6,852,511)	P1,094,331

Dividend income earned from financial assets at FVOCI amounted to P2,001,390 in 2020 and P1,302,850 in 2019.

11. Property and Equipment

The rollforward analysis of this account follows:

	2020			Total
	Transportation equipment	Office equipment	Leasehold improvements	
Cost:				
Balance at beginning of year	P14,677,595	P8,119,366	P3,075,167	P25,872,128
Additions during the year	-	-	225,000	225,000
Balance at end of year	14,677,595	8,119,366	3,300,167	26,097,128
Accumulated depreciation and amortization:				
Balance at beginning of year	13,929,977	4,148,803	1,546,185	19,624,965
Depreciation and amortization (Note 19)	153,554	1,004,387	619,128	1,777,069
Balance at end of year	14,083,531	5,153,190	2,165,313	21,402,034
Net carrying value	P594,064	P2,966,176	P1,134,854	P4,695,094

	2019			Total
	Transportation equipment	Office equipment	Leasehold improvements	
Cost:				
Balance at beginning of year	₱14,761,827	₱5,092,704	₱2,038,869	₱21,893,400
Additions during the year	767,768	3,026,662	1,036,298	4,830,728
Disposal during the year	(852,000)	–	–	(852,000)
Balance at end of year	14,677,595	8,119,366	3,075,167	25,872,128
Accumulated depreciation and amortization:				
Balance at beginning of year	11,344,665	2,284,710	1,090,861	14,720,236
Depreciation and amortization (Note 19)	3,437,312	1,864,093	455,324	5,756,729
Disposal during the year	(852,000)	–	–	(852,000)
Balance at end of year	13,929,977	4,148,803	1,546,185	19,624,965
Net carrying value	₱747,618	₱3,970,563	₱1,528,982	₱6,247,163

In 2019, fully depreciated transportation equipment with original cost of ₱852,000 was sold for ₱380,000.

Management believes that there were no indications of impairment in the value of its property and equipment as of December 31, 2020 and 2019.

There was no contractual commitment to purchase property and equipment. There were no property and equipment pledged as collateral for any of the Company's debt.

12. Investment Properties

Investment properties pertain to various condominium units acquired for investment purposes. Fair value of the properties was not determined as at December 31, 2020. However, there was no indication as at December 31, 2020 that would significantly reduce the recoverable values and current market conditions for condominiums depicts favorable outcome to the Company as the prices are currently high. Cost of investment properties amounted to ₱147.9 million as at December 31, 2020 and 2019.

Cost incurred in maintaining the investment properties for utilities and association dues amounting to ₱714,568 in 2020 and ₱675,585 in 2019 were included under 'Communication, light and water' and 'Membership dues'.

There were no additions, disposals and fair value adjustments as at December 31, 2020 and 2019. There was also no income generated from investment properties as at December 31, 2020 and 2019.

There was no contractual commitment to purchase, construct, or develop investment property or for repairs, maintenance or enhancements. There were no property and equipment pledged as collateral for any of the Company's debt.

13. Trade and Other Payables

	2020	2019
Reserved liability to planholders (Note 15)	₱1,200,107,588	₱1,169,226,424
Unpaid claims	5,291,504	–
Due to planholders	2,312,314	3,272,713
Government	1,909,515	1,486,529
Output VAT	458,342	342,822
Accrued expenses	128,984	109,846
	₱1,210,208,247	₱1,174,438,334

Unpaid claims refer to the claims incurred but not yet paid as of the end of the accounting period.

Due to planholders pertain to pending premiums of planholders with incomplete requirements.

Government payables include government remittances for withholding taxes and SSS, Philhealth and HDMF contribution and loan payables.

Accrued expenses include accrual for telephone bills and other utilities.

14. Related Party Transactions

The Company has the following transactions with its affiliates:

- a. Provides medical services to the employees of its affiliates. These are noninterest-bearing and unsecured advances.
- b. Extends to and avails from affiliates noninterest-bearing and unsecured advances for working capital and investment purposes. Receivables amounted to ₱47.7 million and ₱63.5 million as at December 31, 2020 and 2019, respectively, and payables amounted to ₱26.3 million and ₱36.2 million as at December 31, 2020 and 2019, respectively.
- c. Rollforward analysis of due to/from affiliates is as follows:

	2020	2019
Due from:		
Balance at beginning of year	₱63,506,134	₱91,135,557
Collections received during the year	(15,805,574)	(27,629,423)
Balance at end of year	₱47,700,560	₱63,506,134
Due to:		
Balance at beginning of year	₱36,176,235	₱19,691,291
Advances received (paid) during the year	(9,889,488)	16,484,944
Balance at end of year	₱26,286,747	₱36,176,235

- d. Columnar presentation of the Company's transactions with its affiliates are as follows:

Category	2020			
	Transaction amount	Balance – Asset/ (Liability)	Terms and conditions/ settlement	Guaranty/Provision
Affiliates				
1. Receivable Advances		₱47,700,560	Payable on demand; noninterest – bearing; payable in cash	Unsecured; no impairment
• Collection	(₱15,805,574)			
<i>Service revenue</i> (Note 8)		–		
• Collection	(1,068,800)		30 to 90 days; noninterest – bearing; collectible in cash	Unsecured; no impairment
2. Payable Advances		(26,286,747)	Payable on demand; noninterest – bearing; payable in cash	Unsecured
• Payment	9,889,488			

Category	Transaction amount	2019		
		Balance – Asset/ (Liability)	Terms and conditions/ settlement	Guaranty/Provision
Affiliates				
1. Receivable				
<i>Service revenue</i> (Note 8)	₱4,090,090	₱1,068,800	30 to 90 days; noninterest – bearing; collectible in cash	Unsecured; no impairment
<i>Advances</i>		63,506,134	Payable on demand; noninterest – bearing; collectible in cash	Unsecured; no impairment
• Collected	(27,629,423)			
2. Payable				
<i>Nontrade</i> (Note 13)	1,423,982	–	Payable on demand; noninterest – bearing; payable in cash	Unsecured
<i>Advances</i>		(36,176,235)	Payable on demand; noninterest – bearing; payable in cash	Unsecured
• Received	(16,484,944)			

The Company and its affiliates have common shareholders.

- e. Compensation to the Company's key management personnel follows:

	2020	2019
Salaries and wages	₱1,889,798	₱1,344,972
13 th month pay and other bonuses	145,269	439,651
	₱2,035,067	₱1,784,623

- f. There are no other significant related party transactions in 2020 and 2019.

15. Reserved Liability to Planholders

This account pertains to the actuarial reserves for subsequent medical availments and maturity benefits value by planholders. It consists of the liabilities for all benefits stipulated in the contract which are provided directly by the Company. This is computed based on the valuation standards for Health Maintenance Organization (HMO) Agreement liabilities prescribed by the Insurance Commission.

Total amount is presented as follows:

	2020	2019
Noncurrent portion	₱160,061,390	₱–
Current portion (Note 13)	1,200,107,588	1,169,226,424
	₱1,360,168,978	₱1,169,226,424

16. Loans Payable

- On November 18, 2009, the Company availed a loan from a local bank which amounted to ₱11,492,530 due after fifteen (15) years. The loan bears fixed interest rate of 7.5% for the first year and subject for repricing thereafter based on prevailing interest rate. Payments made pertaining to this loan in 2020 and 2019 amounted to ₱908,284 and ₱865,054, respectively. Outstanding balance as of December 31, 2020 and 2019 amounted to ₱4,446,343 and ₱5,354,627, respectively.

- On October 25, 2012, the Company availed another loan from a local bank which amounted to ₱16,971,440 due after ten (10) years. The loan bears fixed interest rate of 5.75% for the first year and subject for repricing thereafter based on prevailing interest rate. Payments made pertaining to this loan in 2020 and 2019 amounted to ₱1,997,398 and ₱1,874,436, respectively. Outstanding balance as of December 31, 2020 and 2019 amounted to ₱4,154,551 and ₱6,151,949, respectively.
- On September 8, 2013, the Company availed another loan from a local bank which amounted to ₱596,400 due after sixty (60) months. In 2019, the remaining balance amounting to ₱142,854 was fully paid.
- Another loan was availed which amounted to ₱7,995,029 with a term of ten (10) years beginning July 8, 2014. The loan bears interest of 6.88%. Payments made pertaining to this loan in 2020 and 2019 amounted to ₱814,017 and ₱759,393, respectively. Outstanding balance as of December 31, 2020 and 2019 amounted to ₱3,484,758 and ₱4,298,775, respectively.
- On January 12, 2015, the Company availed another loan from a local bank which amounted to ₱24,762,720 due after fifteen (15) years. The loan bears fixed interest rate of 6.5% for the first year and subject for repricing thereafter based on prevailing interest rate. Payments made pertaining to this loan in 2020 and 2019 amounted to ₱1,235,094 and ₱1,399,038, respectively. Outstanding balance as of December 31, 2020 and 2019 amounted to ₱17,760,082 and ₱18,995,176, respectively.
- Another loan was availed which amounted to ₱4,356,165 with a term of fifteen (15) years beginning February 28, 2016. The loan bears interest of 6.5%. Payments made pertaining to this loan in 2020 and 2019 amounted ₱265,443 to ₱249,649, respectively. Outstanding balance as of December 31, 2020 and 2019 amounted to ₱2,780,437 and ₱3,045,880, respectively.
- On November 29, 2016, the Company availed another loan from a local bank which amounted to ₱2,553,600 with a term of five (5) years. The loan bears interest of 8.38%. Payments made pertaining to this loan in 2020 and 2019 amounted ₱555,198 and ₱510,717, respectively. Outstanding balance as of December 31, 2020 and 2019 amounted to ₱551,311 and ₱1,106,509, respectively.
- On June 6, 2017, the Company availed another loan from a local bank which amounted to ₱17,464,000 with a term of ten (10) years. The loan bears interest of 6.75%. Payments made pertaining to this loan in 2020 and 2019 amounted to ₱1,393,623 and ₱1,397,725, respectively. Outstanding balance as of December 31, 2020 and 2019 amounted to ₱12,739,469 and ₱14,133,094, respectively.
- Another loan was availed which amounted on ₱16,319,023 with a term of fifteen (15) years beginning June 30, 2017. The loan bears interest of 6.5%. Payments made pertaining to this loan in 2020 and 2019 amounted to ₱884,641 and ₱829,114, respectively. Outstanding balance as of December 31, 2020 and 2019 amounted to ₱12,316,387 and ₱13,201,027, respectively.

Rollforward of loans payable are as follow:

	2020	2019
Balance at beginning of year	₱66,287,037	₱64,083,444
Payments during the year	(8,053,698)	(8,027,980)
Adjustment during the year	-	10,231,573
Balance at end of year	₱58,233,339	₱66,287,037

Interest expense incurred from above loans amounted to ₱4,834,693 and ₱4,987,834 in 2020 and 2019, respectively. In 2019, adjustment to loans were made.

Total amount of all loans availed by the Company are presented as follows:

	2020	2019
Noncurrent portion	₱49,541,485	₱58,233,339
Current portion (due within one year)	8,691,854	8,053,698
	₱58,233,339	₱66,287,037

17. Retirement Liability

As at December 31, 2019, Company does not have an established retirement plan but accrue retirement benefits costs in accordance with the minimum regulatory benefit under RA No. 7641 which is based on employees' years of service and compensation levels during employment period. Accrued retirement liability as at December 31, 2019 under RA No. 7641 amounted to ₱1,359,216.

The Company has started a noncontributory defined benefit retirement plan covering substantially all of its qualified employees in 2020. Retirement benefits are based on employees' years of service and compensation levels during their employment period. The most recent actuarial valuation was dated April 20, 2021 computed for the year ended December 31, 2020. The actuarial report used the beginning balances from 2019 in its valuation for the defined benefit retirement plan as at December 31, 2020.

The retirement liability presented in the statements of financial position amounted to ₱3,315,465 and ₱1,359,216 as at December 31, 2020 and 2019, respectively.

Changes in the present value of the defined benefit obligation follows:

	2020	2019
Balance at beginning of year	₱1,359,216	₱1,257,156
Remeasurement loss – OCI	1,451,853	–
Current service cost	504,396	102,060
Balance at end of year	₱3,315,465	₱1,359,216

The retirement benefits expense recognized in the statements of comprehensive income as shown as part of "General and Administrative Expenses" (see Note 19) for the years ended December 31, 2020 and 2019 was determined as follow:

	2020	2019
Current service cost	₱504,396	₱102,060

The movements of cumulative remeasurement loss recognized in other comprehensive income follow:

	2020	2019
Balance at beginning of year	₱–	₱–
Remeasurement loss during the year	(1,016,297)	–
Balance at end of year	(₱1,016,297)	₱–

There are no unusual or significant risks to which the retirement plan exposes the Company. However, in the event a benefit claim arises, it shall be immediately due and payable from the Company.

There was no plan amendment, curtailment, or settlement recognized in 2020 and 2019.

The principal actuarial assumptions used to determine retirement benefits in 2020 is as follow:

Discount rate	3.77%
Salary increase rate	3.5%
Retirement age (in years)	60

The sensitivity analysis on the retirement benefit obligation in 2020 is as follows:

1% increase in discount rate	(P311,638)
1% decrease in discount rate	379,067
1% increase in the salary increase rate assumption	374,550
1% decrease in the salary increase rate assumption	(378,025)
10% improvement in employee turnover	138,885
10% increase in employee turnover	(138,885)

18. Cost of Services

This account consists of:

	2020	2019
Claims:		
Medical	P121,549,118	P176,909,805
Death	3,802,100	13,737,100
Cash value	512,604	864,965
	125,863,822	191,511,870
Increase in aggregate reserves for long-term contracts	185,651,050	172,429,728
Commission	78,035,951	82,862,824
Term insurance premium	13,750,767	8,163,546
Fees – dental network	3,227,565	4,441,553
	P406,529,155	P459,409,521

19. General and Administrative Expenses

This account consists of:

	2020	2019
Salaries and employee benefits	P15,428,977	P16,902,642
Depreciation and amortization (Notes 11 and 21)	6,829,530	10,388,152
Taxes and licenses	3,645,797	1,911,509
Representation and entertainment	3,298,410	5,950,621
Supplies	2,327,876	3,804,860
Communication, light and water	2,030,632	3,195,918
Professional fee	2,005,425	2,796,439
Advertising and promotions	1,960,784	1,793,987
Membership dues	1,634,995	1,638,993
SSS, Philhealth and HDMF premium contribution	1,313,041	2,493,904
Transportation and travel	1,096,260	1,551,617
Insurance	647,113	970,278
Janitorial and messengerial services	512,351	328,429
Retirement benefit expense (Note 17)	504,396	102,060
Meals and hotel accommodations	368,264	1,314,651
Repairs and maintenance	143,038	1,456,044
Sponsorship	-	215,000
Meetings and conferences	-	40,000
Miscellaneous	1,740,826	2,568,066
	P45,487,715	P59,423,170

Miscellaneous include penalties, sundry expenses, usage fee of shared areas occupied, prizes and awards, pantry expenses, special projects and other expenses.

20. Income Taxes

- a. The current income tax expense in 2020 and 2019 represents RCIT and MCIT, respectively.
- b. Below is the reconciliation of income taxes which will show income tax payable or any creditable withholding taxes:

	2020	2019
Income before income tax	P7,897,403	P5,464,122
Multiplied by statutory tax	30%	30%
Income tax at statutory tax rate	2,369,221	1,639,237
Income tax effects of:		
Dividend income subjected to final tax	(600,417)	(390,855)
Interest income subjected to final tax	(354,063)	(124,779)
Nondeductible interest expense	146,051	51,471
Amortization of discount on security deposit	(43,124)	(36,153)
Nondeductible penalties	60,346	-
Excess MCIT expired	-	819,935
Unallowable representation expense	-	657,740
Total income tax expense – current and deferred	1,578,014	2,616,596
Deferred income tax expense (benefit)	1,996,441	(1,211,235)
Current income tax expense	3,574,455	1,405,361
Creditable withholding tax during the year	(2,902,864)	(2,029,681)
MCIT Application during the year	(3,574,455)	-
Prior year excess tax credits	(1,103,174)	(478,854)
Creditable withholding tax (Note 9)	P4,006,038	P1,103,174

- c. The components of the Company's deferred income tax follow:

	2020		
	Balance at beginning of year	Deferred income tax benefit (expense)	Balance at end of year
<i>Deferred tax assets (liabilities) – P&L</i>			
Excess MCIT over RCIT	P3,749,249	(P3,574,455)	P174,794
Retirement liability	407,765	151,319	559,084
Excess of lease liability over ROU asset	(12,366)	257,671	245,305
Unpaid claims	–	1,587,451	1,587,451
<i>Deferred tax assets – OCI</i>			
Retirement liability	–	435,556	435,556
	P4,144,648	(P1,142,458)	P3,002,190

	2019		
	Balance at beginning of year	Deferred income tax benefit (expense)	Balance at end of year
<i>Deferred tax assets (liability)</i>			
Excess MCIT over RCIT	P3,284,781	P464,468	P3,749,249
NOLCO	1,914,788	(1,914,788)	–
Retirement liability	377,147	30,618	407,765
Excess of lease liability over ROU asset	–	(12,366)	(12,366)
	P5,576,716	(P1,432,068)	P4,144,648

- d. The carryforward benefits of MCIT can be claimed as deduction against regular income tax due follows:

Year incurred	Expiration	Expired/Applied	Unapplied
2017	2020	P935,039	P–
2018	2021	1,529,807	–
2019	2022	1,109,609	174,794
Total		P3,574,455	P174,794

Management believes that it is likely that the corresponding carryforward tax benefits from MCIT will be realized prior to its expiration.

- e. Net Operating Loss Carry-Over (NOLCO)

- NOLCO incurred prior to taxable year 2020
NOLCO incurred prior to taxable year 2020 can be claimed as deduction against regular taxable income within the next three (3) consecutive taxable years immediately following the year of such loss. The Company incurred the following NOLCO:

Year incurred	Expiration	NOLCO	Tax benefit
2016	2019	P1,099,863	P329,959
2017	2020	5,282,765	1,584,829
		6,382,628	1,914,788
Applied in 2019		(6,382,628)	(1,914,788)
Balance		P–	P–

- NOLCO incurred in taxable year 2020
Pursuant to Section 4 (bbbb) of Bayanihan II and as implemented under Revenue Regulations (RR) No. 25-2020, the net operating losses of a business or enterprise incurred for taxable years 2020 and 2021 can be carried over as deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

No NOLCO was incurred in 2020.

- f. The Company opted for the itemized deduction scheme for its income tax reporting in 2020 and 2019.

21. Lease Agreement

The Company leases its office space for five years until September 30, 2013, with options to extend upon mutual agreement of both parties. The lease agreement was subsequently renewed on November 26, 2013 under the same terms and conditions of the previous contract except for the rental rate. In 2019, the lease agreement was renewed for another five years.

ROU Assets

Rollforward analysis of ROU assets follow:

	2020	2019
Balance at beginning of year	₱19,682,842	₱24,314,265
Depreciation and amortization (Note 19)	(5,052,461)	(4,631,423)
Net carrying value	₱14,630,381	₱19,682,842

Lease liabilities

Rollforward analysis of lease liabilities follows:

	2020	2019
Balance at beginning of year	₱19,641,621	₱23,578,153
Payments made during the year	(5,855,865)	(5,783,573)
Interest charge for the year	1,662,306	1,847,041
Balance at end of year	15,448,062	19,641,621
Less current portion	4,908,440	4,193,559
Noncurrent portion	₱10,539,622	₱15,448,062

Interest on the lease liability amounting to ₱1,662,306 in 2020 and ₱1,847,040 in 2019 is included as part of 'Interest expense' in the statements of comprehensive income (loss). During the year, the lessor waived the rent for the month of April amounting to ₱481,964 due to Pandemic.

The Company also paid security deposits required under the lease contract which are refundable at the end of the lease term. Current and noncurrent portion of security deposit amounted to ₱422,039 and ₱1,232,420 as at December 31, 2020, respectively and ₱264,259 and ₱1,390,200 as at December 31, 2019. Amortization of the discount on security deposit included under 'Interest income' amounted to ₱143,748 in 2020 and ₱120,511 in 2019.

Future minimum lease payments for the above lease agreement follow:

	2020	2019
Within one year	₱6,148,655	₱5,855,865
After one year but not more than 5 year	11,477,487	17,626,142
Total	₱17,626,142	₱23,482,007

22. Service Revenues

Service revenues pertain to healthcare services covered under the HMO agreements rendered by the Company to customers. The performance obligation to provide medical services is satisfied over time upon rendering of the services. Revenue in 2020 and 2019 amounted to ₱462.8 million and ₱528.8 million, respectively. Outstanding contract balances amounted to ₱6.0 million in 2020 and ₱7.3 million in 2019 (see Note 8). These are noninterest-bearing and to be settled on demand. The Company has no liability related to these services.

23. Financial Instruments

Set out below is a comparison of carrying values and estimated fair values of the Company's financial instruments as of December 31, 2020 and 2019:

2020					
	Note	Carrying value	Fair value	Quoted price in active market (Level 1)	Significant observable input (Level 2)
Financial assets:					
Cash	6	₱311,424,094	₱311,424,094	₱-	₱311,424,094
Short term investments	7	23,751,193	23,751,193	-	23,751,193
Receivables	8	6,297,876	6,297,876	-	6,297,876
Financial assets at FVOCI	10	955,560,780	955,560,780	955,560,780	-
Due from affiliates	14	47,700,560	47,700,560	-	47,700,560
Security deposit	21	1,654,459	1,654,459	-	1,654,459
		₱1,346,388,962	₱1,346,388,962	₱955,560,780	₱390,828,182
Financial liabilities:					
Trade and other payables*	13	₱1,202,548,886	₱1,202,548,886	₱-	₱1,202,548,886
Due to affiliates	14	31,578,251	31,578,251	-	31,578,251
Loans payable	16	58,233,339	58,233,339	-	58,233,339
Lease liability	21	15,448,062	15,448,062	-	15,448,062
		₱1,307,808,538	₱1,307,808,538	₱-	₱1,307,808,538

*Excluding nonfinancial liabilities amounting to ₱2,367,857.

2019					
	Note	Carrying value	Fair value	Quoted price in active market (Level 1)	Significant observable input (Level 2)
Financial assets:					
Cash	6	₱184,568,292	₱184,568,292	₱-	₱184,568,292
Short term investment	7	10,000,000	10,000,000	-	10,000,000
Receivables	8	7,810,501	7,810,501	-	7,810,501
Financial assets at FVOCI	10	899,262,674	899,262,674	899,262,674	-
Due from affiliates	14	63,506,134	63,506,134	-	63,506,134
Security deposit	21	1,654,459	1,654,459	-	1,654,459
		₱1,166,802,060	₱1,166,802,060	₱899,262,674	₱267,539,386
Financial liabilities:					
Trade and other payables*	13	₱1,172,608,983	₱1,172,608,983	₱-	₱1,172,608,983
Due to affiliates	14	36,176,235	36,176,235	-	36,176,235
Loans payable	16	66,287,037	66,287,037	-	66,287,037
Lease liability	21	19,641,621	19,641,621	-	19,641,621
		₱1,294,713,876	₱1,294,713,876	₱-	₱1,294,713,876

*Excluding nonfinancial liabilities amounting to ₱1,829,351.

Methods and Assumptions Used to Estimate the Fair Value

The carrying value of cash, short-term investment, due to and from affiliates, trade and other payables approximate the fair value due to the short-term nature of the transactions.

The fair value of security deposit is the present value of the discounted expected future cash flows using the incremental borrowing rate on the lease agreements in which these relates to.

The carrying value of loans approximate their fair values as their interest rate are based on market rates for debt with the same maturity profiles at the end of the reporting period.

The fair value of financial assets and liabilities included in Level 2 which are not traded in an active market are determined based on the expected cash flows of the underlying asset and liability based on the instrument where the significant inputs required to determine the fair value of such instrument are directly or indirectly observable.

Financial assets at FVOCI

The fair value of investments that are actively traded in organized financial market is determined by reference to quoted market bid prices at the close of business at the end of financial reporting period. For investments where there is no active market, fair value is determined using other valuation techniques.

There has been no reclassification to and from Level 1 and 2 categories in 2020 and 2019.

24. Financial Risk Management Objectives and Policies

The main purpose of the Company's financial instruments is to fund its operations, acquire and improve property and equipment and to settle obligations. The main risks arising from the use of financial instruments are credit, interest rate, liquidity and equity price risk. The Company's financial instruments comprise of cash and cash equivalents, short-term investment, receivables, security deposits, due to and from affiliates, loans payable, trade and other payables. Exposures to credit and liquidity risks arise in the normal course of the Company's business activities. The main objectives of the Company's financial risk management are as follows:

- To identify and monitor such risks on an ongoing basis;
- To minimize and mitigate such risks; and
- To provide a degree of certainty about costs.

The Company's BOD reviews and agrees with policies for managing each of these risks. These are summarized below:

Credit Risk

The Company's exposure to credit risk on its receivables relates primarily to the inability of the debtors to pay and to fully settle unpaid balances. The Company controls this risk through monitoring procedures and regular coordination with the customers. The Company has policies in place to ensure that sales of products are made to those with appropriate credit history. Safeguards are implemented to ascertain that no additional deliveries are made to customers with long outstanding balances. Receivable balances are monitored on an ongoing basis.

Credit risk exposure

Table below shows the maximum exposure to credit risk of the Company as of December 31, 2020 and 2019 without considering the effects of collaterals and other credit risk mitigation techniques:

	2020	2019
Cash in banks (Note 6)	₱311,384,094	₱184,528,292
Short-term investments (Note 7)	23,751,193	10,000,000
Receivables (Note 8)	6,297,876	7,810,501
Due from affiliates (Note 14)	47,700,560	63,506,134
Financial assets at FVOCI (Note 10)	955,560,780	899,262,674
Security deposit (Note 21)	1,654,459	1,654,459
	₱1,346,348,962	₱1,166,762,060

Credit quality per class of financial assets

The table below shows the credit quality by class of financial assets as of December 31, 2020 and 2019:

	2020			
	Neither past due nor impaired			Total
	High grade	Standard grade	Substandard grade	
Financial assets:				
Cash in banks	P311,384,094	P-	P-	P311,384,094
Short-term investment	23,751,193	-	-	23,751,193
Receivables	-	-	6,297,876	6,297,876
Due from affiliates	-	-	47,700,560	47,700,560
Financial assets at FVOCI	955,560,780	-	-	955,560,780
Security deposit	-	1,654,459	-	1,654,459
	P1,290,696,067	P1,654,459	P53,998,436	P1,346,348,962

	2019			
	Neither past due nor impaired			Total
	High grade	Standard grade	Substandard grade	
Financial assets:				
Cash in banks	P184,528,292	P-	P-	P184,528,292
Short-term investment	10,000,000	-	-	10,000,000
Receivables	269,471	-	7,541,030	7,810,501
Due from affiliates	-	-	63,506,134	63,506,134
Financial assets at FVOCI	899,262,674	-	-	899,262,674
Security deposit	-	1,654,459	-	1,654,459
	P1,094,060,437	P1,654,459	P71,047,164	P1,166,762,060

There were no financial assets which were considered as past due but not impaired in 2020 and 2019.

High grade cash in banks are working capital cash fund placed or deposited in local banks belonging to the top ten (10) banks in the Philippines in terms of resources and profitability.

Other high-grade accounts are accounts considered to be high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

Standard grade accounts are active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

Substandard grade accounts are accounts which have a probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up and extended payment terms.

Impairment assessment

The Company applies general approach for determining the ECLs of cash in banks, short-term investments, nontrade receivables and due from affiliates. A credit loss is the difference between the cash flows that are expected to be received discounted at the original effective interest rate and contractual cash flows in accordance with the contract. The loss allowance for financial assets are based on the assumptions about risk of default and expected loss rates. The management has assessed that above financial assets are not impaired.

Impairment of security deposit could not be readily determined as the underlying contracts are currently in force and the parties involved have no immediate plan to pre-terminate the leases. The Company is compliant with the lease conditions based on the contracts.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

Cash flow interest rate risk exposure is limited to its cash and short and long-term debts kept with various depository banks. Changes in interest thereof would not be material to the Company's operations.

As of December 31, 2020 and 2019, the Company's interest on loans payable is subject regular evaluation. Interest risk is managed through regular monitoring.

The following table set forth the impact of the range of reasonably possible changes in the interest rates on the Company's income before income tax and equity in 2020 and 2019:

Reasonably possible changes in interest rates	Effect on income before tax	Effect on equity
2020		
0.75%	₱59,231	₱41,461
(0.75%)	(59,231)	(41,461)
2019		
0.013%	₱8,617	₱6,032
(0.013%)	(8,617)	(6,032)

Liquidity Risk

Liquidity risk refers to the risk that the Company will not be able to meet its financial obligations as they fall due. The Company seeks to manage its liquidity profile to be able to finance its capital expenditures and cover its operating costs. The Company's objective is to maintain a balance between continuity of funding and flexibility through valuation of projected and actual cash flow information.

Additional short-term funding is obtained from related parties and short-term loans, when necessary. The Company monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk.

Table below summarizes the maturity profile of the Company's financial assets and liabilities:

	2020			Total
	On demand	Within 1 year	Beyond 1 year but not more than 5 years	
<i>Financial assets:</i>				
Cash in banks	₱311,384,094	₱-	₱-	₱311,384,094
Short-term investment	-	23,751,193	-	23,751,193
Receivables	-	6,297,876	-	6,297,876
Financial assets at FVOCI	955,560,780	-	-	955,560,780
Due from affiliates	-	-	47,700,560	47,700,560
Security deposit	-	-	1,654,459	1,654,459
	₱1,266,944,874	₱30,049,069	₱49,355,019	₱1,346,348,962

	2020			Total
	On demand	Within 1 year	Beyond 1 year but not more than 5 years	
<i>Financial liabilities:</i>				
Trade and other payables*	₱128,984	₱1,202,419,902	₱-	₱1,202,548,886
Due to affiliates	31,578,251	-	-	31,578,251
Loans payable	-	8,691,854	49,541,485	58,233,339
Lease liability	-	4,908,440	10,539,622	15,448,062
	₱31,707,235	₱1,216,020,196	₱60,081,107	₱1,307,808,538

*Excluding government payables and output VAT payable ₱2,367,857.

	2019			Total
	On demand	Within 1 year	Beyond 1 year but not more than 5 years	
<i>Financial assets:</i>				
Cash in banks	₱184,528,292	₱-	₱-	₱184,528,292
Short-term investment	-	10,000,000	-	10,000,000
Receivables	-	7,810,501	-	7,810,501
Financial assets at FVOCI	899,262,674	-	-	899,262,674
Due from affiliates	-	-	63,506,134	63,506,134
Security deposit	-	-	1,654,459	1,654,459
	₱1,083,790,966	₱17,810,501	₱65,160,593	₱1,166,762,060
<i>Financial liabilities:</i>				
Trade and other payables*	₱109,846	₱1,172,499,137	₱-	₱1,172,608,983
Due to affiliates	36,176,235	-	-	36,176,235
Loans payable	-	8,053,698	58,233,339	66,287,037
Lease liability	-	4,193,559	15,448,062	19,641,621
	₱36,286,081	₱1,184,746,394	₱73,681,401	₱1,294,713,876

*Excluding government payables and output VAT payable ₱1,829,351.

Equity Price Risk

The Company's exposure to equity securities price risk pertains to its equity instrument financial asset at FVOCI. Equity securities price risk arises from the changes in the levels of equity indices and value of stocks traded in the stock market.

At December 31, 2020 and 2019, if the quoted stock price for the securities using PSE index had increased (decreased) by 22% and 8%, respectively, the Company's total equity would have been higher (lower) by about ₱72.8 million and ₱23.3 million, respectively. The analysis is based on the assumption that the quoted prices had changed by 22% and 8%, with all other variables held constant.

25. Capital Management

The Company has an authorized capital stock of ₱160,000,000 divided into 160,000,000 common shares at a par value of ₱1.0 per share. Total issued and outstanding shares amounted to 68,240,000 of which 53,240,000 were paid and the remaining unpaid subscription amounted to 15,000,000 shares.

The Company maintains a capital base to cover risks inherent in the business. The primary objective of the Company's capital management is to maintain stability of capital and minimize losses.

The Company considers the following as its capital as of December 31, 2020 and 2019:

	2020	2019
Capital stock	P53,240,000	P53,240,000
Fair value gain (loss) on equity instruments at FVOCI	(6,852,511)	1,094,331
Cumulative remeasurement loss	(1,016,297)	-
Retained earnings	11,826,716	4,471,967
	P57,197,908	P58,806,298

In 2019, the stockholders paid subscription amounting to P3,240,000.

Below is the rollforward of the Company's capital stock:

	2020	2019
Balance at beginning of year	P53,240,000	P50,000,000
Subscription during the year	-	3,240,000
Balance at end of year	P53,240,000	P53,240,000

26. Events After Reporting Period

COVID 19

In a move to contain the COVID-19 pandemic, the community quarantine which was initially imposed on March 25, 2020 which had series of extensions throughout the year 2020 was still in effect as of December 31, 2020. On February 27, 2021, it was announced that Metro Manila and other provinces have extended the general community quarantine (GCQ) until March 31, 2021 while the rest of the country was under modified general community quarantine (MGCQ). Under MGCQ, more industries can operate to as much as full capacity and public places can operate with distancing protocols. The Company has observed the government mandates and directives. Management believes that the COVID-19 pandemic poses no significant impact on its financial statements to the Company as it continues operations in the new normal set up. Nevertheless, the Company's management and BOD will continuously monitor the impact and will plan accordingly to minimize and (or) mitigate further risk on the Company's financial performance and position. The Company has taken measures to preserve the health and safety of its stakeholders as well as the business operations.

Corporate Recovery and Tax Incentives for Enterprises Act or "CREATE"

On March 26, 2021, the Republic Act (RA) 11534, known as "The Corporate Recovery or Tax Incentives for Enterprises Act" (Create Act) was passed into law. Salient provision of Create Act applicable to the Company are as follows:

1. Reduction in corporate income tax (CIT) rate effective July 1, 2020 as follows:

Domestic corporations shall be subject to the following reduced CIT rates depending on their assets and taxable income:

- a. Those with assets amounting to P100,000,000 and below, and with taxable income equivalent to P5,000,000 and below will be subjected to a 20% tax rate;
- b. Those with assets above P100,000,000 or those with taxable income amounting to more than P5,000,000 will be subjected to a 25% tax rate.

(Note: Computation of total assets is exclusive of the value of the land where the property, plant, and equipment are situated.)

Foreign Corporations (resident and nonresident foreign corporations) will have a fixed reduced tax rate of 25%.

2. Proprietary educational institutions and hospitals which are nonprofit previously subject to a tax of 10% on their taxable income, shall be imposed a tax rate of 1% beginning July 1, 2020 until June 30, 2023.
3. Regional Operating Headquarters (ROHQs) of multinational companies previously subject to a tax of 10% on their taxable income shall be subject to the regular corporate income tax effective January 1, 2022.
4. Effective July 1, 2020 until June 30, 2023, the MCIT rate shall be one percent (1%).
5. For entities under the 25% income tax rate, their deductible interest expense shall be reduced by an amount equivalent to 20% of the interest income subject to final tax.

The Create Act is effective on April 11, 2021.

The proper calculation of the current income tax and related tax accounts as at and for the taxable year ended December 31, 2020 as a result of the reduction tax rate under the Create Act is presented below. The adjustments relating to such calculation, if any, which will be recognized in the Company's financial statements as at and for the year ended December 31, 2021 follows:

	December 31, 2020	Adjustments on reduction of tax rate	As adjusted
1. Provision for income tax	₱3,574,455	(₱324,242)	₱3,250,213
2. Deferred tax asset	3,002,190	324,242	3,326,432

27. Supplementary Information Required by the Bureau of Internal Revenue (BIR)

The following information on taxes, duties and license fees paid or accrued during the taxable year 2020 as presented for purposes of compliance with the disclosure requirement by the BIR as provided for in its Revenue Regulation 15-2010 and is not a required part of the basic financial statements in accordance with PFRS:

- a. Net sales/receipts declared in the Company's VAT returns

	Net sales/receipts	Output VAT
Service Income	₱425,551,608	₱51,066,193

- b. VAT

Balance at beginning of year	₱-
Current year's domestic purchases:	
Services lodged under other accounts	23,565,123
Goods other than for resale or manufacture	410,776
Less: Claims for tax credit	-
Applied to output VAT	(23,975,899)
Balance at end of year	₱-

- c. Taxes and licenses

Business permit	₱3,235,520
Penalties and interest	201,154
Real property tax	197,573
Community tax certificate	10,500
Others	1,050
Total	₱3,645,797

Documentary stamp tax pertains to equity and loans instrument. Others pertain to sanitary fees and fire inspections and notarial fees.

d. Withholding taxes

The amount of withholding taxes paid or accrued in 2020 follow:

Expanded withholding taxes	₱15,320,296
Tax on compensation and benefits	569,425
	<u>₱15,889,721</u>

e. The Company has no transactions in 2020 that were subject to the following taxes:

- Customs duties and tariff fees
- Excise taxes
- Capital gains tax

f. The Company has paid deficiency taxes amounting to ₱201,154 in 2020 for the taxable year 2019.