

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended March 31,2022
2. Commission Identification Number CS201607307 3. BIR Tax Identification No. 009-269-987-000

ALLIED CARE EXPERTS (ACE) MEDICAL CENTER-CAGAYAN DE ORO INC.

4. Exact name of issuer as specified in its charter

MISAMIS ORIENTAL, PHILIPPINES

5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: (SEC Use Only)

STA.CRUZ 1, PIMENTEL STREET, BARANGAY LAPASAN,
CAGAYAN DE ORO, MISAMIS ORIENTAL, PHILIPPINES

7. Address of issuer's principal office 9000
Postal Code

8. Issuer's telephone number, including area code: 09177718385

9. Former name, former address and former fiscal year, if changed since last report – N/A

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

| | <u>Number of Shares</u> | <u>Amount</u> |
|---|-------------------------|---------------|
| Common Shares – 1,000 par value | 131,400 | 131,400,000 |
| Preferred Shares – 1,000 par value | 60,000 | 60,000,000 |
| Founders Shares – 1,000 par value | 600 | 600,000 |
| Amount of Outstanding Debt as at March 31, 2022 | | 803,745,317 |

11. Are any or all of the securities listed on a Stock Exchange?

Yes [] No [x]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

Yes No

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes No

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

The Financial Statements (FS) of the Company for the 1st Quarter of 2022 is incorporated herein. (See ANNEX A)

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

| | For the three-months period ended March 31, | | Horizontal Analysis | | Vertical Analysis | |
|--|--|------------------|---------------------|----------------|-------------------|------------|
| | 2022 | 2021 | Inc. (Dec.) | % | 2022 | 2021 |
| Revenue | - | - | - | N/A | N/A | N/A |
| Direct Cost | - | - | - | N/A | N/A | N/A |
| Gross Profit | - | - | - | N/A | N/A | N/A |
| Interest Income | 185 | 1,106 | (921) | -83.28% | N/A | N/A |
| Gross Income | 185 | 1,106 | (921) | -83.28% | N/A | N/A |
| General and Administrative Expenses | 1,790,207 | 524,587 | 1,265,620 | 241.26% | N/A | N/A |
| Finance Costs | 576,743 | - | 576,743 | N/A | N/A | N/A |
| Net Loss Before Income Tax | (2,366,765) | (523,481) | (1,843,284) | 352.12% | N/A | N/A |
| Income Tax Benefit (Expense) | 563,476 | (287,886) | 851,362 | -295.73% | N/A | N/A |
| Net Loss for the Period | (1,803,289) | (811,367) | (991,922) | 122.25% | N/A | N/A |
| Other Comprehensive Income (Loss) for the Period | - | - | - | N/A | N/A | N/A |
| Total Comprehensive Loss for the Period | (1,803,289) | (811,367) | (991,922) | 122.25% | N/A | N/A |

Results of Operations (March 31, 2022 vs. March 31, 2021)

Other Income

The amount reflected as other income is the interest income earned from the bank deposits maintained by the company with various commercial banks. No operational revenues have been recognized.

General and Administrative Expenses

Hereunder is the 2-year comparative general and administrative expenses of the company as at March 31, 2022 and March 31, 2021:

| | March 31, 2022 | March 31, 2021 | Horizontal Analysis | |
|--------------------------------|------------------|----------------|---------------------|----------------|
| | | | Inc. (Dec.) | % |
| Salaries and employee benefits | 874,955 | 272,574 | 602,381 | 221.00% |
| Professional fees | 262,600 | 81,975 | 180,625 | 220.34% |
| Taxes and licenses | 94,601 | 52,649 | 41,952 | 79.68% |
| Office supplies | 80,756 | 13,111 | 67,645 | 515.94% |
| Board meetings and conferences | 62,798 | 23,611 | 39,187 | 165.97% |
| Postage and communication | 41,089 | 20,919 | 20,170 | 96.42% |
| Depreciation | 25,347 | 22,662 | 2,685 | 11.85% |
| Transportation and travel | 22,781 | 11,607 | 11,174 | 96.27% |
| Miscellaneous | 325,280 | 25,479 | 299,801 | 1176.66% |
| | 1,790,207 | 524,587 | 1,265,620 | 241.26% |

Total expenses as at March 31, 2022 increased by ₱1.27-million (241.26%) as compared to March 31, 2021. Material increase in Salaries and Employee Benefits and Professional Fees is due to the additional staff hired and payment for legal and audit fees during the period for the assistance of SEC requirements on Company with secondary license. Miscellaneous expense also increased resulting from the representation paid during the period.

Finance Cost

Finance costs pertains to interest expense paid and accrued during the period from bank loans related on the acquisition of medical equipment and fixtures.

Net Loss

As there is still no operation, the Company has been experiencing continuous deficits. This is expected to turn around when hospital starts its commercial operations.

Results of Operations (March 31, 2022 vs. March 31, 2021)

| ASSETS | As at | | Horizontal Analysis | | Vertical Analysis | |
|---------------------------------------|--------------------|--------------------|---------------------|----------------|-------------------|----------------|
| | March 31, 2022 | December 31, 2021 | Inc. (Dec.) | % | Mar-22 | Dec-21 |
| CURRENT ASSETS | | | | | | |
| Cash | 21,171,831 | 33,346,116 | (12,174,285) | -36.51% | 2.12% | 3.43% |
| Receivables | 2,754,370 | 2,770,153 | (15,783) | -0.57% | 0.28% | 0.29% |
| | 23,926,201 | 36,116,269 | (12,190,068) | -33.75% | 2.40% | 3.72% |
| NON-CURRENT ASSETS | | | | | | |
| Advances to contractors and suppliers | 40,195,889 | 39,711,602 | 484,287 | 1.22% | 4.03% | 4.09% |
| Property and equipment (net) | 929,442,142 | 892,953,524 | 36,488,618 | 4.09% | 93.22% | 91.89% |
| Deferred tax asset | 3,525,926 | 2,962,450 | 563,476 | 19.02% | 0.35% | 0.30% |
| | 973,163,957 | 935,627,576 | 37,536,381 | 4.01% | 97.60% | 96.28% |
| TOTAL ASSETS | 997,090,158 | 971,743,845 | 25,346,313 | 2.61% | 100.00% | 100.00% |

| LIABILITIES AND EQUITY | As at | | Horizontal Analysis | | Vertical Analysis | |
|--|--------------------|--------------------|----------------------------|---------------|--------------------------|----------------|
| | March 31, 2022 | December 31, 2021 | Inc. (Dec.) | % | Mar-22 | Dec-21 |
| CURRENT LIABILITIES | | | | | | |
| Accounts payable and other liabilities | 137,790,028 | 126,803,514 | 10,986,514 | 8.66% | 13.82% | 13.05% |
| Notes payable - current portion | 14,982,353 | 19,976,471 | (4,994,118) | -25.00% | 1.50% | 2.06% |
| | 152,772,381 | 146,779,985 | 5,992,396 | 4.08% | 15.32% | 15.10% |
| NON-CURRENT LIABILITIES | | | | | | |
| Notes payable - net of current portion | 481,689,227 | 473,013,677 | 8,675,550 | 1.83% | 48.31% | 48.68% |
| Advances from shareholders | 169,283,709 | 176,802,053 | (7,518,344) | -4.25% | 16.98% | 18.19% |
| | 650,972,936 | 649,815,730 | 1,157,206 | 0.18% | 65.29% | 66.87% |
| TOTAL LIABILITIES | 803,745,317 | 796,595,715 | 7,149,602 | 0.90% | 80.61% | 81.98% |
| EQUITY | | | | | | |
| Share capital | 150,500,000 | 149,500,000 | 1,000,000 | 0.67% | 15.09% | 15.38% |
| Share premium | 66,500,000 | 47,500,000 | 19,000,000 | N/A | 6.67% | 4.89% |
| Deficit | (23,655,159) | (21,851,870) | (1,803,289) | 8.25% | -2.37% | -2.25% |
| | 193,344,841 | 175,148,130 | 18,196,711 | 10.39% | 19.39% | 18.02% |
| TOTAL LIABILITIES AND EQUITY | 997,090,158 | 971,743,845 | 25,346,313 | 2.61% | 100.00% | 100.00% |

TOTAL ASSETS

Total assets of the Company increased by ₱25.35-million from ₱971.74-million as at December 31, 2021 to ₱997.09-million as at March 31, 2022 which was primarily due to capitalized construction costs of the hospital building, increase in advances to suppliers and contractors and deferred tax assets.

Cash

Cash decreased by ₱12.17-million (-36.51%) due to the various expenses related to construction and payment of principal and interest on bank loans.

Receivables

Receivable decreased by ₱0.02-million (-0.57%) due to the liquidation of account.

Advances to contractors and suppliers

Advances increased by ₱0.48-million (1.22%) resulted from a net effect of additional and full payment of downpayments to suppliers of construction materials and recouplements of downpayments made to the contractors.

Property and Equipment

The property and equipment account includes land, construction—in-progress, hospital and medical equipment, office equipment and furniture and fixtures. The increase in the account of 4.09% was mainly attributable to the additional construction costs incurred and capitalized borrowing costs from loans related to the construction of the hospital building.

As at March 31, 2022, the composite percentage of completion as certified by the Construction Manager is estimated to be at eighty-four point fifty-three percent (84.53%).

Deferred Tax Assets

The deferred tax asset of the Company arising from net operating loss carry over (NOLCO) prior to 2020 can be charged against future taxable income of the next three (3) taxable years. On the other hand, deferred tax assets arising from NOLCO subsequent to 2020 can be charged against future taxable income of the next five (5) taxable years.

TOTAL LIABILITIES

Total liabilities of the Company increased by ₱7.15-million from ₱796.60-million as at December 31, 2021 to ₱803.75-million as at March 31, 2022 which was primarily due to increase in accounts payable and other liabilities and additional bank loans released during the period.

Accounts payable and other liabilities

The increase in accounts payable and other liabilities by ₱10.97-million (8.66%) was mainly due to the payable to the contractors and suppliers for the unpaid contractor's billings and already delivered hospital and medical equipment not yet fully paid.

Notes payable

The Company obtained a ₱500 million seven-year term credit line from Land Bank of the Philippines (LBP) to finance the construction of its hospital building. The total amount drawn from the credit facility (less principal payments), as at reporting date, amounted to ₱496.67-million; ₱14.98-million is recognized as current and payable the following year and ₱481.69-million remains as noncurrent. The loans are further classified into the construction of the hospital building amounted to ₱455.87-million which are guaranteed by the Company's land including all other existing and future improvements thereon, under real estate mortgage and medical equipment amounted to ₱40.80-million.

Advances from Shareholders

In the special meeting of the Board of Directors held last April 8, 2017, the directors and shareholders were mandated and empowered to contribute resources and make cash advances to the Company for the development of its medical structures and appurtenances. The advances from Shareholders as of March 31, 2022 amounted to P169,283,709.00.

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

EQUITY

The 10.39% increase in the Company's total equity resulted from additional share capital and share premium from the issuance of its common shares net of additional losses incurred during the period. As at March 31, 2022, the Company issued a total of **THREE THOUSAND FIVE HUNDRED (3,500)** common shares.

Key Performance Indicators

| | March 31, 2022 | December 31, 2021 |
|--|-------------------|----------------------|
| 1. Liquidity | | |
| a. Quick ratio - capacity to cover its short-term obligations using only its most liquid assets. [(cash + cash equiv. + A/R) / current liabilities] | 0.16:1 | 0.25:1 |
| - Forecasted ratio | | |
| - Remarks: With the upswing progression of construction of the hospital building, the Company's cash are tied-up to paying its contractors and suppliers, principal and interest payments on bank loans. | | |

| | March 31, 2022 | December 31, 2021 |
|--|--------------------------|--------------------------|
| <p>b. Current ratio - capacity to meet current obligations out of its liquid assets. (current assets / current liabilities)</p> <p>- Forecasted ratio - Remarks: All of the Company current assets are quick assets for the period. Hence, current ratio is equal to quick ratio.</p> | 0.16:1 | 0.25:1 |
| <p>2. Solvency</p> <p>a. Debt to equity ratio - indicator of which group has the greater representation in the assets of the Company. (long-term debt / equity)</p> <p>- Forecasted ratio - Remarks: The Company's obligations are 81% of its equity. This means that the Company's financing for the construction of the hospital building are funded by debt.</p> | 3.37:1 | 3.71:1 |
| <p>3. Profitability</p> <p>a. Net profit margin - ability to generate surplus for stockholder (net income / sales)</p> <p>- Forecasted ratio - Remarks: Given that the hospital is not yet operational, there are no data yet for sales and net income.</p> <p>b. Return on equity - ability to generate returns on investment of stockholders. (net income / stockholders equity)</p> <p>- Forecasted ratio - Remarks: Since the Company has not yet started its commercial operation and no revenues are earned yet, return to equity is not favorable.</p> | N/A -0.93% | N/A -1.72% |
| <p>4. Leverage</p> <p>b. Debt to total asset ratio - the proportion of total assets financed by creditors. (total debt / total assets)</p> <p>- Forecasted ratio - Remarks: Starting year 2017, LBP already released loans in favor of the Company. That is the reason why as compared to the other years, the Company now has more liabilities. Given so, using the data above, the total assets of the Company exceed its obligations by at least 19%.</p> <p>c. Asset to equity ratio - indicator of the overall financial stability of the Company. (total assets / equity)</p> <p>- Forecasted ratio - Remarks: The present ratio show that the 81% of the Company's assets are funded with debt to finance the construction of the hospital building.</p> | 0.81:1 5.16:1 | 0.82:1 5.55:1 |

| | March 31, 2022 | December 31, 2021 |
|---|---------------------------|------------------------------|
| 5. Interest Rate Coverage Ratio a. Interest rate coverage ratio - measure of the company's ability to meet its interest payments (earnings before interest and taxes / interest expense) - Forecasted ratio - Remarks: The Company has negative interest rate coverage ratio since no revenue was earned during the year due to no commercial operation. | -3.10:1 | -11.35:1 |

Trends, Events, or Uncertainties that are reasonably expected to affect operations

As at March 31, 2022:

- The Company has not been involved in any legal proceedings, tax and/or regulatory assessments.
- There have been no off balance sheet transactions, arrangements, obligations and other relationships of the Company with unconsolidated entities or other persons created during the reporting period.
- There are no seasonal aspects that had a material impact on the results of operations of the Company.
- There are no events nor any default acceleration of an obligation that will trigger direct or contingent financial obligation that is material to the Company.
- The Company intends to commence its operations by the fourth quarter of 2022 when the hospital facility will be completed.
- The Company has no investments on foreign securities.

PART II--OTHER INFORMATION

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

SIGNATURES

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

Allied Care Experts (ACE) Medical Center – Cagayan de Oro Inc.

By:



Clarito T. Cañete, M.D
President



Rommel B. Vallejos, M.D
Treasurer

Date: June 14, 2022

Date: June 14, 2022