

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE SECTION 141
OF THE CORPORATE CODE OF THE PHILIPPINES

1. For the year ended December 31, 2023
2. SEC Identification Number AS94-002365 3. BIR Tax Identification No. 003-868-048-00000
4. SPC POWER CORPORATION
Exact name of the issuer as specified in its charter
5. Metro Manila, Philippines 6. [REDACTED] (SEC Use Only)
Province, country, or other jurisdiction Industry Classification Code:
of incorporation
7. 7th FL, BDO Towers Paseo, 8741, Paseo de Roxas, Makati City, 1209
Address of Issuer's principal office Postal Code
8. (63 2) 8810-4474 to 77
Issuer's telephone number, including area code
9. 7th FL, Cebu Holdings Center, Archbishop Reyes Avenue, Cebu Business Park, Cebu City
Former name of former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the SRC or Section 4 and 8 of the RSA

a. Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares (as of December 31, 2023)	1,496,551,803 shares
Total Debt (as of December 31, 2023)	P 1,223,449,667

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

Yes [☒] No [☐]

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

Philippine Stock Exchange

common shares

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder or Section 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 that the registrant was required to file such report(s):

Yes [☒] No [☐]

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

Yes [☒] No [☐]

13. Aggregate Market Value of Voting Stock Held by Non-affiliates:

Approximately P1,769,950,360 (198,870,827 x P8.90) as of March 31, 2024.

14. N.A.

15. N.A.

I. BUSINESS & GENERAL INFORMATION

Business Development

The Company

SPC Power Corporation (the Parent Company), formerly Salcon Power Corporation, was incorporated in the Republic of the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on March 11, 1994.

The Parent Company was formerly a venture company owned by members of the Salcon Consortium which entered into a Rehabilitation, Operation, Maintenance and Management Agreement (ROMM Agreement) with the National Power Corporation (NPC) on March 25, 1994, for the purpose of undertaking the rehabilitation, operation, maintenance and management of the 203.8 megawatt (MW) Naga Power Plant Complex (NPPC) in Colon, Naga, Cebu under the rehabilitate-operate-maintain-and manage scheme as defined in the ROMM Agreement.

Under the ROMM Agreement, the Parent Company, at its own cost, rehabilitated, operated, maintained, and managed the NPPC over the Cooperation Period of 15 years commencing on the Turnover Date as defined in the ROMM Agreement. The Parent Company received from NPC, its sole customer, Operation, and Maintenance (O&M) fees and energy fees derived from conversion into electricity of fuel supplied by NPC at no cost to the Parent Company throughout the Cooperation Period. The fees were subject to an agreed minimum energy off-take (EMOT), which was the minimum guaranteed energy purchase by NPC on a take-or-pay basis. The Parent Company was also entitled to a fuel efficiency bonus if the actual net heat rate of each of the power plants was less than the corresponding guaranteed net heat rate and was liable for a penalty if the actual net heat rate was greater than the guaranteed rate. At the end of the Cooperation Period, the Parent Company transferred to the NPC full possession of the NPPC, clean and unencumbered title to any and all the improvements, works, and structures rehabilitated, constructed, improved, and introduced by the Parent Company in the NPPC.

In resolutions dated September 28, 2001, the Board of Directors and Stockholders amended the primary purposes for which the Parent Company was formed. Together with its subsidiaries and associates, it is engaged in various business activities within the Philippines that include, among others, the development, construction, rehabilitation, maintenance, management, and operation of power generating plants, electricity distribution, and related facilities in accordance with existing laws.

On April 2, 2002, the Parent Company's common shares were listed on the Philippine Stock Exchange (PSE) with the ticker symbol: SPC.

On June 30, 2004, the Parent Company, the NPC, and the Power Sector Assets and Liabilities Management Corporation (PSALM) further amended the Implementing Agreement (IA) which implemented the covenants set forth in the Term Sheet and amended the ROMM Agreement and its First Amendment, by executing the Amended Implementing Agreement (AIA) which became effective on August 26, 2004. Salient matters of the AIA included, among others, a 20% reduction in the EMOT for the CTPP 1, CTPP 2, and CDPP 1 during the remaining Cooperation Period subject to certain conditions. As a consequence of the EMOT reduction, the Cooperation Period for CTPP 1, CTPP 2, and CDPP 1 was extended for nearly three (3) years from May 29, 2009 to March 25, 2012.

After the Cooperation Period for the 55 MW Land-Based Gas Turbines (LBGTs), on January 29, 2010, the Parent Company acquired the LBGTs for strategic purposes as the LBGTs are located in the Power Complex that is occupied by the Parent Company for the operation of the CTPP and CDPP

under the ROMM Agreement until March 25, 2012, and under series of Operation and Maintenance Service Contracts (OMSCs) until September 25, 2014.

After the expiration of the ROMM Agreement on March 25, 2012, OMSCs were awarded by PSALM to the Parent Company for the continuous operation and maintenance of CTPP 1, CTPP 2, and CDPP 1 for successive six-month periods up to September 25, 2014. Under the OMSC, the Parent Company received service and operating fees from PSALM.

In 2014, the Parent Company participated in the bidding for the acquisition of NPPC (see Note 29 of the consolidated financial statements of the Parent Company and Subsidiaries). On April 15, 2016, SPC Island Power Corporation (SIPC), a wholly-owned subsidiary of the Parent Company, submitted the highest offer to PSALM in the negotiated sale of the 32-MW Power Barge (PB) 104. On June 16, 2016, the Parent Company executed an Amendment, Accession, and Assumption Agreement with PSALM and SIPC. Under the agreement, SIPC assigned all its rights and obligations as Buyer of PB 104 to the Parent Company after PSALM gave its consent pursuant to the provisions of the Asset Purchase Agreement between SIPC and PSALM. On June 30, 2016, PSALM turned over the PB 104 to the Parent Company for rehabilitation. PB 104 started commercial operations on August 1, 2018 (for Unit Nos. 1, 2, and 3) and on June 11, 2019 (for Unit No. 4).

On September 9, 2016, the Parent Company's Board of Directors amended the Parent Company's Articles of Incorporation to engage in the business of selling, brokering, marketing, or aggregating electricity to the end-users. The amendments were subsequently approved and confirmed by written assent of the stockholders representing at least 2/3 of the outstanding capital stock of the Parent Company. On January 4, 2017, the SEC approved such amendment.

On July 29, 2021, the Parent Company's Board of Directors further amended the Parent Company's Articles of Incorporation for it to embark on the exploration and development of renewable energy (RE) resources. Stockholders representing more than two-thirds of the outstanding capital stock voted on October 7 – 11, 2021 to include in the Parent Company's primary purpose to carry on the general business of exploration, development, and utilization and/or lease of natural resources, such as solar, wind, biomass, hydro, geothermal, ocean, wave and other RE sources of power or hybrid systems, for the production of electricity. The stockholders also allowed the company to own, lease, and develop real or personal properties, including land; and invest in the management of domestic corporations, partnerships, and entities to attain its primary purpose. The SEC approved the amendment on June 9, 2022.

Subsidiaries/Associates

The Parent Company has the following subsidiaries:

- i. SPC Island Power Corporation (SIPC). SIPC, a wholly owned subsidiary, was incorporated and registered with the SEC on June 26, 2001. It operates the 146.5 MW Panay Diesel Power Plant (located in Dingle, Iloilo) and the 22 MW Bohol Diesel Power Plant (located in Tagbilaran City, Bohol) which were acquired on March 25, 2009, through the assignment of the Parent Company's rights and obligations to SIPC. It also operated the Olango Diesel Power Plant (ODPP), located on the Island of Olango, Lapu-Lapu City, from September 15, 2001, to March 25, 2021. ODPP supplied all the generated electricity to Mactan Electric Company, Inc. (MECO), an associate. On February 14, 2022, SIPC, in its intention to promote education and welfare among the people in Olango Island and nearby areas, donated the ODPP to the Technical Education and Skills Development Authority (TESDA), a government agency tasked to manage and supervise technical education and skills development in the Philippines.

- ii. Cebu Naga Power Corporation (CNPC). CNPC, a wholly owned subsidiary, was incorporated on August 12, 2015, to undertake the development, ownership, construction, operation, and management of a new 2 x 150 MW CFBC coal-fired power plant to replace the old CTPP 1 and CTPP 2 in the NPPC, Colon, City of Naga, Cebu. The construction of the new power plant had been aborted due to the adverse Supreme Court decision that led to the return of the NPPC to PSALM on July 13, 2018 (see Note 29 of the Notes to Consolidated Financial Statements). CNPC has not started commercial operations.
- iii. SPC Malaya Power Corporation (SMPC). SMPC, a majority-owned subsidiary, was incorporated in the Republic of the Philippines and registered with the SEC on September 22, 2011. SMPC won the bidding processes for the Operation and Maintenance Service Contract (OMSC) of the 650 MW Malaya Thermal Power Plant (MTPP) located in Pilillia, Rizal and accordingly operated the MTPP from October 25, 2011 to October 25, 2014. However, SMPC either did not win or did not participate in the subsequent biddings of the OMSC after October 25, 2014, for certain reasons. SMPC has not restarted commercial operations since October 26, 2014.
- iv. Bohol Light Company, Inc. (BLCI). BLCI, a majority-owned subsidiary, was organized on July 21, 2000, to engage in the business of supply and distribution of electricity, subject to applicable laws, rules, and regulations. On July 10, 2003, the National Electrification Commission (NEC) granted BLCI's franchise to operate electric, light, and power services for a period of 25 years retroactively from October 20, 2000, to October 19, 2025, in the area presently comprised by Tagbilaran City, Bohol.
- v. SPC Light Company, Inc. (SLCI) and SPC Electric Company, Inc. (SECI). SLCI (majority-owned) and SECI were incorporated on January 15, 2003 and October 17, 2002, respectively, primarily to design, construct, install, commission, rehabilitate, maintain, manage, operate, and invest in power generation/distribution plants and related facilities. The Parent Company has the power to govern the financial and operating policies of SECI by virtue of an agreement. SLCI and SECI have not started commercial operations.

The Parent Company also has the following major associates:

- i. KEPCO SPC Power Corporation (KSPC). KSPC, 40% owned by the Parent Company, was incorporated on June 22, 2005, primarily to build, operate, maintain, own, and manage the 2 x 100 Megawatt Circulating Fluidized Bed Combustion (CFBC) Boiler Coal-Fired Power Plant in the City of Naga, Colon, Cebu.
- ii. Mactan Electric Company, Inc. (MECO). In July 1997, the Parent Company acquired 40% of MECO which was granted by the NEC, under Presidential Decree No. 269, a franchise for 25 years from October 10, 1991, to engage in, conduct, and carry on the business of generating, buying and selling electric light for sale within the limits of the City of Lapu-Lapu and the Municipality of Cordova in the Province of Cebu until October 9, 2016. On July 17, 2016, MECO was granted a renewal of its franchise for another 25 years.

Future Prospects

The Group remains firmly committed to looking for opportunities in new markets and customer segments, both in the renewable and non-renewable energy spectrum.

As of April 11, 2024, the Group is in the early stage of undertaking the evaluation process of a pipeline of solar projects for its medium and long-term growth in capacity. However, there is no immediate assurance yet that the Group will have substantial and additional sources of income.

While in pursuit of new opportunities, the Group will continue to focus on further improving efficiencies and leveraging existing business assets to sustain profitability.

On July 29, 2021, the Parent Company's Board of Directors further amended the Parent Company's Articles of Incorporation (approved by the majority of the stockholders by written assent on October 7-11, 2021) to reflect current efforts to embark on the exploration and development of renewable energy (RE) resources. The amendment was approved by the SEC on June 9, 2022.

Competition

Increasing competition remains the primary challenge for the Group. It continuously face a more and more competitive environment in the procurement of power supply by distribution utilities through competitive selection process (CSP), provision for ancillary services, development and financing of new power plants, and acquisition of existing power plants. Such competition may affect the extent to which and the terms on which the Group can obtain or renew power supply contracts and secure or put up more projects in the future. However, the Group believes that their capabilities and proven track record will allow them to be competitive in project evaluation, bidding, and negotiation.

To optimize plant operations, the Group not only endeavors to renew expiring contracts from existing capacities but also maximize energy trading opportunities in the spot market. Due to competition, however, spot market prices have also been volatile.

Transactions with and/or Dependence on Related Parties

In the normal course of business, the Parent Company and its subsidiaries have significant transactions with related parties which are made on an arm's length basis as of the time of the transactions. The details of these transactions are contained in Note 5 of the consolidated financial statements as of and for the year ended December 31, 2023.

Research & Development

The Group does not appropriate expenses for research and development activities based on fixed amounts or percentages. Instead, expenses for research and development activities are allocated on a per-project basis that varies depending on the nature of the project. These expenses are funded from internally generated cash flows.

Patents, Licenses, Franchises and Government Approvals

Under the EPIRA, no person or entity may engage in the generation of electricity unless such person or entity has secured a Certificate of Compliance (COC) from the ERC to operate a generation facility and has complied with the standards, requirements, and other terms and conditions outlined in the COC.

The generation units in the Group possess COCs for their generation businesses, details of which are as follows:

Date Issued	PAO No.	Issued Under the Name of	Name	Type	Location	Rated Capacity	Fuel	Terms of COC
31-Jan-2024	24-01-31-M-PAO-E-0022V	KSPC	Unit 1	Coal-fired	City of Naga, Cebu	110.50 MW	Coal	Until Jan. 31, 2025 (i)
		KSPC	Unit 2	Coal-fired		110.50 MW	Coal	Until Jan. 31, 2025 (i)
23-Aug-2022	With existing PAO application under ERC's evaluation	SIPC (PDPP)		Diesel Power Plant	Dingle, Iloilo	80.62 MW	Diesel/Bunker C	Until Apr. 24, 2024 (ii)
7-Jul-2021	2021-C2-E-613	SIPC (BDPP)		Diesel Power Plant	Dampas, Tagbilaran City	22.08 MW	Diesel/Bunker C	Until July 17, 2024 (iii)
13-Feb-2024	24-02-13-M-PAO-E-0031V	SPC (PB 104)		Diesel Power Plant	Ubay, Bohol	32.00 MW	Diesel/Bunker C	Until Feb. 18, 2025 (iv)

(i) KSPC Units 1 and 2 were granted by ERC with the first (1st) Provisional Authority to Operate (PAO) from February 20, 2022 to February 19, 2023, and second (2nd) Provisional Authority to Operate (PAO) from January 31, 2024 to January 31, 2025, pending completion of certification for renewal of COC.

(ii) SIPC PDPP was granted PAO by ERC for the period from April 25, 2023 to April 24, 2024. As of April 11, 2024, SIPC PDPP is still being evaluated by the ERC for another extension of its PAO or a conversion thereof into a COC, as may be applicable.

(iii) SIPC BDPP was granted PAO by ERC for the period from July 18, 2022 to July 17, 2024, pending compliance with PAO conditions. As of April 11, 2024, SIPC BDPP is still being evaluated by the ERC for another extension of its PAO or a conversion thereof into a COC, as may be applicable.

(iv) SPC PB104 filed an application for the renewal of COC and was granted PAO by ERC for the period from February 19, 2024 to February 18, 2025.

(v) Pursuant to the Transitory Provision (Article III, Section 10) of the Revised Rules for the Issuance of Certificates of Compliance for Generation Facilities (2023 Revised COC Rules), the plants were granted (PAO) by ERC, contingent on the validity of permits and licenses issued by the other government agencies and other required compliances. Under Article V, Section 19 of Revised COC Rules, the COC to be issued by ERC shall be effective from the date of approval, and shall remain valid, unless otherwise suspended, revoked or annulled by the ERC after due notice and hearing.

Also, under the EPIRA, the business of electricity distribution requires a national franchise that can be granted only by Congress, except for distribution utilities operating within economic zones. In addition, a Certificate of Public Convenience and Necessity (CPCN) from the ERC is also required to operate as a public utility. Distribution utilities are required to submit to the ERC a statement of their compliance with the technical specifications prescribed in the Philippine Distribution Code. The following are the expiration periods of the Group's Distribution Utilities' franchises:

Distribution Utility	Expiration Date
MECO	July 16, 2041
BLCI	October 19, 2025

The EPIRA likewise requires all suppliers of electricity to end-users in the contestable market, other than distribution utilities within their franchise areas, to obtain a license from the ERC following the ERC's rules and regulations. With the implementation of Retail Competition and Open Access (RCOA), KEPCO SPC Power Corporation was granted by the ERC a license to operate as a Retail Electricity Supplier (RES) valid from October 18, 2016, to October 17, 2021, and from October 18, 2021, to October 17, 2026.

Manpower

The Parent Company had 77 employees consisting of 25 managerial employees and 52 rank-and-file employees.

The Parent Company and its subsidiaries employed a total of 286 regular employees as of December 31, 2023.

Regular employee benefits of the Parent Company include a retirement plan and all government-mandated benefits, supplemented by group life and health insurance, medical care, rice subsidy, longevity pay, funeral and burial assistance, cash conversion of unused vacation and sick leave credits, and at the discretion of the Board, year-end bonus, various incentive and productivity awards, merit adjustments, and loyalty bonus.

There is no collective bargaining agreement covering the Parent Company employees as of December 31, 2023.

The Parent Company does not anticipate any substantial increase in manpower within the next twelve months unless new development projects and acquisitions would require an increase in the number of employees.

Properties

The consolidated net book value of property, plant, and equipment of the Parent Company and its subsidiaries amounted to P736.6 million and P734.7 million as of December 31, 2023 and 2022, respectively. The breakdown is as follows:

Distribution lines, poles, and fixtures	₱92,893,204	₱92,542,925
Power transformers, switches, and devices	131,433,087	74,573,887
Plant machinery and equipment	349,127,311	391,717,449
Motor vehicles	16,403,127	9,141,358
Structures	12,964,014	14,245,336
Furniture and office equipment	25,607,758	3,272,905
Land held by subsidiaries	87,752,018	87,472,343
Construction in progress	7,982,944	46,454,500
Right-of-use-assets	12,467,151	15,297,159
Total	₱736,630,614	₱734,717,862

Locations of the principal properties, plant, and equipment mentioned above are as follows:

Company/Subsidiary	Description	Location/Address	Condition
SIPC	Panay Diesel Power Plant/Structures	Tinocuan, Dingle, Iloilo	In use for operations
SIPC	Bohol Diesel Power Plant/Structures	Dampas, Tagbilaran City, Bohol	In use for operations
BLCI	Utility plant and equipment	Tagbilaran City, Bohol	In use for operations
Parent Company	Power Barge 104	Tapal Wharf, Ubay, Bohol	In use for operations
SIPC	Land	Dampas, Tagbilaran City, Bohol	In use for operations
SIPC	Land	Tinocuan, Dingle, Iloilo	Held for future plant expansion.
BLCI	Land	Tagbilaran City, Bohol	In use for operations
Parent Company	Office furnitures and equipment	Cebu Holdings Center, Cebu Business Park, Cebu City; and BDO Towers Paseo, 8741 Paseo de Roxas, Makati City	In use for operations

On June 16, 2016, the Parent Company executed an Amendment, Accession, and Assumption Agreement between and among PSALM and SIPC. Under the said agreement, SIPC assigned all its rights and obligations as BUYER of PB 104 to the Parent Company after PSALM gave its consent under the provisions of the Asset Purchase Agreement between SIPC and PSALM. On June 30, 2016, PSALM turned over the PB 104 to the Parent Company.

Through an Accession Agreement on August 28, 2000, BLCI acquired the assets and equipment, rights, and interests of the Consortium composed of SII, the Parent Company, and other members of the Joint Venture Agreement (JVA) with the Provincial Government of Bohol (PGB). The JVA allowed the Consortium to purchase, own, rehabilitate, operate, maintain, and manage the Bohol Provincial Electric System (PES) and for PGB to sell and transfer the franchise to operate the PES in the City of Tagbilaran, Province of Bohol, to the Consortium.

In 2006, BLCI entered into a lease agreement with Bohol Water Utilities, Inc., a sister company, for the lease of land for 20 years starting January 1, 2006, until December 31, 2025, renewable upon such terms and conditions as may be mutually agreed upon by both parties. The land is used and occupied primarily for the operation, management, and maintenance of BLCI's utility plant and equipment. On January 21, 2021, the lease agreement was terminated due to the purchase of the land by BLCI.

On March 25, 2009, SIPC obtained control and possession of the 146.5-MW Panay Diesel Power Plant (located in Tinocuan, Dingle, Iloilo) and the 22-MW Bohol Diesel Power Plant (located in Dampas, Tagbilaran City, Bohol) under an assignment of the covering Asset Purchase Agreement (APA) and Land Lease Agreement (LLA) from the Parent Company. The LLA is in furtherance of and as the ancillary contract to the APA for the 25-year lease of parcels of land used and occupied primarily for the operation, management, expansion, and maintenance of the Purchased Assets. The LLA also covers an option to purchase the optioned assets within the leased premises that may be offered by the Lessor.

In 2017, SIPC exercised its option to purchase the optioned assets covering all the lots underlying the Bohol Diesel Plant with a total area of 27,527 square meters.

The Parent Company leases a residential condominium unit at Winland Towers, Cebu City from Dentrade, Inc., a corporation majority owned by Mr. Dennis T. Villareal who is currently the President and CEO of the Parent Company. The condominium unit is used to house the Parent Company's directors and senior executive officers during their official visits to Cebu.

The Parent Company also leases an office condominium unit on the 7th Floor of BDO Towers Paseo, Makati City. This unit houses the Parent Company's Makati Office. The unit is leased from the Parent Company's affiliate, SPC Properties and Development Corporation (SPDC).

The Parent Company further leases office condominium units on the 7th Floor of Cebu Holdings Center, Cebu Business Park, and 7th Floor of BDO Towers, Makati City from the Parent Company's affiliate – SPEC Properties, Inc. for use as its Cebu administrative office and additional executive offices in Makati.

Legal Proceedings

The Group is currently involved in various legal proceedings in the ordinary conduct of their businesses. The estimate of probable costs for the resolution of possible claims is developed in consultation with outside counsels handling the Group's defense in these matters and is based upon an analysis of potential results of litigation. As of December 31, 2023, the Group believes that the results of these actions will not have a material adverse impact on the Group's financial position and results of operations.

II. OPERATIONAL & FINANCIAL INFORMATION

Market Price of and Dividends on the Registrant's Common Equity and Related Stockholder Matters

Market Information

The principal market for the Parent Company's common equity is the Philippine Stock Exchange (PSE). The high and low sales prices for each period are indicated in the table below:

Quarter	Highest Close		Lowest Close	
	Price	Date	Price	Date
1st	9.00	20-Feb	6.95	2-Jan
1st	9.45	20-Jan	8.95	30-Mar
2nd	9.25	22-May	8.45	22-Jun
3rd	8.74	3-Jul	7.60	21-Sep
4th	8.09	4-Oct	6.75	18-Dec
1st	15.00	22-Feb	13.84	7-Jan
2nd	14.68	12-Apr	8.36	15-Jun
3rd	11.30	15-Aug	9.01	4-Jul
4th	10.18	21-Nov	8.99	5-Oct

As of March 31, 2024, the total number of stockholders was 707 (684 under transfer agents and including 94 depository participants counted as one stockholder each).

Top 20 Stockholders

The following composed the top 20 stockholders as of March 31, 2024:

<u>Rank</u>	<u>Name</u>	<u>Nationality</u>	<u>No. of Shares</u>	<u>Percent</u>
1	KEPCO Philippines Holdings, Inc.	Korean	568,098,822	37.98%
2	Intrepid Holdings, Inc.	Filipino	371,836,647	24.86%
3	JAD Holdings, Inc.	Filipino	293,201,397	19.60%
4	KV Holdings, Inc.	Filipino	74,749,847	5.00%
5	Boxboard Containers Corporation	Filipino	41,000,000	2.74%
6	Cancorp, Inc.	Filipino	41,000,000	2.74%
7	Rowell Plastic Corporation	Filipino	38,864,638	2.60%
8	ALH Management, Inc.	Filipino	21,850,269	1.46%
9	Mali Ni	Filipino	10,000,000	0.67%
10	PCD Nominee (Fil/Non-Fil) Corp.	Fil/Non-Fil	6,539,000	0.44%
11	Dennis T. Villareal	Filipino	6,425,500	0.43%
12	Cecilia Chua Tiu	Filipino	1,000,000	0.07%
13	Alberto P. Fenix, Jr.	Filipino	855,933	0.06%
14	Ma. Theresa M. Ballesteros	Filipino	691,492	0.05%
15	Stanley Krug	American	299,196	0.02%
16	Lorenzo D. Inocando	Filipino	274,196	0.02%
17	Dennis Lawrence N. Villareal	Filipino	274,196	0.02%
18	James Roy N. Villareal	Filipino	274,196	0.02%
19	Victor Anthony N. Villareal	Filipino	274,196	0.02%
20	Cesar O. Villegas	Filipino	267,392	0.02%
21	Corazon L. Gamez	Filipino	141,305	0.01%
TOTAL			1,477,918,222	98.82%

Dividends

The cash dividends declared by the Parent Company to common stockholders in the last three years are shown in the table below:

Year	Cash Dividends Per Share	Total Amount Declared	Record Date
2024	0.60	897,931,082	February 22, 2024
2023	0.20	299,310,360	August 9, 2023
2022	0.20	299,310,361	June 15, 2022
2021	0.40	598,620,721	April 23, 2021
2021	0.60	897,931,082	June 14, 2021
2021	0.55	823,103,492	December 23, 2021

The payment of dividends in the future will depend upon the Parent Company's earnings, cash flow, and financial condition, among others. The Parent Company may declare dividends only out of its unrestricted retained earnings, except in the case of stock dividends which may be declared out of paid-in surplus. Any dividend declaration will likewise be subject to the provisions of any existing shareholders' agreement/s and any prior consents required under the Parent Company's loan documentation with its bank creditors.

The Parent Company may pay dividends in cash, by the distribution of property, by the issuance of shares of stock, or a combination of any of the foregoing. Dividends paid in cash or property are subject only to the approval of the Board of Directors. Dividends paid in the form of additional shares are subject to approval by both the Board of Directors and stockholders representing at least two-thirds (2/3) of the outstanding capital stock of the Parent Company at a stockholders' meeting called for such purpose.

Section 42 of the Revised Corporation Code, however, requires that corporations with surplus profits in excess of 100% of their paid-up capital should declare and distribute the amount of such profits in the form of dividends, except when the retention is justified by definite corporate expansion projects or programs approved by the Board of Directors, or when the consent of creditors is required under any loan agreement, or when it can be clearly shown that such retention is necessary under special circumstances.

Recent Sale of Unregistered Securities

Over the last three years, the Parent Company has not sold any unregistered securities.

Description of the Company's Shares

The Parent Company's securities consist entirely of common stock with a par value of ₱1.00 per share.

Management's Discussion & Analysis of Financial Condition & Results of Operations

Hereunder is management's discussion and analysis of the significant factors affecting the financial performance, financial position, and cash flows of the Parent Company and Subsidiaries (collectively referred to as the "Group"). The discussion and analysis should be read in conjunction with the accompanying audited consolidated financial statements and the notes thereto as well as the schedules and disclosures set forth elsewhere in this report.

Financial Conditions and Results of Operations

Results of Operations

Year Ended Dec. 31, 2023 vs. Year Ended Dec. 31, 2022

The group's consolidated revenue rose to ₱4,552.4 million from ₱3,850.0 million or by 18.2% due to increasing service pass-through costs as well as the increase in volume sold of the distribution segment.

Cost of services rose significantly by 12.0% to ₱3,684.7 million in 2023 from ₱3,290.2 million in 2022, mostly as a result of rising fuel costs worldwide and the high cost of purchased power.

The gross margin increased notably by 55% from ₱559.8 million in 2022 to ₱867.8 million this year as revenues grew faster than service costs.

General and Administrative expenses increased by 18.9% from ₱249.3 million in 2022 to ₱296.3 million in 2023 due to the increase in retirement related personnel expenses, taxes and licenses and professional fees.

Equity share from earnings of investees dropped to ₱587.2 million in 2023 from ₱925.4 million in 2022, affected largely by the planned outages of KSPC attributable to the Grade A preventive maintenance schedule of its units 1 and 2 in September and October 2023 which lasted for 35 days on each unit, and the decrease in its power supply contracts. MECO, however, rose to ₱294.9 million in 2023 from ₱166.9 million in 2022 or an amount of ₱128 million mainly due to increase in its interest income and proceeds from insurance claims.

Due to higher effective interest rates and more temporary excess funds invested in short-term money market placements, interest income climbed significantly to ₱160.5 million from ₱27.8 million.

Because of this year's larger taxable income, the provision for income tax increased from ₱108.1 million to ₱141.4 million, or 30.8%.

The Consolidated total comprehensive income in 2023 amounts to ₱1.21 billion, lower by ₱80 million as compared to 2022. 48.3% of the 2023 total comprehensive income is coming from the Investee companies amounting to ₱587.2 million, followed by the power generation segment which contributed ₱540.3 million or 44.5% with the power distribution segment amounting to ₱87 million or 7.2% closing the total of 100%

The Group shows a steady double-digit return on average equity of 11.2% and 13.1% in 2023 and 2022, respectively. Earnings per share amounts to 78 centavos per share in 2023, lower by 6.9% from the 85 centavos per share in 2022.

Year Ended Dec. 31, 2022 vs. Year Ended Dec. 31, 2021

The Group registered a total comprehensive income of ₱1,294.7 million in 2022, 8.1% better than the previous year's level of ₱1,197.7 million, as all business segments delivered higher results in 2022.

The improved performance in 2022 translated to a consistent double-digit return on average equity and higher earnings per share of 13.06% and ₱0.85, respectively.

Equity shares from the earnings of the investee companies (namely, KSPC and MECO) comprised the bulk of the Group's total comprehensive income in 2022, accounting for 71% of the total. The investee companies' contribution of ₱925.4 million in 2022 was 6.6% more than the ₱867.8 million in the previous year. KSPC benefited from the resurgence of strong power demand and high spot market prices. The drop in the volume of contracted sales was made up by the stellar performance of the WESM. On the other hand, MECO posted a steady recovery from the impact of the coronavirus pandemic and typhoon Odette.

The generation business segment, which made up 27% of the group's net income, pitched in ₱349.6 million, 10.0 % higher year-on-year. The power plants had lower overall capacity utilization of 71% in 2022, versus 75% in 2021, due mainly to the impact of typhoon Odette in December 2021 spilling over the first two months of 2022. However, its contribution to the consolidated net income was higher as compared to the previous year due mainly to recoveries of fuel costs incurred in the previous year for rendering ancillary services.

The power distribution unit (namely, BLCI) accounted for the 2% balance of the pie. It recorded a turnaround in the fourth quarter of 2022 resulting in an income contribution of ₱19.8 million for the whole year of 2022, 72.8% higher than the ₱11.5 million recorded a year ago. This was attributed to partial recoveries of previously unrecovered cost of purchased power. It was also helped by the accrual of unbilled revenues in December 2022 which was nil in the same period last year due to typhoon Odette.

Consolidated revenues rose by 55.9% to ₱3,850.0 million in 2022, from ₱2,469.4 million in 2021, due mainly to higher pass-through cost of services.

The cost of services increased substantially by 68.5% to ₱3,290.2 million in 2022, from ₱1,952.5 million in 2021, due mainly to the high price of purchased power as well as increases in global fuel prices.

As revenues grew faster than the costs of services, the **gross margin** went up 8.3% to ₱559.8 million in 2022, from the previous year's ₱516.9 million.

General and administrative expenses increased by 21.2% to ₱249.3 million in 2022, from ₱05.7 million a year earlier, due mainly to: (i) marketing expenses incurred on behalf of an associate, and (ii) business development expenses for expansion projects that the Parent Company is seriously looking into.

Interest income dropped by 19.5% year-on-year, driven by lower rates for short-term investments. Furthermore, some funds set aside for power projects were placed in U.S. dollar-denominated short-term investments in 2022 as a safeguard against peso devaluation. The very low-interest income earned from the U.S. dollar- denominated short-term investments was more than compensated by huge foreign exchange gains from revaluation. Foreign exchange gains increased to ₱94.4 million in 2022, from ₱7.8 million only in 2021.

Service income was nil in 2022 as there were no technical, upgrading, and maintenance services rendered to other companies during the year.

Other income - others increased by 87% to ₱41.9 million in 2022 from ₱22.4 million only in 2021 due mainly to: (i) more sales of scraps, bunker sludge, and used oil; (ii) higher pole rentals; and (iii) higher income from penalties and surcharges as well as service and processing fees for new connections and reconnection of customers in the distribution business.

Financial Condition

Dec. 31, 2023 vs. Dec. 31, 2022

Maintaining a strong financial position enables the Group to seize expansion possibilities into new markets and client categories.

The Group's consolidated total assets rose to ₱12,531.2 million, increased by ₱923.5 million in 2023 as compared from previous year which amounts to ₱11,607.7 million. The primary drivers of the rise in total assets were the increase in operational cash flow and the appreciation of the carrying value of investments in associates.

Total liabilities at the end of 2023 were ₱1,223.4 million, 1.3% more than at the beginning of the year (₱1,208.2 million), mostly due to unreleased dividends and trade payables.

In line with this, **Total stockholders' equity** rose by 8.7% to ₱11,307.7 million this year, from ₱10,399.5 million at the start of the year. This increase was attributed to comprehensive income attributable to Parent Company equity holders, net of cash dividends.

A review of the major factors influencing the changes in shareholders' equity, liabilities, and assets (from December 31, 2022 balances to December 31, 2023 balances) may be found below.

Trade and other receivables declined by 6.7% to ₱649.1 million this year, from ₱695.8 million last year, due to a slightly lower revenue in the latter month of the year as compared to last year.

Materials and supplies inventory went down by 14.6% to ₱399.4 million, from the previous year's ₱467.5 million, due mainly to the lower volume of fuel inventory.

Prepayments and other current assets decreased by 17.0% to ₱83.7 million this year, from ₱100.9 million last year, due mainly to last year's deferred/unexpired insurance premiums and accumulated input tax awaiting application against output tax.

Investment in associates is 7.1% higher compared to ₱5,432.5 million in the same period last year, this is because of fresh equity share in the net earnings of associates amounting to ₱587.2 million less dividends received amounting to ₱200.0 million and share in remeasurement of employee benefits of ₱3.9 million.

Property, plant, and equipment slightly grew by 0.3% to ₱736.6 million this year, from ₱734.7 million last year, This was attributed to the new additions to property, plant, and equipment amounting to ₱94.8 million, less depreciation and adjustments amounting to ₱94.0 million.

Trade and other payables increased by 4.5% to ₱857.3 million, from ₱777.0 million due mainly to balance of dividends payable at yearend net of the decrease in trade payable as a result of lower volume of fuel inventory purchased in the latter month of the year as compared to last year.

Unappropriated retained earnings increased by ₱2,670.6 million or 38.6% to ₱9,598.0 million, from ₱6,927.4 million. The increase is reflective of the net effect of the following: (i) increase due to net income attributable to equity holders of the Parent Company amounting to ₱1,169.9 million in 2023, (ii) decrease due to interim cash dividends declared on July 26, 2023, amounting to ₱299.3 million, (ii) increase due to reversal of prior years' appropriation of retained earnings amounting to ₱1,800.0 million.

On July 26, 2023, the Board of Directors (BOD) of the Parent Company approved the reversal of prior years' appropriation of retained earnings amounting to ₱1,800.00 million as a consequence of recent developments. Please see Note 18 of the Audited Consolidated Financial Statements for further details.

Cash and Cash Equivalents

Cash and cash equivalents increased by 17.7% to ₱4,743.0 million as of end-December 2023, from last year's amount of ₱4,031.4 million. Net cash flows used in financing activities were lower compared to the combined net cash flows provided by operating and investing activities.

Major sources of cash and cash equivalents in 2023 were from operating activities amounting to ₱847.6 million and cash dividends received from investee companies amounting to ₱160 million.

The major applications of funds in 2023 were: (i) payment of cash dividends amounting to ₱191.0 million, and (ii) new additions to property, plant, and equipment amounting to ₱94.8 million.

Dec. 31, 2022 vs. Dec. 31, 2021

The Group ended 2022 with consolidated assets standing at ₱11,607.7 million, 12.1% higher compared to the last audited balance of ₱10,352.9 million as of the end of 2021. The increase was due largely to the rise in the carrying value of cash and cash equivalents, trade and other receivables, and materials and supplies inventory.

Total liabilities also increased but at a much slower pace. It increased by ₱277.7 million only to ₱1,208.2 million, from ₱930.5 million last year. This was traced mainly to higher trade and other payables at the end of 2022.

Stockholders' equity grew by 10.4% to ₱10,399.5 million, from ₱9,422.4 million in 2021, due mainly to an increase in the balance of retained earnings.

Financial ratios remained very favorable. The current ratio, debt-to-equity ratio, and book value per share stood up at 6.52:1, 0.12:1, and ₱6.95, respectively, from 7.21:1, 0.10 :1, and ₱6.30, in the previous year.

Further details of significant items that contributed to the changes in assets, liabilities, and stockholders' equity are discussed below.

Details of changes in the balance of cash and cash equivalents are discussed in the section for **Cash Flows**.

Trade and other receivables increased by 42.1% to ₱695.8 million, from ₱489.8 million in 2021, due mainly to an increase in revenues for December 2022 that included the higher pass-through cost of fuel and purchased power as compared to December 2021 which was affected by typhoon Odette.

Materials and supplies inventory went up by 19.9% to ₱467.5 million, from ₱389.8 million at the beginning of the year. The increase is attributed to the following: i) higher volume and price of fuel inventory, (ii) higher replacement cost of inventories used during the restoration of damage caused by

Typhoon Odette, and (iii) inventories recovered from the scrapping of PB 102 and PB 103.

Investment in associates decreased slightly by 1.3% to ₱5,432.5 million, from ₱5,505.2 million in 2021. The decrease reflected the net effect of the following: (i) decrease in investments due to cash dividends received from the investee companies amounting to ₱1,004.7 million, (ii) increase in investment due to fresh equity share in the earnings of investee companies amounting to ₱925.4 million, and (iii) increase due to remeasurement of employee benefits of the investee companies amounting to ₱6.5 million.

Trade and other payables rose by 44.8% to ₱777.0 million, from ₱536.7 million in 2021, due mainly to: (i) higher volume and price of purchased power by BLCI in December 2022 as compared to December 2021 and (ii) higher cost of fuel purchases in December 2022 resulting from global increases in the price of fuel.

Unappropriated retained earnings increased by 16.3% to ₱6,927.4 million, from ₱5,954.4 million. The net increase is reflective of the comprehensive income attributable to equity holders of the Parent Company amounting to ₱1,272.4 million in 2022, less cash dividends declared amounting to ₱299.3 million.

Cash Flows

2023 vs. 2022

Strong cash flows in 2023 gave the Group further financial strength to prepare in pursuing its long-term growth goal.

The balance of cash and cash equivalents increased by 17.7% at the end of 2023 to ₱4,743.0 million from ₱4,031.4 million at the start of the year as net cash inflows exceeding cash outflows.

In 2023, the primary sources of cash and cash equivalents were: (i) ₱847.6 million in net cash provided by operating activities; and (ii) ₱160.0 million in cash dividends received from MECO. These funds were utilized in part for (i) ₱191.0 million in cash dividend payments and (ii) ₱94.8 million in new property, plant, and equipment additions.

2022 vs. 2021

The year 2022 was characterized by robust cash flows that provided more financial muscle to start the long-term growth ambition of the Group.

Net cash inflows exceeded cash outflows resulting in a 35.1% increase in the balance of cash and cash equivalents to ₱4,031.4 million as at end-2022 from ₱2,984.1 million at the beginning of the year.

Major sources of cash and cash equivalents in 2022 were: (i) net cash provided by operating activities amounting to ₱369.6 million and (ii) cash dividends received from investee companies amounting to ₱1,004.7 million. These funds were partially used for (i) payment of cash dividends amounting to ₱317.6 million, and (ii) new additions to property, plant, and equipment amounting to ₱73.9 million.

Key Performance Indicators

The following financial indicators are used, among others, to evaluate the performance of the Parent Company and its Subsidiaries:

Key Performance Indicators	2023	2022	2021
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For the years ended December 31:

Earnings per share	₱0.78	₱0.85	₱0.80
Share in net earnings of associates	₱587,156,364	₱925,354,304	₱867,849,896
Return on equity	11.19%	13.06%	11.99%
Return on assets	10.06%	11.80%	10.99%

Cash Flows:

Net cash flows from operating activities	₱847,577,390	₱369,629,036	₱300,434,967
Net cash flows from investing activities	₱65,222,086	₱930,799,167	₱1,065,237,033
Net cash flows used in financing activities	₱192,854,222	(₱321,100,929)	(₱2,327,504,748)

As of December 31:

Balance of cash and cash equivalent at end of period	₱4,743,043,034	₱4,031,421,593	₱2,984,110,635
Current ratio	6.75	6.52	7.21
Debt ratio	0.10	0.10	0.09
Debt-to-equity ratio	0.11	0.11	0.1
Solvency ratio	1.07	1.16	1.38

Earnings Per Share (EPS)

EPS is a measure of profitability representing net income attributable to equity holders divided by the weighted average number of shares outstanding as of the end of the year.

Share in Net Earnings of Associates

This indicates the profitability of the investments and investees' contribution to the Group's net income. It is determined by multiplying the associate's comprehensive income or loss by the investor's percentage of ownership, less goodwill impairment cost, if any. Goodwill is the difference between the acquisition cost of an investment and the investor's share in the value of the net identifiable assets of the investee at the date of the acquisition.

Return on Equity

Return on Equity is derived by dividing total comprehensive income by the average total stockholders' equity. This ratio indicates the level of profit earned by the Group in comparison with the total amount of stockholders' equity found in the statements of financial position. The higher the return on equity, the higher the Group's ability to produce internally generated cash flows. Moreover, the higher the Group's return on equity compared to other companies in the same industry, the better.

Return on Assets

Return on Assets (ROA) is derived by dividing total comprehensive income by average total assets. This ratio measures the ability of the Group's management to realize an adequate return on the total resources employed for the business. A high percentage rate indicates how the Group is well run and has a healthy return on assets employed.

Cash Flows

The Group uses the Statements of Cash Flows to determine the sources and application of funds for the period and to analyze and evaluate how the sources and uses of funds are being managed.

Current Ratio

The current ratio is derived by dividing total current assets by total current liabilities. This ratio is a rough indication of the Group's ability to service its current obligations. The higher the current ratio, the greater the Group's ability to pay its current obligations.

Debt Ratio

The debt ratio is derived by dividing total liabilities by total assets. The ratio indicates the degree of protection provided for the Group's creditors. A high ratio generally indicates greater risk being assumed by creditors. On the other hand, a low ratio indicates greater long-term financial safety.

Debt-to-Equity Ratio

Debt-to-Equity Ratio is derived by dividing total liabilities by total equity. The ratio indicates how leveraged the Group is. It compares the resources provided by creditors against the resources provided by the stockholders in running the business of the Group.

Solvency Ratio

Solvency Ratio is derived by dividing the sum of total comprehensive income, depreciation, and amortizations by the sum of long-term and short-term liabilities. This ratio provides another measurement of how likely the Group will be able to continue meeting its debt obligation. The higher the ratio, the greater the Company's ability to continue meeting its debt obligations.

Known Trends

Except as already discussed herein and disclosed in the notes to the consolidated financial statements, management is not aware of any other trend, event or uncertainty to have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations. Management is likewise not aware of any other event that will trigger a direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

Any Significant Elements of Income or Loss from Continuing Operations

There are no significant elements of income or loss from continuing operations.

Material Off-Balance Sheet Items

There are no material off-balance sheet transactions, arrangements, obligations, or other relationships of the Group with unconsolidated entities or other persons created during the reporting period.

Material Commitments for Capital Expenditures

As of December 31, 2023, there are no material commitments for capital expenditures other than in the ordinary course of business to improve power generation and distribution facilities. Funding comes from internally generated cash from operations.

Seasonal Aspects

The Group does not have any seasonal aspect that has a material effect on the financial condition or results of operations.

Changes in and Disagreements with Auditors on Accounting and Financial Disclosure

There are no changes in and disagreements with Auditors on accounting and financial disclosures.

External Audit and Non-audit Fees

For the annual audit of the Parent Company's and Subsidiaries' financial statements, tax advisory, and other related financial advisory services, the aggregate fees paid to the independent auditors amounted to

₱1.5 million, ₱1.6 million, and ₱5.0 million in 2023, 2022, and 2021, respectively, exclusive of VAT and out-of-pocket expenses. There were no other fees paid to the independent auditors other than for the above-described services.

Engagement of external auditor's services is bid out among qualified auditing firms. For the audit of the Parent Company's and Subsidiaries' annual financial statements, the award is endorsed by the Board Audit Committee, recommended by the Board to the shareholders, and approved by the shareholders during its annual meeting. Awards of other services are approved by the Audit Committee as endorsed by the Internal Audit Department.

III. CONTROL & COMPENSATION INFORMATION

Directors and Executive Officers

Hereunder is the list of directors and executive officers of the Parent Company for 2022-2023 and their respective positions.

<u>Name</u>	<u>Nationality</u>	<u>Position with the Company</u>
Alfredo L. Henares ^{1,2}	Filipino	Chairman
Dennis T. Villareal ¹	Filipino	Director, President & CEO
Alberto P. Fenix, Jr. ¹	Filipino	Executive Director
Francisco L. Viray ³	Filipino	Director (Independent)
Sergio R. Ortiz-Luis, Jr. ⁴	Filipino	Director (Independent)
Enrison T. Benedicto ⁵	Filipino	Director (Independent)
James Roy N. Villareal ⁶	Filipino	Director, Vice President
Lee, Dalhun ⁷	Korean	Director
Kim, Kilwon ⁷	Korean	Director
Bang, Sang Hee ⁸	Korean	Director
Lee, Sanghun ⁸	Korean	Director
Maria Luz L. Caminero ⁹	Filipino	SVP, Legal/Regulatory Affairs and Compliance Officer
Cesar O. Villegas ¹⁰	Filipino	SVP—Operations and Business Development
Jaime M. Balisacan ¹¹	Filipino	SVP – Finance and Administration/Treasurer
Nino Ray D. Aguirre ¹²	Filipino	VP - Finance
Victor P. Lazatin ¹³	Filipino	Corporate Secretary
Mishelle Ann Rubio-Aguinaldo ¹⁴	Filipino	Asst. Corporate Secretary

¹ Directors and/or officers since incorporation on August 17, 1994.

² Mr. Alfredo L. Henares has been Chairman since May 30, 2014, up to the present.

³ Director from May 28, 2021, up to the present.

⁴ Director from May 30, 2017, up to the present.

⁵ Director from June 15, 2023, up to the present.

⁶ Assistant Vice President from Nov. 28, 2018, to May 29, 2019; Vice President from May 30, 2019, to Nov. 29, 2023; Executive Vice President from Nov. 30, 2023, up to the present; Director from Nov. 4, 2021, up to the present.

⁷ Director from Feb. 4, 2022, up to the present.

⁸ Director from March 9, 2023, up to the present.

⁹ SVP for Legal/Regulatory Affairs from Nov. 18, 2013, up to present; concurrent Corporate Secretary from Dec. 3, 2014, to Nov. 20, 2017; also designated as Compliance Officer since Nov. 21, 2017.

¹⁰ VP-Operations and Business Development effective Dec. 3, 2014; appointed as SVP effective April 3, 2018.

¹¹ VP-Finance from Aug. 16, 1997 to April 2, 2018; SVP for Finance and Administration effective April 3, 2018 to June 30, 2023; concurrent Treasurer from November 25, 2019 to June 15, 2023

¹² VP-Finance effective May 7, 2020, Treasurer from June 15, 2023 up to the present.

¹³ Corporate Secretary since June 25, 2020.

¹⁴ Assistant Corporate Secretary since April 3, 2018.

Unless otherwise provided by law, the powers, business, and allocation of resources of the Parent Company are exercised, conducted, and controlled by an eleven-member Board of Directors.

The Nomination Committee, created by the Board under its Manual of Corporate Governance, nominated the majority of the incumbent directors. The Nomination Committee further endorsed to the Board the Final List of Candidates for Independent Directors in the persons of Mr. Francisco L. Viray, Mr. Enrison T. Benedicto, and Mr. Sergio R. Ortiz-Luis, Jr. Mr. Dennis T. Villareal was the one who nominated the Independent Directors. Mr. Dennis T. Villareal is not related to Messrs. Viray, Benedicto, and Ortiz-Luis by consanguinity or affinity. Neither is there a professional relationship between Mr. Dennis T. Villareal and Messrs. Viray, Benedicto, and Ortiz-Luis.

In compliance with the provisions of SRC Rule 38, the Board of Directors amended its By-laws on December 8, 2004, and March 11, 2005, to include a provision on the procedure and selection of Independent Directors.

Each Director has a term of office of one year and is eligible for re-election every year. Each Director beneficially owns at least one share of the capital stock of the Parent Company. The members receive such compensation as determined by the Board of Directors.

By resolution passed by the Board, the Directors may designate one or more committees which, to the extent provided by said resolution, shall have and may exercise any of the powers of the Board which may lawfully be delegated in the management of the business and affairs of the Parent Company.

The executive officers of the Company are elected or appointed by the Board of Directors. The Chairman of the Board and the President/Chief Executive Officer are elected from the members of the Board.

Profile of the Incumbent Board of Directors and Executive Officers

Alfredo L. Henares, Filipino, 70 years old, has been a Director of the Parent Company since 1994. On May 30, 2014, he was elected as Chairman and continues to serve as Chairman up to the present. He is also currently Chairman of the Parent Company's Executive Committee, a member of the Parent Company's Audit Committee, a Director of KEPCO SPC Power Corporation, and a member of the Executive Committee of KEPCO SPC Power Corporation. He was Executive Vice President and CFO of KEPCO SPC Power Corporation up to April 7, 2022; previously a Treasurer of the Parent Company and Mactan Electric Company, Inc. (MECO); On August 14, 2020, he was reelected in MECO as a Director and elected as Chairman of MECO's Audit Committee, Compliance and Related Party Transactions Committee, and Executive Committee. He is likewise the Treasurer and Director of the following corporations: Salcon Philippines, Inc.; Salcon International, Inc.; SPC Property and Development Corp.; SPEC Properties Inc.; Western Panay Hydropower Corp.; SPC Electric Co., Inc.; and SPC Light Co., Inc. He was a Director of Bohol Light Company, Inc. (BLCI) and Bohol Water Utilities, Inc. (BWUI) for about seven years prior to his appointment as Chairman of both companies effective May 2007. In the year 2015, he relinquished his Chairman position to Mr. Lim Chan Lok and went back to being a Director at BWUI. He is also the Chairman of SPC Island Power Corporation, SPC Malaya Power Corporation, and KV Holdings, Inc.; President of Progressive Broadcasting Corp.; a Director of Isarog Pulp and Paper Co. He graduated from Harvard Graduate School with an MBA degree and from the Ateneo de Manila University with a Bachelor's Degree in Business Management.

Dennis T. Villareal, Filipino, 82 years old, is the Founding President, Chief Executive Officer, and Director of the Parent Company. He is also currently a member of the Parent Company's Executive Committee and Corporate Governance Committee; Director and Vice Chairman of KEPCO SPC Power Corporation; and a member of the Executive Committee of KEPCO SPC Power Corporation. He was previously the President of Mactan Electric Company, Inc. (MECO). On August 14, 2020, he was reelected to MECO as a Director and elected as Chairman of MECO's Nomination Committee and a member of MECO's Executive Committee. He is likewise the President and a Director of the following corporations: Salcon Philippines, Inc.; Salcon International, Inc.; SPC Island Power Corp.; SPC Property and Development Corp.; SPEC Properties, Inc.; Bohol Light Co., Inc.; Bohol Water Utilities, Inc.; Western Panay Hydropower Corp.; SPC Electric Co., Inc.; Rayfield Holdings, Inc.; SPC Light Co., Inc.; SPC Malaya Power Corporation; KV Holdings, Inc.; Filipinas Palmoil Processing Inc.; Filipinas Palmoil Plantations, Inc.; Filipinas Palmoil Properties, Inc.; Isarog Pulp and Paper Co., Inc.; Dentrade, Inc.; JAD Holdings, Inc.; and Intrepid Holdings, Inc. In addition, he is the Vice-President and a Director of Dowell Packaging Corp.; Rowell Industrial Corp.; and Rowell Plastic Corp. He graduated from the University of Missouri with a Bachelor of Science Degree in Business Administration.

Alberto P. Fenix, Jr., Filipino, 79 years old, has been a Director of the Company since 1994. He has also been an Executive Director of the Parent Company since September 28, 2001, and a member of the Board Executive Committee since March 7, 2006. He is likewise a Director of SPC Electric Company, Inc. starting 2001; SPC Light Company, Inc. effective 2002; Bohol Light Company, Inc. effective May 2007; SPC Island Power Corporation effective November 2007; Western Panay Hydropower Corp. since 1997; SPC Malaya Power Corporation since September 2011 and KV Holdings, Inc. since December 13, 2010. In March 2009, he was appointed as Managing Director of SPC Island Power Corporation until his resignation on August 31, 2010, but remained as a Director up to the present. In addition, he is currently the Chairman and President of Fenix Management and Capital, Inc., Independent Director of DM Wenceslao and Associates, Inc., and VC Securities Corporation. He serves as a Trustee of the Angeles University Foundation, and of the AUF Medical Center. His prior positions include directorships in National Steel Corp.; Refractories Corporation of the Philippines, Inc., Pryce Corp., Pryce Gases, Inc., Philippine National Oil Corp., Victorias Milling Company, Inc., Newtech Pulp, Inc., and Ivoclar Vivadent, Inc. with the last two corporations where he was Founding President and CEO until his retirement. He was also a Vice President of KEPCO SPC Power Corporation up to April 7, 2022. Dr. Fenix is a business leader, having been President in 1998 and 1999, and currently the Honorary President of the Philippine Chamber of Commerce and Industry (PCCI) and President of the PCCI Human Resources Development Foundation, Inc. He graduated with a Bachelor's Degree in Mathematics (cum laude) from the Ateneo de Manila University and Master's and Doctorate degrees in Industrial Management from the Sloan School of Management of the Massachusetts Institute of Technology.

Francisco L. Viray, Filipino, 74 years old, was appointed as Independent Director of the Parent Company on May 28, 2021, and continues to serve as such up to the present. Currently, he is also the Chairman of the Board Audit Committee and a member of the Board Corporate Governance Committee. He served as Secretary of the Department of Energy from 1994 to 1998 and President of National Power Corporation from 1993 to 1998. He is currently the President of Shin Clark Power Holdings, Inc. and Director of San Roque Power Corporation as well as a Trustee of the University of Pangasinan and PHINMA-UPANG College Urdaneta, Inc. Dr. Viray was formerly President and CEO of Phinma Energy Corporation and was a member of the Board of Union. Dr. Viray has a Bachelor of Science

degree and a Master's degree in Electrical Engineering from the University of the Philippines. He obtained his Doctorate in Engineering from West Virginia University, U.S.A.

Sergio R. Ortiz-Luis, Jr., Filipino, 80 years old, was appointed as Independent Director of the Parent Company on May 30, 2017, and continues to serve as such up to the present. Currently, he is also the Chairman of the Board Corporate Governance Committee and a member of the Board Audit Committee. He is Chairman of Country Garden Agri-Tourism Development, Inc.; Manila Waterfront City; and Philippine International Airways. He is Honorary Chairman/Treasurer of the Philippine Chamber of Commerce and Industry; President and CEO of Philippine Exporters Confederations, Inc.; Honorary Chairman and Past President of Employers Confederation of the Philippines; Chairman of the National Center for Mediation; Vice Chairman/Independent Director of VC Securities Corporation; Director and Past President of Philippine Foundation, Inc.; Founding Director of International Chamber of Commerce of the Philippines; Vice Chairman of Alliance Global, Inc.; Honorary Chairman of Integrated Concepts & Solutions, Inc.; Trustee and Treasurer of Human Resources Development Foundation. He is likewise a Director of Drug Abuse Resistance Education (DARE) Phil.; Waterfront Philippines, Inc.; The Wellex Group; Manila Exposition Complex, Inc.; Lasaltech Academy; Philippine Estate Corporation; B.A. Securities; Rural Bank of Baguio; Acesite Hotel Philippines, Inc.; Forum Pacific, Inc.; Jolliville Holdings Corporation; Philippine H2O Ventures Corp.; and LikeCash Asia & the Pacific Corporation. He is the President of Asia Pacific Chinese Media, Inc. His government affiliation includes being Vice Chairman of the Export Development Council; Commissioner of Patrol 117; BPLS Champion of the National Competitiveness Council; Member of the Industry Development Council and Private Sector Representative to the Philippine Bamboo Council. His civic organization affiliation includes being the Chairman of the Rotary Club of Green Meadows Foundation; the Past President of the Rotary Club Green Meadows Quezon City RI District 3780; a Senator of the Philippine Jaycee Senate; a Captain of the Philippine Coastguard Auxiliary; the Director/Treasurer of PILAK Foundation and the Vice Chairman of JARDELI Club Foundation. He is also the Honorary Consul General of the Consulate of Romania in the Philippines; Treasurer of the consular Corps of the Philippines and Honorary Adviser of the International Association of Educators for Work Peace. He was a recipient of various awards like the Business Leadership Award by the Business News Magazine, ICCP Global Excellence Award, ORAS Award, Presidential Merit Award Medal, Ularang Ama, Most Outstanding Pasigüeño, Most Outstanding Citizen of Nueva Ecija in the field of Business and International Peace Award for Economic Development to name a few. He graduated from De La Salle University with a degree of Bachelor of Arts and Bachelor of Science in Business Administration. He also took his master's degrees in Business Administration; and PhD in Humanities. and PhD in Business Technology at De La Salle University, Central Luzon University, and Eulogio "Amang" Rodriguez Institute of Science and Technology, respectively.

Enrison T. Benedicto. Filipino, 46 years old, was appointed as Independent Director of the Parent Company on June 15, 2023, and continues to serve as such up to the present. Currently, he is also a member of the Corporate Governance Committee and the Audit committee. He is Managing Director of the following companies: Enrison Holdings, Inc.; Enrison land, Inc.; and Benedict Ventures, Inc. He is likewise the President and CEO of Mabuhay Filcement, Inc. He was also a Past Trustee of the Cebu Chamber of Commerce & Industry, Inc. and Cebu Furniture Industries Foundation Inc. He was Honorary Consul of the Royal Consulate of Belgium from 2017 to present. He obtained his Bachelor of Science in Management Major in Communications from Ateneo de Manila University (1999). He completed his Intensive Mandarin Language Course for Executive Education at Beijing Language and Culture University in 2000.

James Roy N. Villareal, Filipino, 34 years old, was elected to the Parent Company's Board on November 4, 2021. He first joined the Parent Company as Assistant Vice President on November 28, 2018; Vice President on May 30, 2019 until he was appointed Executive Vice President on November 30, 2023, and continues to serve as such up to the present. On April 8, 2022, he was nominated and elected as Vice President of KEPCO SPC Power Corporation. On August 9, 2022, he was elected as Vice President of Bohol Water Utilities, Inc. He was connected with Seawood Resources, Inc. as a Senior Analyst from March 2014 to March 2018. He was an intern at Ernst & Young, LLP, Assurance Services Department in Beijing, China; One Bank Talent Development Program of Credit Suisse AG in Hongkong; and Bank of Singapore Finance Department in Singapore. He was also a Management Trainee with Asian Agri Group in Sumatra, Indonesia from September 2012 to December 2012; and a Cadet Assistant Manager with Samling Plantation Group, Sdn Bhd in Sarawak, Malaysia from February 2013 to August 2013. He graduated from International School Manila with an International Baccalaureate (IB) Diploma in May 2008 and from the University of Illinois at Urbana-Champaign with a degree of Bachelor of Science in Finance, Class of 2012.

Lee, Dalhun, Korean, 57 years old, was elected to the Parent Company's Board and appointed as a member of the Board's Executive Committee on February 4, 2022 to replace Mr. Yoon, Jong-Ryoon who was recalled to KEPCO's main office in South Korea for a new assignment. He is also currently the President of KEPCO SPC Power Corporation and KEPCO Philippines Holdings, Inc. His other work experiences at KEPCO include the following: Vice President of, the UAE Nuclear Power Construction department; General Manager of the North America Business Development Department; Global Business Development Department; UAE Nuclear Power IPP Department; and UAE Nuclear Power Construction Department. He was Senior Manager of the Overseas Project Development Department; KEPCO Philippines Corporation, and KEDO Nuclear Project Department. Mr. Lee Dalhun joined KEPCO in 1992. Educational attainment: B.A. in Law, Kyungbuk National University, Korea.

Kim, Kilwon, Korean, 48 years old, was elected to the Parent Company's Board and appointed as a member of the Board's Executive Committee, Audit Committee, and Corporate Governance Committee on February 4, 2022, to replace Mr. Kim, Yong-Uk who was recalled to KEPCO's main office in South Korea for a new assignment. He is also currently the General Manager of KEPCO Philippines. Mr. Kim joined KEPCO in 2002 and held the following positions: General Manager of the South Incheon Office, Incheon Regional Headquarters; Senior Manager of overseas Nuclear Power Business Development, KEPCO Philippines, Overseas Business Operation Department, Treasury Department and Overseas Resources Development Department. Educational attainment: B.A. in Economics, Myungji University, Korea.

Bang, Sang Hee, Korean, 49 years old, was elected to the Parent Company's Board on March 9, 2023, to replace Ms. Lee, Kyung-Eun who was recalled to KEPCO's main office in South Korea for a new assignment. Ms. Bang joined KEPCO in 1998 and held the following positions: Senior Manager, Regional Headquarter KEPCO Gyeonggi; Senior Manager, Global Business Management Department; Senior Manager, KEPCO Philippines; General Manager, Regional Headquarter KEPCO Incheon; General Manager, Human Resources Department; and General Manager, Global Business Management Department. Her academic background includes IB-MBA, Helsinki School (2013) and Bachelor of Economics, Seoul Women's University (1998).

Lee, Sanghun, Korean, 44 years old, was elected to the Parent Company's Board on March 9, 2023, to replace Mr. Youn, Sang-Young who was recalled to KEPCO's main office in South Korea for a new assignment. Mr. Lee joined KEPCO in 2014 and held the following positions: Senior Manager, at the Overseas Nuclear Power Business Department; Senior Manager, at the Legal Affairs Department; and Senior Manager, at KEPCO Philippines. His academic background includes a B.A. in Law, from Chungnam University of Korea (2006); an M.A. in Commercial Law, from Chungnam University of Korea (2012); and Judicial Research and Training Institute (2014).

Maria Luz L. Caminero, Filipino, 61 years old, was appointed Senior Vice President for Legal/Regulatory Affairs of the Parent Company on November 18, 2013, and continues to serve as such up to the present. Atty. Caminero was also appointed as Corporate Secretary from December 3, 2014, to November 20, 2017. She was also designated as Compliance Officer on November 20, 2017, up to the present. She has practiced law for twenty-five (25) years. Her present practice focuses on energy law, particularly in the power industry in the Philippines. From 2003 to October 2013, she was the Vice President and General Counsel of the Power Sector Assets and Liabilities Management Corporation (PSALM). During her ten-year stint in PSALM, she was designated as Acting President from April-June 2010 and thereafter appointed as OIC from June-September 15 of the same year. Prior to her work at PSALM, she was the Chief Corporate Attorney for National Power Corporation (NPC) in the Tax Counseling Corporate Affairs and Government Relations Department and Litigation Department, Office of the General Counsel. She also served as legal adviser to the Office of the NPC President during the terms of two NPC presidents. In the transition period in anticipation of the implementation of the EPIRA, she was capbadged and assigned to TRANSCO to work on transmission business transactions. Atty Caminero worked for NPC from 1995 -2003, although eventually detailed to work for PSALM in 2001-2003. Atty. Caminero also worked with the Judiciary for a period of six years. She was the Head Lawyer (Court Attorney V) of the Office of Associate Justice Florida Ruth P. Romero, Supreme Court from 1991-1995. Earlier, she worked in the Office of Associate Justice Fidel P. Purisima, Court of Appeals, as Court Attorney V from 1989 -1991. As an underbar, she worked with the Office of Senator Santanina T. Rasul in the latter part of 1988 -1989.

Cesar O. Villegas, Filipino, 62 years old, was appointed as Senior Vice President for Operations and Business Development on April 3, 2018. He joined the SPC Group on February 2, 2010, as Senior Manager for Business Development/Technical Assistant to the President and later as Vice President for Business Development and Commercial Operation effective December 3, 2014. On April 8, 2022, he was appointed as Vice President of KEPCO SPC Power Corporation. He was also appointed as Vice President of Bohol Light Company, Inc. on August 9, 2022. Before joining the SPC Group, he was a Technical Manager at Ultrawaters, Inc. (a water treatment company); an Electrical Engineer at Rudell & Associates; Project Manager at Pangea Green Energy Phils. Inc.; Operations Manager and Operations Shift Manager at Enron Power Philippines; Planning & Scheduling Chief, Instrumentations Engineer, and Control Switchboard Engineer with National Power Corporation; and Plant Electrical Engineer at Coco-Chemicals Philippines. He obtained his Bachelor of Science in Electrical Engineering degree from the Mapua Institute of Technology. He is a Registered Electrical Engineer.

Niño Ray D. Aguirre, Filipino, 46 years old, has been the Group's Vice President for Finance since his election on May 7, 2020, and concurrent Treasurer from June 15, 2023, up to the present. He was also appointed as Treasurer of Bohol Light Company, Inc. on August 9, 2022. Before joining the SPC Group, he was the Chief Financial Officer of Gendiesel Philippines, Inc.; Cost Controller of Ocean Rig Ultra Deepwater, Inc. of its South Korea Drillship Construction Projects; and Country Controller of Atlantic

Marine Service Egypt based in Cairo, Egypt. He also worked in various international onshore locations such as India, Angola, South Africa, France, the United States, and Brazil when he was with Pride International, Inc. as a Senior Projects Cost Controller. He was also a Senior Cost Accountant III in Fujitsu Ten Corporation of the Philippines and an Associate in Sycip Gorres Velayo & Co., an affiliate of Ernst & Young. He graduated from the University of the Philippines in the Visayas with a degree of Bachelor of Science in Accountancy in April 1999 and became a Certified Public Accountant in October of the same year.

Victor P. Lazatin, Filipino, 76 years old, was elected as Corporate Secretary on June 25, 2020. He has been connected with Angara Abello Concepcion Regala & Cruz (ACCRA) Law Offices since 1973: Associate (1973), Senior Associate (1974 to 1976); Partner (1977 to 1981); Senior Partner (1982 to 2012); Managing Partner (1992-2002); Of Counsel (2012 to 2020); and Senior Legal Counsel (2021). Presently, he is the Chairman of the Philippine Dispute Resolution Center, Inc. (2016) where he also served as President from 2009 to 2013. He was formerly a President of the Philippine Bar Association (2006-2007) and the Philippine Institute of Construction Arbitrators and Mediators (2004-2006). He is also a member of the International Court of Arbitration, Paris (2014 to present), the Asean Law Association, and the Inter-Pacific Bar Association. He was a Member of the Board of Directors of the following corporations: Philippine Bank of Communications (PBCOM), United Overseas Bank, Ltd. Manila, and Century Bank of California. He is the Chairman of Timog Silangan Development Corporation, Kenram Industrial and Development, Inc., and Kenram Palm Oil Industries, Inc., among others. He is a director of the MJC Investment Corporation, ACCRAIN Investment Corporation, and Worldwide Express. At present, he is the Chairman of the UP Law Alumni Association (2014 to present) and a Director and the Treasurer of UP Law Alumni Foundation. He was also a former President of the UP Law Alumni Association (1996) and UP Law Class '71. He earned his Bachelor of Laws degree in 1971, as *Cum Laude*, and his AB Economics degree in 1967 from the University of the Philippines. In 1974, he obtained his Master of Laws from the University of Michigan as Clyde Alton de Witt Fellow. Atty. Lazatin ranked 3rd in the 1971 Bar Examinations.

Mishelle Anne R. Rubio-Aguinaldo, Filipino, 36 years old, was elected as Assistant Corporate Secretary on April 3, 2018. She is a Managing Partner of Rubio-Aguinaldo & Salig-Bathan Attorneys-at-Law (RASBLaw). She is actively engaged in various practice areas of law such as Civil Law, Criminal Litigation, Labor Law, Corporate and Commercial Law, Energy Law, Maritime Law, and Appellate Practice. She has been a legal adviser of Archipelago Philippine Ferries Corporation and its Group of Companies from 2019 up to the present; is currently the Corporate Secretary and legal adviser of Channel Technologies, Inc. and Channel Solutions, Inc. She is a member of the International Bar Association and a supervising lawyer of the San Beda College Alabang Legal Aid Center. She was an Associate of Ancheta & Associates Attorneys-at-Law (AAA Law) for three (3) years (2016 to 2019) and was promoted to Senior Associate of the firm in 2017. She earned her Bachelor of Laws degree at San Beda College Alabang School of Law in 2015 and was in the *top ten* of her batch. She obtained her Bachelor of Arts Major in Political Science (minor in Economics) from the University of the Philippines Manila.

The disclosed business experience of the above Directors and Officers is for at least the last five years unless otherwise indicated in their profiles.

Family Relationships

James Roy N. Villareal, a Director and Executive Vice President of the Parent Company, is the son of Dennis T. Villareal, the Parent Company's President and Chief Executive Officer. Other than this, no officers and/or directors are related within the fourth civil degree either by consanguinity or affinity.

Involvement in Certain Legal Proceedings

None of the Directors and Officers were involved in the past five years in any insolvency or bankruptcy proceeding. Neither have they been convicted by final judgment in any criminal proceeding, nor have been subject to any order, judgment, or decree of competent jurisdiction, permanently enjoining, barring, suspending, or otherwise limiting their involvement in any type of business, securities, commodities, or banking activities, nor found in action by any court or administrative body to have violated a securities or commodity law.

Qualification and Election of Directors

The Parent Company has 11 directors. Under the Corporation Code, each director must be a stockholder of record at the time of election. The directors are elected by a plurality of votes at the annual meeting of the Parent Company each year. At each election of directors, every stockholder has the right to vote, in person or by proxy, the number of shares owned by such stockholder for as many persons as there are directors to be elected or to cumulate such stockholder's votes by giving one candidate as many votes as the number of such directors multiplied by the number of such stockholder's share, or by distributing such votes on the same principle to any number of candidates. Directors so elected hold office until the expiration of their respective terms and until the election and qualification of their respective successors.

Dependence on Certain Key Personnel

Dennis T. Villareal, the Parent Company's President and Chief Executive Officer, has contributed significantly to the overall success of the Group. The loss of his services could, therefore, have an adverse impact on the future performance of the Group.

There is no one particular employee or personnel who is not an executive officer but is expected to make a significant contribution to the business of the Group on his own.

Compensation of Directors and Executive Officers

1. Terms and Conditions of Employment Contract, Compensation Plan:

Except for the President and the Executive Director, the Parent Company's other Senior Officers are also regular employees and are similarly remunerated with a compensation package equivalent to thirteen (13) months' salary per annum. They also receive whatever year-end gratuity pay the Board extends to the managerial, supervisory, and technical employees of the Parent Company. These terms and conditions are included in the employment contract between the Parent Company and its Senior Officers.

The members of the Board of Directors are elected for a term of one year. They receive annual remuneration in director's fees, in addition to compensation of ₱27,777.78 per director on a per board or committee meeting participation. Moreover, members of the Board of Directors who perform executive functions are paid additional remuneration.

The aggregate compensation paid or incurred during the last three years and estimated to be paid in the ensuing year to the Parent Company's President and CEO, Executive Director, and five (5) most highly compensated Senior Officers are as follows:

Name & Principal Position	Year	Salary (Pesos)	Bonus (Pesos)	Total
President/CEO, Executive Director, and five (5) most highly compensated Senior Officers	Projected 2024	43,498,644	2,615,661	46,114,305
	Actual 2023	43,153,417	2,491,106	45,644,523
	Actual 2022	43,343,314	3,764,534	47,107,847
	Actual 2021	36,287,553	4,031,361	40,318,914

All Directors and Senior Officers as a group unnamed	Projected 2024	48,712,244	2,615,661	51,327,905
	Actual 2023	48,325,639	2,491,106	50,816,745
	Actual 2022	48,048,869	3,764,534	51,813,403
	Actual 2021	42,093,108	4,031,361	46,124,469

The highest-ranked Senior Officers included in the foregoing compensation table are the following:

Dennis T. Villareal - President and CEO/Director
Alberto P. Fenix, Jr. - Executive Director/Director
James Roy N. Villareal – Executive Vice President/Director
Maria Luz L. Caminero - SVP, Legal/Regulatory Affairs and Compliance Officer
Cesar O. Villegas – SVP, Operations and Business Development
Jaime M. Balisacan – SVP, Finance and Administration
Niño Ray D. Aguirre –VP, Finance/Treasurer

In 2023, the incumbent non-executive directors and independent directors of the Parent Company received remuneration in annual director's fees and compensation on a per meeting participation as follows:

Director	Amount
Alfredo L. Henares	₱800,000
Francisco L. Viray	600,000
Sergio R. Ortiz-Luiz, Jr.	600,000
Lee, Dalhun	600,000
Kim, Kilwon	600,000
Lee, Sang Hun	325,000
Bang, Sang Hee	325,000
Enrison T. Benedicto	325,000
Enrique L. Benedicto	275,000
Youn, Sang Young	275,000
Lee, Kyung-Eun	275,000
Total	₱5,000,000

- Other than what is provided under applicable labor laws, there are no compensatory plans or arrangements with executive officers entitling them to receive any sum of money as a result of their resignation, retirement, or any other termination of employment, or from a change in control of the Parent Company, or a change in the executive officers' responsibilities following a change in control

of the Parent Company. No warrants or options are outstanding in favor of directors and officers of the Parent Company.

Persons Known to the Registrant to be Directly or Indirectly the Record or Beneficial Owner of More Than 5% of Any Class of the Registrant's Voting Securities

As of March 31, 2024, the following stockholders beneficially own more than 5% of the Parent Company's common shares:

Title of Class	Name and Address of Record Owner and Relationship with the Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Number of Shares	Percent of Class
Common	KEPCO Philippines Holdings, Inc. ¹ 18 th Floor, BDO Towers Paseo 8741 Paseo de Roxas, Makati City (Stockholder) ³	KEPCO Philippines Holdings, Inc. Mr. Lee, Dalhun, President & CEO	Korean	568,098,822	37.98%
Common	Intrepid Holdings, Inc. ² 7 th Floor, BDO Towers Paseo 8741 Paseo de Roxas, Makati City (Stockholder) ³	Intrepid Holdings, Inc. Mr. Dennis T. Villareal, President	Filipino	321,836,647	24.86%
Common	JAD Holdings, Inc. ² 7 th Floor, BDO Towers Paseo 8741 Paseo de Roxas, Makati City (Stockholder) ³	JAD Holdings, Inc. Mr. Dennis T. Villareal , President	Filipino	293,201,397	19.60%

¹ Mr. Lee, Dalhun shall exercise the voting power of KEPCO Philippines Holdings, Inc.

² Mr. Dennis T. Villareal shall exercise the voting power for JAD Holdings, Inc. and Intrepid Holdings, Inc.

³ The above record owners are purely stockholders.

Security Ownership of Directors/Management

The following Directors/Management personnel own shares in the Company as of March 31, 2024:

Title of Class	Name of Beneficial Owner	Citizenship	Number of Shares and Nature of Ownership	Percent of Ownership
Common	Dennis T. Villareal	Filipino	6,425,500 (d)	0.43%
Common	Alfredo L. Henares	Filipino	1 (d)	n.m.
Common	Alberto P. Fenix, Jr.	Filipino	855,933 (d)	0.06%
Common	Francisco L. Viray	Filipino	1 (d)	n.m.
Common	Sergio R. Ortiz-Luis, Jr.	Filipino	1 (d)	n.m.
Common	Enrison T. Benedicto	Filipino	1 (d)	n.m.
Common	James Roy N. Villareal	Filipino	274,196 (d)	0.02%
Common	Lee, Dalhun	Korean	1 (d)	n.m.
Common	Kim, Kilwon	Korean	1 (d)	n.m.
Common	Lee, Kyung-Eun	Korean	1 (d)	n.m.
Common	Youn, Sang Young	Korean	1 (d)	n.m.
Common	Maria Luz L. Caminero	Filipino	137, 098 (d)	0.01%
Common	Cesar O. Villegas	Filipino	267,292 (d)	0.05%
Common	Nino Ray D. Aguirre	Filipino	0	
Common	Victor P. Lazatin	Filipino	0	
Common	Mishelle Ann R. Rubio-Aguinaldo	Filipino	0	
Directors and Management personnel as a Group			7,960,027	0.57%

d-direct

n.m.- not material

The above company directors and officers shall hold office for one (1) year until their successors are duly elected and qualified. Such other officers may, from time to time, be appointed by the Board of Directors and shall hold office for such period as the Board of Directors may determine.

Voting Trust Holder/s

The Parent Company is not aware of any existing voting trust agreement involving Parent Company shares.

Change in Control

There are no arrangements that may result in a change in control of the Parent Company during the period covered by this report.

IV. EXHIBITS & SCHEDULES

Exhibits

Exhibit 1- Consolidated Financial Statements of the Parent Company and its Subsidiaries (audited) which comprise the consolidated statements of financial position as at December 31, 2023, and 2022; and consolidated statements of comprehensive income; consolidated statements of changes in stockholders' equity; consolidated statements of cash flows for each of the three years in the period ended December 31, 2023, and notes to consolidated financial statements.

Exhibit 2- Financial Statements of the Parent Company (audited) which comprise the Parent Company statements of financial position as at December 31, 2023 and 2022; and Parent Company statements of comprehensive income; Parent Company statements of changes in stockholders' equity; Parent Company statements of cash flows for each of the three years in the period ended December 31, 2023; and notes to Parent Company financial statements.

Reports on SEC Form 17-C

The following reports on SEC Form 17-C were filed with SEC/PSE from April 1, 2023 to March 31, 2024:

No.	Nature/Subject Matter of Disclosure	Date Filed (with SEC)
1	Submission of report on the Notice of Annual Stockholders Meeting	23-May-23
2	Submission of report on the Highlights or Results of SPC Power Corporation Annual Stockholders' Meeting	15-Jun-23
3	Submission of Report on the Highlights or Results of the Organizational Meeting of the Board of Directors of SPC Power Corporation	15-Jun-23
4	Submission of report on the SEC approved amendment of By-Laws of SPC Power Corporation	15-Jun-23
5	Submission of report on the Cash Dividend Declaration of the Company	27-Jul-23
6	Submission of report on the creation of the office of the Executive Vice President and the appointment of Mr. James Roy N. Villareal as the Executive Vice President of the Corporation by written assent last November 30, 2023.	1-Dec-23
7	Submission of report on the Company's Cash Dividend Declaration	7-Feb-24
8	Submission of report on the Company's Cash Dividend Declaration (amendment)	25-Mar-24

SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 177 of the Revised Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Makati on April 12, 2024.


Alfredo L. Henares
Chairman, Board of Directors


Niño Ray D. Aguirre
Vice President for Finance/Treasurer


Dennis T. Villareal
Director, President & CEO



Mishelle Anne R. Rubio-Aguinaldo
Assistant Corporate Secretary

'APR 12 2024

SUBSCRIBED AND SWORN to before me this 12th day of April 2024, affiants exhibiting to me their Passports/Driver's License, as follows:

<u>Names</u>	<u>Phil. Passport / Driver's License</u>	<u>Date of Issue</u>	<u>Place of Issue</u>
Dennis T. Villareal	P8767960A	Sept. 17, 2018	DFA Manila
Alfredo L. Henares	P5099307B	11-Mar-20	DFA NCR East
Niño Ray D. Aguirre	P2916565C	13-Jan-23	DFA Manila
Mishelle Anne R. Rubio-Aguinaldo	P7454258B	24-Aug-21	DFA Manila

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Book No. 13
Series of 2024.


ATTY. JOEL FERRER FLORES
Notary Public for Makati City
Until December 31, 2024
Appointment No. M-119(2023-2024)
Roll Of Attorney No. 77376
MCLE Compliance VIII No.0001393
Jan. 3, 2023 until Apr. 12, 2028
PTR NO.10073945/Jan. 2, 2024/Makati City
IBP No.330740/Jan. 2, 2024/Pasig City
1107 Bataan St., Guadalupe Nuevo, Makati City

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.

SPC POWER CORPORATION
Issuer

By:



EDGARDO S. CABRAL, JR.
Finance Manager
Date: April 12, 2024



NIÑO RAY D. AGUIRRE
VP-Finance & Treasurer
Date: April 12, 2024

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A S 9 4 0 0 2 3 6 5

COMPANY NAME

S P C P O W E R C O R P O R A T I O N A N D S U B S
I D I A R I E S

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

7 t h F l o o r , B D O T o w e r s P a s e o , 8
7 4 1 , P a s e o d e R o x a s , M a k a t i C i
t y , 1 2 0 9

Form Type

A A C F S

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

COMPANY INFORMATION

Company's Email Address

info@spcpower.com

Company's Telephone Number

(032) 232-0377

Mobile Number

N/A

No. of Stockholders

757

Annual Meeting (Month / Day)

05/30

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Niño Ray D. Aguirre

Email Address

info@spcpower.com

Telephone Number/s

(028) 810 4476

Mobile Number

(0917) 802 9343

CONTACT PERSON'S ADDRESS

7th Floor, BDO Towers Paseo, 8741, Paseo de Roxas, Makati City, 1209

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

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



SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULES
SEC FORM 17-A

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SPC Power Corporation

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **SPC Power Corporation and Subsidiaries** (the Group) is responsible for the preparation and fair presentation of the **consolidated** financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the **consolidated** financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the **consolidated** financial statements including the schedules attached therein and submits the same to the stockholders or members.

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the **consolidated** financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.


ALFREDO L. HENARES
Chairman of the Board


DENNIS T. VILLAREAL
Chief Executive Officer and President


NIÑO RAY D. AGUIRRE
Treasurer/Vice President - Finance


Signed this 11th day of April 2024.

APR 12 2024

SUBSCRIBED AND SWORN TO before me this _____ day of April 2024 at Makati City; Affiants exhibited to me their Passport Nos. as follows:

<u>Names</u>	<u>CTC/Passport No.</u>	<u>Date of Issue</u>	<u>Place of Issue</u>
Alfredo L. Henares	P5099307B	March 11, 2020	DFA NCR East
Dennis T. Villareal	P8767960A	September 17, 2018	DFA Manila
Niño Ray D. Aguirre	P2916565C	January 13, 2023	DFA Manila

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Book No. 13
Series of 2024.


ATTY. JOEL FERRER FLORES
Notary Public for Makati City
Until December 31, 2024
Appointment No. 113 (2023-2024)
Roll of Attorneys No. 77376
MCLE Compliance No. 0001393
Jan. 3, 2024 until Apr. 12, 2028
PTR NO. 1007-1010-1011, 2024/Makati City
IBP No. 3307-1011, 2024/Pasig City
1107 Bataan St., Guadalupe Nuevo, Makati City

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
SPC Power Corporation
7th Floor, BDO Towers Paseo
Paseo de Roxas
Makati City

Opinion

We have audited the consolidated financial statements of SPC Power Corporation and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2023, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023 and 2022, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2023 in accordance with Philippine Financial Reporting Standards (PFRSs).

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 Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Professional Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.



We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Revenue recognition from distribution of power

The Group's revenue from the distribution of power amounting to ₱1.68 billion represents 37% of total revenue in 2023 and arises from its service contracts to a large number of customers consisting of commercial, residential, government institutions and other customers located within its franchise area. This matter is significant to our audit because the revenue recognized depends on the completeness of electric consumption captured based on meter readings over the franchise area, as obtained on various meter reading dates; the propriety of the rates, computed and applied based on the Energy Regulatory Commission (ERC)-approved formulae, which vary depending on the types of customers; and the reliability of the billing system in processing transactions. Disclosures related to this matter are provided in Notes 3 and 23 to the consolidated financial statements.

Audit response

We obtained an understanding of the revenue recognition process, which includes capturing electric consumption, uploading captured electric consumption to the billing system, calculating billed amounts based on ERC-approved rates and uploading data from the billing system to the financial reporting system. We also evaluated and tested the design of the relevant controls over these processes. We also performed a test recalculation of billed amounts using the ERC-approved rates and formulae, and compared them with the amounts reflected in the billing statements.

Accounting for investments in significant associates

The Group owns 40% of KEPCO SPC Power Corporation (KEPCO SPC) and Mactan Electric Company, Inc. (MECO). As discussed in Note 10 to the consolidated financial statements, the Group's investments in these associates are accounted for under the equity method. As of December 31, 2023, the investments in these associates amounted to ₱5.8 billion representing 46% of the Group's consolidated total assets, and the Group's equity in net earnings from these associates for the year then ended amounted to ₱0.6 billion representing 48% of the Group's consolidated net income. The accounting for these investments is significant to our audit because of the substantial amount of the Group's investments in and equity in net earnings from these associates. Also, the Group's share in the net earnings of MECO is significantly affected by MECO's revenue recognition arising from its service contracts to various customers located within its franchise area. The recognition of such revenue depends on the completeness of the electric consumption captured based on meter readings conducted on various dates over the franchise area; the propriety of the rates, computed and applied based on the ERC-approved formulae, which vary depending on the types of customers; and the reliability of the billing system in processing transactions. Further, MECO is audited by other auditors.



Audit response

We obtained an understanding of the Group's process in recognizing its equity in net earnings of associates, including the understanding of their business transactions. Also, we coordinated with and instructed the external auditors of MECO to perform an audit on the relevant financial information of MECO for the purpose of the Group's consolidated financial statements. We reviewed the risk assessment and audit strategy of the other auditors in light of any significant developments affecting MECO. We obtained the audited financial information of KEPCO SPC and MECO and recomputed the Group's equity in net earnings for the year ended December 31, 2023.

In addition to reviewing the relevant working papers of the other auditors, we also obtained an understanding of the revenue recognition process of MECO, which includes capturing electric consumption, uploading captured electric consumption to the billing system, calculating billed amounts based on ERC-approved rates and uploading data from the billing system to the financial reporting system. We reviewed the procedures performed by the other auditors to evaluate the design of the relevant controls over these processes and to test these controls. We reviewed the test recalculation of the rates using the ERC-approved rates and formulae, and the comparison done with the rate reflected on the billing statements, as performed by the other auditors.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2023 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated.

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

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



In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

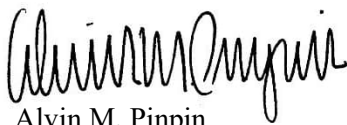
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Alvin M. Pinpin.

SYCIP GORRES VELAYO & CO.



Alvin M. Pinpin

Partner

CPA Certificate No. 94303

Tax Identification No. 198-819-157

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

BIR Accreditation No. 08-001998-070-2023, October 23, 2023, valid until October 22, 2026

PTR No. 10079991, January 6, 2024, Makati City

April 11, 2024



SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	₱4,743,043,034	₱4,031,421,593
Trade and other receivables (Notes 5, 7 and 29)	649,107,657	695,835,058
Inventories - at cost (Note 9)	399,393,666	467,547,381
Prepayments and other current assets (Note 10)	83,709,811	100,931,667
Total Current Assets	5,875,254,168	5,295,735,699
Noncurrent Assets		
Investments in associates (Note 8)	5,815,751,427	5,432,453,664
Property, plant and equipment (Note 11)	736,630,614	734,717,862
Goodwill (Note 13)	32,522,016	32,522,016
Intangible assets (Note 12)	2,171,373	3,257,057
Deferred income tax assets (Note 25)	35,457,044	34,227,789
Other noncurrent assets (Notes 12 and 29)	33,371,571	74,789,209
Total Noncurrent Assets	6,655,904,045	6,311,967,597
TOTAL ASSETS	₱12,531,158,213	₱11,607,703,296
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 5, 14 and 29)	₱857,254,666	₱777,024,871
Income tax payable	10,919,560	33,967,216
Current portion of lease liabilities (Note 30)	2,200,254	1,828,196
Total Current Liabilities	870,374,480	812,820,283
Noncurrent Liabilities		
Customers' deposits (Note 15)	193,914,394	191,579,049
Asset retirement obligation (Note 16)	93,069,477	94,302,870
Net pension liabilities (Note 17)	37,166,411	43,731,722
Lease liabilities - net of current portion (Note 30)	7,359,242	9,559,496
Deferred income tax liabilities (Note 25)	19,725,739	20,652,099
Other noncurrent liabilities (Note 29)	1,839,924	35,571,861
Total Noncurrent Liabilities	353,075,187	395,397,097
Total Liabilities	1,223,449,667	1,208,217,380

(Forward)



	December 31	
	2023	2022
Equity Attributable to Equity Holders of the Parent		
Capital stock - ₱1 par value (Note 18)		
Authorized - 2,000,000,000 shares		
Issued - 1,569,491,900 shares	₱1,569,491,900	₱1,569,491,900
Additional paid-in capital	86,810,752	86,810,752
Retained earnings (Note 18):		
Appropriated	–	1,800,000,000
Unappropriated	9,598,002,269	6,927,417,031
Other comprehensive income (loss):		
Remeasurement of employee benefits	1,208,496	(3,858,148)
Share in remeasurement of employee benefits of associates	2,941,249	6,800,073
Net unrealized valuation gains on financial asset at fair value through other comprehensive income (FVOCI) (Note 12)	13,350,000	11,350,000
Treasury stock at cost - 72,940,097 shares	(131,008,174)	(131,008,174)
	11,140,796,492	10,267,003,434
Equity Attributable to Non-controlling Interests (Note 18)	166,912,054	132,482,482
Total Equity	11,307,708,546	10,399,485,916
TOTAL LIABILITIES AND EQUITY	₱12,531,158,213	₱11,607,703,296

See accompanying Notes to Consolidated Financial Statements.



SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2023	2022	2021
REVENUE (Notes 23, 24, 26 and 29)	₱4,552,436,779	₱3,849,971,823	₱2,469,384,265
COST OF OPERATIONS (Notes 19, 24 and 29)	3,684,663,567	3,290,172,921	1,952,491,814
GROSS MARGIN	867,773,212	559,798,902	516,892,451
GENERAL AND ADMINISTRATIVE EXPENSES (Note 20)	296,323,684	249,308,260	205,743,668
OTHER INCOME (CHARGES) - Net			
Equity in net earnings of associates (Note 8)	587,156,364	925,354,304	867,849,896
Interest income (Note 6)	160,535,324	27,837,299	34,593,723
Interest expense (Notes 15, 16, 30 and 31)	(5,537,842)	(5,028,156)	(4,470,615)
Net foreign exchange gains (losses)	(8,323,813)	94,363,484	7,825,158
Service income (Note 5)	—	—	40,002,385
Others - net (Notes 16 and 29)	47,240,985	41,871,888	22,389,454
	781,071,018	1,084,398,819	968,190,001
INCOME BEFORE INCOME TAX	1,352,520,546	1,394,889,461	1,279,338,784
PROVISION FOR INCOME TAX (Note 25)	141,353,080	108,107,131	81,625,714
NET INCOME	1,211,167,466	1,286,782,330	1,197,713,070
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Items that will not be reclassified to profit or loss:</i>			
Share in remeasurement of employee benefits of associates, net of tax effect (Note 10)	(3,858,824)	6,529,281	1,326,876
Remeasurement of employee benefits, net of tax effect (Note 17)	5,175,350	(3,610,495)	(2,471,042)
Unrealized valuation gain on financial asset at FVOCI (Note 12)	2,000,000	5,000,000	600,000
	3,316,526	7,918,786	(544,166)
TOTAL COMPREHENSIVE INCOME	₱1,214,483,992	₱1,294,701,116	₱1,197,168,904
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent	₱1,169,895,562	₱1,272,356,481	₱1,190,653,672
Non-controlling interests	41,271,904	14,425,849	7,059,398
	₱1,211,167,466	₱1,286,782,330	₱1,197,713,070
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent	₱1,173,103,419	₱1,280,394,745	₱1,190,068,491
Non-controlling interests	41,380,573	14,306,371	7,100,413
	₱1,214,483,992	₱1,294,701,116	₱1,197,168,904
EARNINGS PER SHARE (Note 27)			
Basic/Diluted, for income for the year attributable to equity holders of the Parent	₱0.78	₱0.85	₱0.80

See accompanying Notes to Consolidated Financial Statements.



SPC POWER CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021**

	Equity Attributable to Equity Holders of the Parent										
	Capital Stock (Note 18)	Additional Paid-in Capital	Retained Earnings (Note 18)		Remeasurement of Employee Benefits (Note 17)	Other Comprehensive Income (Loss)		Treasury Stock at Cost	Total	Non-controlling Interest	Total
						Net Unrealized Valuation Gains on Financial Assets at FVOCI (Note 12)	Share in Remeasurement of Employee Benefits of Associates (Note 10)				
			Appropriated	Unappropriated							
At January 1, 2021	₱1,569,491,900	₱86,810,752	₱1,800,000,000	₱7,083,372,533	₱2,144,925	₱5,750,000	(₱1,056,084)	(₱131,008,174)	₱10,415,505,852	₱139,765,972	₱10,555,271,824
Total comprehensive income	–	–	–	1,190,653,672	(2,512,057)	600,000	1,326,876	–	1,190,068,491	7,100,413	1,197,168,905
Cash dividends (Note 18)	–	–	–	(2,319,655,293)	–	–	–	–	(2,319,655,293)	(10,426,500)	(2,330,081,793)
At December 31, 2021	1,569,491,900	86,810,752	1,800,000,000	5,954,370,912	(367,132)	6,350,000	270,792	(131,008,174)	9,285,919,050	136,439,885	9,422,358,935
At January 1, 2022	1,569,491,900	86,810,752	1,800,000,000	5,954,370,912	(367,132)	6,350,000	270,792	(131,008,174)	9,285,919,050	136,439,885	9,422,358,935
Total comprehensive income	–	–	–	1,272,356,480	(3,491,016)	5,000,000	6,529,281	–	1,280,394,745	14,306,371	1,294,701,116
Cash dividends (Note 18)	–	–	–	(299,310,361)	–	–	–	–	(299,310,361)	(18,263,774)	(317,574,135)
At December 31, 2022	1,569,491,900	86,810,752	1,800,000,000	6,927,417,031	(3,858,148)	11,350,000	6,800,073	(131,008,174)	10,267,003,434	132,482,482	10,399,485,916
At January 1, 2023	1,569,491,900	86,810,752	1,800,000,000	6,927,417,031	(3,858,148)	11,350,000	6,800,073	(131,008,174)	10,267,003,434	132,482,482	10,399,485,916
Total comprehensive income	–	–	–	1,169,895,599	5,066,644	2,000,000	(3,858,824)	–	1,173,103,419	41,380,573	1,214,483,992
Reversal of appropriation	–	–	(1,800,000,000)	1,800,000,000	–	–	–	–	–	–	–
Cash dividends (Note 18)	–	–	–	(299,310,361)	–	–	–	–	(299,310,361)	(6,951,001)	(306,261,362)
At December 31, 2023	₱1,569,491,900	₱86,810,752	₱–	₱9,598,002,269	₱1,208,496	₱13,350,000	₱2,941,249	(₱131,008,174)	₱11,140,796,492	₱166,912,054	₱11,307,708,546

See accompanying Notes to Consolidated Financial Statements.



SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱1,352,520,546	₱1,394,889,461	₱1,279,338,784
Adjustments for:			
Equity in net earnings of associates (Note 10)	(587,156,364)	(925,354,304)	(867,849,896)
Interest income (Note 6)	(160,535,324)	(27,837,299)	(34,593,723)
Depreciation and amortization (Notes 11 and 22)	93,950,667	84,260,245	86,974,417
Net unrealized foreign exchange losses (gains)	8,323,813	(67,950,875)	(1,636,497)
Change in asset retirement obligation	(6,048,263)	—	—
Interest expense (Notes 15, 16, 30 and 31)	5,537,842	5,028,156	4,470,615
Net changes in pension liabilities (Note 17)	(1,498,667)	5,347,395	3,128,466
Loss on disposal of assets (Note 11)	—	—	977,362
Operating income before working capital changes	705,094,250	468,382,779	470,809,528
Decrease (increase) in:			
Trade and other receivables	91,509,418	(199,620,021)	(151,783,569)
Inventories	68,153,715	(77,728,013)	(26,191,541)
Prepayments and other current assets	17,048,980	(15,267,463)	(21,356,892)
Increase (decrease) in:			
Trade and other payables	(29,684,739)	228,031,571	79,029,426
Customers' deposits	2,274,264	4,729,452	11,921,883
Cash generated from operations	854,395,888	408,528,305	362,428,835
Income taxes paid	(166,634,543)	(66,247,814)	(96,437,352)
Interest received	160,535,324	27,847,276	34,605,171
Interest paid	(719,279)	(498,731)	(161,687)
Net cash flows from operating activities	847,577,390	369,629,036	300,434,967
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash dividends received (Notes 5 and 8)	159,999,821	1,004,673,518	1,146,799,813
Additions to property, plant and equipment (Note 11)	(94,777,735)	(73,874,351)	(70,777,080)
Cash inflows (outflows) arising from advances to suppliers and contractors and others	—	—	(10,877,738)
Proceeds from disposal of property, plant and equipment	—	—	92,038
Net cash flows from investing activities	65,222,086	930,799,167	1,065,237,033

(Forward)



	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid (Note 18)	(₱191,026,026)	(₱317,574,134)	(₱2,325,739,309)
Payments of principal portion of lease liabilities (Notes 30 and 31)	(1,828,196)	(3,526,795)	(1,765,439)
Cash flows used in financing activities	(192,854,222)	(321,100,929)	(2,327,504,748)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	719,945,254	979,327,274	(961,832,748)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(8,323,813)	67,983,684	1,636,497
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4,031,421,593	2,984,110,635	3,944,306,886
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	₱4,743,043,034	₱4,031,421,593	₱2,984,110,635

See accompanying Notes to Consolidated Financial Statements.



SPC POWER CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

SPC Power Corporation (the Parent Company), was incorporated in the Republic of the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on March 11, 1994.

The Parent Company was formerly a venture company owned by members of the Salcon Consortium which entered into a Rehabilitation, Operation, Maintenance and Management Agreement (ROMM Agreement) with the National Power Corporation (NPC) on March 25, 1994 for the purpose of undertaking the rehabilitation, operation, maintenance and management of the 203.8 megawatt (MW) Naga Power Plant Complex (NPPC) in Colon, Naga, Cebu under the rehabilitate-operate-maintain-and-manage scheme as defined in the ROMM Agreement.

Under the ROMM Agreement, the Parent Company, at its own cost, rehabilitated, operated, maintained and managed the NPPC over the cooperation period of 15 years (Cooperation Period: up to May 29, 2009 for the Land-Based Gas Turbines (LBGTs), and up to March 25, 2012 for the Cebu Thermal Power Plant (CTPP) 1, CTPP 2 and Cebu Diesel Power Plants 1 (CDPP 1), as amended).

In resolutions dated September 28, 2001, the Board of Directors and Stockholders amended the primary purposes for which the Parent Company is formed. Together with its subsidiaries and associates, it is engaged in various business activities within the Philippines that include, among others, the development, construction, rehabilitation, maintenance, management, and operation of power generating plants, electricity distribution and related facilities in accordance with existing laws.

On April 2, 2002, the Parent Company's common shares were listed in the Philippine Stock Exchange (PSE) with ticker symbol: SPC (see Note 18).

On April 15, 2016, SPC Island Power Corporation (SIPC), a wholly owned subsidiary of the Parent Company, submitted the highest offer to Power Sector Assets and Liabilities Management Corporation (PSALM) in the negotiated sale of the 32-MW Power Barge (PB) 104. On June 16, 2016, the Parent Company executed an Amendment, Accession and Assumption Agreement with PSALM and SIPC. Under the agreement, SIPC assigned all its rights and obligations as Buyer of PB 104 to the Parent Company after PSALM gave its consent pursuant to the provisions of the Asset Purchase Agreement between SIPC and PSALM. On June 30, 2016, PSALM turned over the PB 104 to the Parent Company (see Note 11).

On September 9, 2016, the Parent Company's Board of Directors further amended the Parent Company's Articles of Incorporation in order to engage in the business of selling, brokering, marketing, or aggregating electricity to the end users. The amendments were subsequently approved and confirmed by written assent of the stockholders representing at least two-thirds of the outstanding capital stock of the Parent Company. On January 4, 2017, the SEC approved such amendment.

On July 29, 2021 the Parent Company's Board of Directors approved to amend the Company's Articles of Incorporation in order to engage in the business of renewable energy including the exploration, development and utilization of renewable energy resources, such as but not limited to biomass, solar, wind, hydro, geothermal, ocean energy sources or hybrid systems. On October 11, 2021, the amendments were subsequently approved and confirmed by written assent of the stockholders representing at least 2/3 of the outstanding capital stock of the Parent Company. Such amendment was approved by the SEC on June 9, 2022.



The consolidated financial statements comprise the financial statements of the Parent Company and the following subsidiaries:

	Nature of Business	% of Ownership		
		Direct	Indirect	Total
SPC Island Power Corporation	Power generation	100.00%	—	100.00%
Cebu Naga Power Corporation	Power generation	100.00%	—	100.00%
SPC Malaya Power Corporation	Power generation	40.00%	38.40%	78.40%
SPC Light Company, Inc.	Holding company	40.00%	24.00%	64.00%
Bohol Light Company, Inc.	Power distribution	39.90%	13.76%	53.66%
SPC Electric Company, Inc.	Holding company	40.00%	—	40.00%

SPC Island Power Corporation (SIPC). SIPC, a wholly owned subsidiary, was incorporated and registered with the SEC on June 26, 2001. It operates the 146.5 MW Panay Diesel Power Plant (PDPP) (located in Dingle, Iloilo) and the 22 MW Bohol Diesel Power Plant (BDPP) (located in Tagbilaran City, Bohol) which were acquired on March 25, 2009 through the assignment of the Parent Company's rights and obligations to SIPC. It also operated the Olango Diesel Power Plant (ODPP) (located in the Island of Olango, Lapu-Lapu City) from September 15, 2001 to March 12, 2021. ODPP supplied all the generated electricity to Mactan Electric Company, Inc. (MECO), an associate. On February 14, 2022, SIPC, in its intention to promote education and welfare among the people in Olango Island and nearby areas, donated the ODPP to the Technical Education and Skills Development Authority (TESDA), a government agency tasked to manage and supervise technical education and skills development in the Philippines.

Cebu Naga Power Corporation (CNPC). CNPC was incorporated and registered with the SEC on August 12, 2015 to undertake the development, ownership, construction, operation and management of a new 2x150 MW Circulating Fluidized Bed Combustion (CFBC) Coal-fired Power Plant to replace the old CTPP 1 and CTPP 2 in the NPPC, Colon, City of Naga, Cebu. The construction of the new power plant had been aborted due to the adverse Supreme Court decision that led to the return of the NPPC to PSALM on July 31, 2018 (see Note 29). CNPC has not started commercial operations.

SPC Malaya Power Corporation (SMPC). SMPC was incorporated and registered with the SEC on September 22, 2011. SMPC won the bidding processes for the Operation and Maintenance Service Contract (OMSC) of the 650 MW Malaya Thermal Power Plant (MTPP) located in Pililia, Rizal and accordingly operated the MTPP from October 25, 2011 to October 25, 2014. However, SMPC did not participate in the subsequent biddings of the OMSC after October 25, 2014. SMPC has not restarted commercial operations since October 26, 2014.

Bohol Light Company, Inc. (BLCI). BLCI was incorporated on July 21, 2000 to engage in the business of supply and distribution of electricity, subject to applicable laws, rules and regulations. On July 10, 2003, the National Electrification Commission (NEC) granted BLCI's franchise to operate electric, light and power services for a period of 25 years retroactive from October 20, 2000 to October 19, 2025 in the area presently comprised by Tagbilaran City, Bohol. On April 12, 2021, BLCI filed for the renewal of its Certificate of Public Convenience and Necessity (CPCN) which expired last June 12, 2021. As of December 31, 2023, BLCI continues to operate even with its pending approval on the renewal of its CPCN with the Energy Regulatory Commission (ERC).



SPC Electric Company, Inc. (SECI) and SPC Light Company, Inc. (SLCI). SECI and SLCI were incorporated on October 17, 2002 and January 15, 2003, respectively, primarily to design, construct, install, commission, rehabilitate, maintain, manage, operate and invest in power generation/distribution plants and related facilities. The Parent Company has the power to govern the financial and operating policies of SECI by virtue of an agreement, making it eligible for consolidation in accordance with PFRS 10, *Consolidated Financial Statements*. SECI and SLCI have not started commercial operations.

The registered office address of the Parent Company is 7th Floor, Cebu Holdings Center, Archbishop Reyes Avenue, Cebu Business Park, Cebu City. On June 19, 2022, the SEC approved the change in the Parent Company's principal office address to 7th FL BDO Towers Paseo, 8741, Paseo de Roxas, Makati City, 1209.

The consolidated financial statements of the Parent Company and its subsidiaries (collectively referred to as the "Group") were authorized for issue by the Board of Directors (BOD) of the Parent Company on April 11, 2024.

2. **Basis of Preparation, Statement of Compliance, Principles of Consolidation and Changes in Accounting Policies and Disclosures**

Basis of Preparation

The Group's consolidated financial statements have been prepared on a historical cost basis, except for financial assets at FVOCI which have been measured at fair value, and are presented in Philippine Peso, the functional currency of the companies in the Group. All amounts are rounded to the nearest Peso except as otherwise indicated.

Statement of Compliance

The Group's consolidated financial statements are presented in accordance with the Philippine Financial Reporting Standards (PFRSs).

Principles of Consolidation

The consolidated financial statements include the accounts of the Parent Company and subsidiaries mentioned in Note 1. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using consistent accounting policies.

Subsidiaries are fully consolidated from the date control is transferred to the Parent Company and cease to be consolidated from the date control is transferred out of the Parent Company. Control is established when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

All intercompany balances, income and expenses, and profits and losses resulting from intercompany transactions are eliminated in full.

Non-controlling interest represents the portion of profit or loss and net assets in subsidiaries not held by the Parent Company and is presented in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to equity holders of the Parent Company. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Parent Company loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interest;



- derecognizes the cumulative translation differences recorded in equity;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained;
- recognizes any surplus or deficit in profit or loss; and
- reclassifies the Parent Company's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate.

New Standards, Interpretations and Amendments

The accounting policies adopted are consistent with those of the previous financial year, except for adoption of new standards effective 2023. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, the adoption did not have any significant impact on the consolidated financial statements of the Group.

- Amendments to Philippine Accounting Standards (PAS) 1 and PFRS Practice Statement 2, Disclosure of Accounting Policies

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance.

- Amendments to PAS 8, Definition of Accounting Estimates

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

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

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).



- Amendments to PAS 12, International Tax Reform - Pillar Two Model Rules

The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023.

Meanwhile, the disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after January 1, 2023.

Standard Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, Classification of Liabilities as Current or Noncurrent
- Amendments to PFRS 16, Lease Liability in a Sale and Leaseback
- Amendments to PAS 7 and PFRS 7, Disclosures: Supplier Finance Arrangements

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, Lack of exchangeability

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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



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

The amendments may apply to future transactions of the Group.

3. Summary of Material Accounting Policy

Cash and Cash Equivalents

Cash consists of cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of acquisition and that are subject to an insignificant risk of change in value.

Financial Instruments - Classification and Measurement

Classification of Financial Assets. Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Group's business model for managing the financial assets. The Group classifies its financial assets into the following measurement categories:

- Financial assets measured at amortized cost;
- Financial assets measured at fair value through profit or loss (FVPL);
- Financial assets measured at fair value through other comprehensive income (FVOCI), where cumulative gains or losses previously recognized are reclassified to profit or loss; and
- Financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss.

Contractual Cash Flows Characteristics. If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding.

In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.



Business Model. The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument.

The Group's business model refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.

Financial Assets at Amortized Cost. A financial asset is measured at amortized cost if (a) it is held within a business model for which the objective is to hold financial assets in order to collect contractual cash flows and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in "Interest income" in the consolidated statement of comprehensive income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (a) purchased or originated credit-impaired financial assets and (b) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in "Provision for impairment losses" under "General and administrative expenses" in the consolidated statement of comprehensive income.

As at December 31, 2023 and 2022, the Group has financial assets at amortized cost consisting of cash and cash equivalents, trade and other receivables, and PSALM deferred adjustments included as part of "Other noncurrent assets" in the consolidated statement of financial position (see Notes 5, 6, 7, 12, 28 and 29).

Financial Assets at FVOCI. A financial asset is measured at FVOCI if (a) it is held within a business model for which the objective is achieved by both collecting contractual cash flows and selling financial assets and (b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity.

The Group may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Group may transfer the cumulative gain or loss within equity.

As at December 31, 2023 and 2022, the Group's financial assets at FVOCI includes proprietary golf club shares recorded as part of "Other noncurrent assets" (see Notes 12 and 28).



Classification of Financial Liabilities. Financial liabilities are measured at amortized cost, except for the following:

- Financial liabilities measured at fair value through profit or loss;
- Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Group retains continuing involvement;
- Financial guarantee contracts;
- Commitments to provide a loan at a below-market interest rate; and
- Contingent consideration recognized by an acquirer in accordance with PFRS 3.

The Group's financial liabilities include trade and other payables, customers' deposits and other noncurrent liability (see Notes 5, 14, 15, 28 and 29).

Impairment of Financial Assets

The Group uses the single, forward-looking "expected loss" impairment model and recognizes ECL for the following financial assets:

- Debt instruments that are measured at amortized cost and FVOCI;
- Loan commitments; and
- Financial guarantee contracts

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- 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.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

- *Stage 1: 12-month ECL.* For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.
- *Stage 2: Lifetime ECL - not credit-impaired.* For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.
- *Stage 3: Lifetime ECL - credit-impaired.* Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.



Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; or
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’, or when the exposure is less than 30 days past due.

Determination of the Stage for Impairment. At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-month ECL.

Simplified Approach. The simplified approach, where changes in credit risk are not tracked and loss allowances are measured at amounts equal to lifetime ECL, is applied to “Trade and other receivables”. The Group has established a provision matrix for commercial and industrial business segments that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, the Group has a legally enforceable 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. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Derecognition of Financial Assets and Liabilities

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

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset.



Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

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 Group.

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 Group 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 consolidated 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; and
- 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 Group's consolidated statement of financial position on a recurring basis, the Group 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 Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Inventories

Inventories, which consist of spare parts, fuel and consumables used in the operation, repairs and maintenance of the power generation and distribution utility plants, are stated at the lower of cost and net realizable value (NRV). Cost is determined using the average method. NRV is the current replacement cost in the ordinary course of business.



Investments in Associates

The Group's investments in associates are accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, an investment in associate is carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to the Group's net investment in the associate. The consolidated statement of comprehensive income reflects the share of the results of operations of the associates. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

The reporting dates of the associates and the Parent Company are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Property, Plant and Equipment

Property, plant and equipment and right-of-use assets, except land, are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any allowance for impairment losses. Land held by a subsidiary is stated at cost less any accumulated impairment in value.

The initial cost of property, plant and equipment comprises its purchase price, including import duties, taxes and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property, plant and equipment when the recognition criteria are met. Cost also includes asset retirement obligation specifically for property, plant and equipment installed/constructed on the leased properties.

Advances to suppliers and contractors to be applied as payment for assets to be classified as property, plant and equipment are presented as noncurrent asset and included as part of "Other noncurrent assets" in the consolidated statement of financial position.

Expenditures incurred after the property, plant and equipment have been put into operations, such as repairs and maintenance, are normally charged to income 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, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment.

The carrying amount of the replaced part, regardless of whether the replaced part had been depreciated separately, is derecognized if an entity recognizes in the carrying amount of an item of property, plant and equipment the cost of a replacement for part of the item. If it is not practicable for an entity to determine the carrying amount of the replaced part, it may use the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or constructed. When each major inspection is performed, its cost is recognized in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied.



Depreciation of property, plant and equipment commences once the assets are available for use and is computed on a straight-line basis over the estimated useful lives of the assets or the remaining years of Cooperation Period (for applicable assets) or lease term, whichever is shorter, as follows:

Category	No. of Years
Distribution lines, poles and fixtures	25
Power transformers, switches and devices	15–25
Plant machinery and equipment	2–15
Motor vehicles	2–5
Structures	3–25
Furniture and office equipment	2–12
Right-of-use assets	5

The remaining useful lives and the depreciation method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of consumption of future economic benefits from items of property, plant and equipment.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect to those assets.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any allowance for impairment losses are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Construction in progress represents assets under construction and is stated at cost. This includes cost of construction, equipment and other direct costs. Construction in progress is not depreciated until such time as the relevant assets are completed and available for operational use.

It is the Group’s policy to classify right-of-use assets as part of property and equipment. The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost, less any accumulated depreciation. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

The right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term.

Franchise. Included as part of “Intangible assets” in the consolidated statement of financial position, franchise is stated initially at cost. After initial recognition, franchise is valued at cost less accumulated amortization. Costs incurred to acquire the franchise to operate the Bohol Provincial Electric System are amortized over 25 years, which is equivalent to the franchise period granted to BLCI. The amortization period and the amortization method for the franchise are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the franchise is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on the franchise is recognized under “Plant and operations” in the consolidated statement of comprehensive income.



Goodwill. In a business combination, goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Goodwill is tested for impairment annually, or when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Asset Retirement Obligation (ARO)

The Group has a contractual obligation under the Department of Environment and Natural Resources (DENR). Per DENR's Environmental Compliance Certificate for Panay Diesel Power Plant, SIPC is required to maintain a fund to cover expenses for compensation of damages to life and property that may be caused by the plant's construction, operation and abandonment (see Note 16). In this regard, the Parent Company and SIPC established an obligation to recognize its estimated liability for asset retirement.

The ARO recognized represents the best estimate of the expenditures required to dismantle installed assets and restore the leased premises to their original condition at the end of the lease term. Such cost estimates are discounted using a pre-tax rate that reflects the current market assessment of the time value of money and the risks specific to the liability. The Group recognized the fair value of the liability for these obligations and capitalizes the present value of these costs as part of the balance of the property, plant and equipment accounts, which are depreciated on a straight-line basis over the remaining useful lives of the related property, plant and equipment. Each year, the ARO is increased to reflect the accretion of discount and to accrue an estimate for the effects of inflation, with the charges being recognized under "Interest expense" in the consolidated statement of comprehensive income.

While it is believed that the assumptions used in the estimation of such costs are reasonable, significant changes in these assumptions may materially affect the recorded expense or obligations in future years. Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits required to settle the obligation, or a change in the discount rate, shall be accounted for in accordance with the following under the cost model of accounting for the related asset subject to (a) changes in the liability shall be added to, or deducted from, the cost of the related asset in the current period, (b) the amount deducted from the cost of the asset shall not exceed its carrying amount, the excess shall be recognized immediately in the consolidated statement of comprehensive income, and (c) if the adjustment results in an addition to the cost of an asset, the Group shall consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the Group shall test the asset, and shall account for any impairment loss, in accordance with PAS 36.

The adjusted depreciable amount of the asset, after adjustment for changes in ARO, is depreciated over its useful life. Once the related asset has reached the end of its useful life, all subsequent changes in the ARO shall be recognized in the consolidated statement of comprehensive income as they occur.



Equity

Capital Stock. Capital stock is recognized at par value for all issued shares.

Additional Paid-in Capital. Considerations received in excess of par value are recognized as additional paid-in capital, net of incremental costs that are directly attributable of the issuance of new shares.

Treasury Stock. Own equity instruments which are reacquired are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Retained Earnings. Cumulative balance of periodic net income or loss, dividend contributions and prior period adjustments. Dividends are recognized as liability and deducted from retained earnings when they are declared.

Non-controlling interests. Represent the equity interests in subsidiaries which are not held by the Group.

Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties.

Revenue is recognized when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation.

The Group has concluded that it is the principal in its revenue arrangements because it controls the goods or services before these goods or services are transferred to the customer. The following specific recognition criteria must also be met before revenue is recognized:

Revenue

- Revenue consists of: (i) fees for ancillary services provided by the Parent Company and SIPC (see Notes 24 and 26), (ii) fees for electricity generated and sold by the Parent Company and SIPC to the Wholesale Electricity Spot Market (see Notes 24 and 26), and (iii) energy fees by SIPC for sale of electricity under various contracts with distribution utilities (see Notes 24 and 26).

The Group has concluded that revenue should be recognized over time since the customer simultaneously receives and consumes the benefit as the seller supplies power. For power generation where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity. The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer.

Some contracts with customers provide unspecified quantity of energy and includes provisional ERC rates that give rise to variable consideration. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved.



- Revenue of BLCI from the distribution of power also qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer accounted for as one performance obligation. Revenue is recognized over time and based on amounts billed.

Cost and Expense Recognition

Costs and expenses are recognized in the consolidated statement of comprehensive income when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee. The Group applies a single recognition and measurement approach for all leases, except for short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) for office spaces, parking lots and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Lease liabilities. At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

Pension Expense

The Parent Company has a defined benefit pension plan which requires contributions to be made to a separately administered fund, while SIPC and BLCI have unfunded, noncontributory, defined benefit pension plan covering substantially all of its regular and permanent employees.

The net defined benefit liability is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost;
- Net interest on the net defined benefit liability; and
- Remeasurements of net defined benefit liability.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the consolidated statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.



Net interest on the net defined benefit liability is the change during the period in the net defined benefit liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability. Net interest on the net defined benefit liability is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses and return on plan assets are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information.

Income Tax

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

Deferred Income Tax. Deferred income tax is provided, using the balance sheet liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at each reporting date 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 income tax assets to be utilized.

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

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

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

The Group records uncertain tax positions on the basis of a two-step process whereby the Group determines whether it is more likely than not that the tax positions will be sustained based on technical merits of the position, and for those tax positions that meet the more likely than not criteria, the Group recognizes the largest amount of tax benefit that is greater than 50% likely to be realized upon ultimate settlement with related tax authority. The Group records interest and penalties on uncertain tax positions in "Income tax expense (benefit)" account in the consolidated statement of comprehensive income.

Related Party Transactions

Transactions with related parties are accounted for based on the nature and substance of the agreement, and financial effects are included in the appropriate asset, liability, income and expense accounts.



Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Foreign-Currency-Denominated Transactions

The consolidated financial statements are presented in Philippine Peso, which is the functional currency of the companies in the Group. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency rate of exchange ruling at the reporting date. All differences are directly charged against or credited to current operations.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Earnings Per Share

Basic earnings per common share is determined by dividing net income by the weighted average number of common shares outstanding, after retroactive adjustment for any stock dividend and stock splits declared during the year.

Diluted earnings per common share is calculated by dividing the net income for the year attributable to the ordinary equity holders of the Parent Company by the weighted average number of common shares outstanding during the year plus the weighted average number of ordinary shares that would be issued for any outstanding common stock equivalents.

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group is organized into three major business segments. Such business segments are the bases upon which the Group reports its primary segment information. Financial information on business segments is presented in Note 26 to the consolidated financial statements.

4. Significant Accounting Judgments, Estimates and Assumptions

The Group's consolidated financial statements, prepared in compliance with PFRSs, require the Group to make judgments and estimates that affect amounts reported in the Group's consolidated financial statements and related notes. In preparing these consolidated financial statements, the Group made its best judgments and estimates of certain amounts, giving due consideration to materiality. The Group



believes that the following represent a summary of these significant accounting judgments and estimates and related impact and associated risks in the Group's consolidated financial statements.

Judgments

In the process of applying the Group's accounting policies, management has made judgments, apart from those involving estimations which have the most significant effect on the amounts recognized in the Group's consolidated financial statements.

Revenue Recognition. The Group recognizes revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. The Group determines, at contract inception, whether it will transfer control of a promised good or service over time. If the Group does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The Group's revenue from power generation and power distribution are to be recognized over time, since customers simultaneously receives and consumes the benefits as the Group supplies power.

Significant judgments in revenue recognition are as follows:

- *Identifying Performance Obligations.* The Group 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 customer and the Group's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

The Group assesses performance obligations as a series of distinct goods and services that are substantially the same and have the same pattern of transfer if (i) each distinct good or services in the series are transferred over time and (ii) the same method of progress will be used (i.e., units of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation.

For power generation and ancillary services where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity.

The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer since the delivery of energy every month are distinct services which are all recognized over time and have the same measure of progress.

- *Identifying Methods for Measuring Progress of Revenue Recognized Over Time.* The Group determines the appropriate method of measuring progress which is either through the use of input or output methods. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.



For power generation and ancillary services, the Group determined that the output method is the best method in measuring progress since actual electricity is supplied to customers. The Group recognizes revenue based on:

- For power generation and ancillary services:
 - For the variable energy payment, actual kilowatt hours consumed which are billed on a monthly basis.
 - For fixed capacity payments, the Group allocates the transaction price on a straight-line basis over the contract term. The allocated fixed payments are also billed on a monthly basis.
- For power distribution, the Group uses the actual kilowatt hours consumed, which are also billed on a monthly basis.
- *Determining Method to Estimate Variable Consideration and Assessing the Constraint.* The Group includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Group considers both the likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the Group will subject to constraint. Factors such as (i) high susceptibility to factors outside the Group's influence, (ii) timing of resolution of the uncertainty, and (iii) having a large number and broad range of possible outcomes are considered .

Some contracts with customers provide unspecified quantity of energy and provisional ERC rates that give rise to variable consideration. In estimating the variable consideration, the Group applies the expected value method in estimating the variable consideration given the large number of customer contracts that have similar characteristics and the range of possible outcomes.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are to be fully constrained based on the range of possible outcomes (i.e., unspecified quantity of energy), and the unpredictability of other factors outside the Group's influence (i.e., provisional ERC rates).

- *Allocation of Variable Consideration.* Variable consideration may be attributable to the entire contract or to a specific part of the contract. For power generation, power distribution and ancillary services revenue streams which are considered as series of distinct goods or services that are substantially the same and have the same pattern of transfer, the Group allocates the variable amount that is no longer subject to constraint to the satisfied portion (i.e., month) which forms part of the single performance obligation, and forms part of the monthly billing of the Group.

Assessment of Control Over SECI. Control is presumed to exist when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. Management has determined that the Group has the ability to control the operating and financial activities of SECI by virtue of an agreement. The other stockholder (an individual stockholder owning 60% of the outstanding capital stock of SECI and also a major stockholder of the Parent Company) delegates and entrusts all the decisions in the operational and finance functions of SECI to the Parent Company which owns 40% of the outstanding capital stock of SECI.



Determining Non-Controlling Interest (NCI) that is Material to the Group. The Group assesses whether an NCI is material by considering factors such as the carrying amount of the NCI relative to the net equity of the Group, the profit or loss or other comprehensive income (OCI) of the subsidiary attributable to the NCI, the assets and liabilities of the related subsidiary, or the amount of dividends paid by the subsidiary to the NCI, and the proportion that these amounts bear to the Group's financial position or results of operations. The Group also considers the nature of activities of the subsidiary and its relative importance or risk compared to other operations of the Group. Based on management's assessment, it has determined that the NCI in BLCI is material to the Group. Information about this subsidiary with material NCI is disclosed in Note 18.

Legal Contingencies. The Group is currently involved in various legal proceedings. The estimate of probable costs for the resolution of possible claims is developed in consultation with outside counsel handling the Group's defense in these matters and is based upon an analysis of potential results of litigation. No provision for probable losses arising from legal contingencies was recognized as of December 31, 2023 and 2022.

Estimates and Assumptions

Estimating Expected Credit Losses on Trade and Other Receivables and Receivables from PSALM Deferred Adjustments using Simplified Approach. The Group uses the provision matrix to calculate ECLs for these receivables. The Group calculates provision rates based on days past due for a group of various customer or debtor segments that have similar loss patterns (i.e., customer type).

The provision matrix is initially based on the Group's historical observed loss rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., inflation rates) are expected to increase over the next year which can lead to an increased number of defaults, the historical loss rates are adjusted. At every reporting date, the historical observed loss rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed loss rates, forecast economic conditions and ECLs is a significant estimate which involves qualitative and quantitative thresholds in place. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The Group has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 3 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Group has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.



An increase in the Group's allowance for expected credit losses of trade and other receivables, receivable from PSALM deferred adjustments and noncurrent receivable from customers arising from PSALM's deferred adjustments (see Note 29) will increase the Group's recorded expenses and decrease current and noncurrent assets. As of December 31, 2023 and 2022, allowance for expected credit losses amounted to ₱44.9 million and ₱45.7 million, respectively (see Note 7). These receivables, net of allowance for expected credit losses, amounted to ₱491.6 million and ₱666.3 million as of December 31, 2023 and 2022, respectively (see Note 7).

Estimating Allowance for Inventory Losses. The Group provides allowance for losses related to inventories whenever the value of these inventories becomes lower than cost due to damage, physical deterioration or obsolescence. The amounts and timing of the recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for losses would increase recorded expenses and decrease current assets.

Allowance for losses amounted to ₱1.3 million and nil as of December 31, 2023 and 2022, respectively (see Note 9). The carrying value of the inventories, net of allowance for losses, amounted to ₱399.4 million and ₱467.5 million as of December 31, 2023 and 2022, respectively (see Note 9).

Estimating Useful Lives of Property, Plant and Equipment. The Group estimates the useful lives of property, plant and equipment, except land held by subsidiaries and construction in progress, based on the period over which the assets are expected to be available for use or lease term, whichever is shorter. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property, plant and equipment is based on collective assessment of internal technical evaluation and experience with similar assets. However, it is possible that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recording expenses for any period would be affected by changes in these factors and circumstances.

The Group recognized depreciation expense amounting to ₱92.9 million, ₱83.2 million and ₱85.9 million in 2023, 2022 and 2021, respectively (see Note 22). As of December 31, 2023 and 2022, the aggregate net book values of property, plant and equipment amounted to ₱736.6 million and ₱734.7 million, respectively (see Note 11).

Estimating Asset Retirement Obligation (ARO). The Group has a contractual obligation under the Department of Environment and Natural Resources (DENR). Per DENR's Environmental Compliance Certificate for Panay Diesel Power Plant, SIPC is required to dismantle installed assets and restore the leased premises to their original condition at the end of the lease term (see Note 16). These estimated costs of dismantling and restoration assume third party estimates. The Group projected the estimate using inflation rates ranging from 3.9%–8.7% and discount rate of 5.1%.

The amount and timing of recorded expenses for any period would differ if different assumptions are used. An increase in computed ARO would increase the recorded asset, depreciation and increase noncurrent liabilities.

As of December 31, 2023 and 2022, the ARO has a carrying value of ₱93.1 million and ₱94.3 million, respectively (see Note 16).



Estimating Realizability of Deferred Income Tax Assets. The Group reviews the carrying amounts of deferred income tax assets at each reporting date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. However, there is no assurance that the Group will utilize all or part of the deferred income tax assets. The Group's assessment on the recognition of deferred income tax assets on deductible temporary differences is based upon the likely timing and level of future taxable profits determined from the tax planning strategies of the Group.

The Group has deferred income tax assets amounting to ₱35.5 million and ₱34.2 million as of December 31, 2023 and 2022, respectively. The Group did not recognize deferred income tax on temporary differences on provision for impairment losses and unrecognized net operating loss carryover (NOLCO) amounting to ₱0.7 million and ₱0.3 million in 2023 and 2022, respectively because management believes that these items may have no possible future deductible benefit when these will be reversed, settled or realized (see Note 25).

Estimating Impairment of Goodwill. The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. In estimating the value in use, the Group estimated annual growth at 4%–7% in energy sold and 5%–7% escalation of operating expenses for the first five years. The Group assumed a zero growth rate beyond five years. The interest rate used to discount the net cash flows from operations is the weighted average cost of capital (WACC) of 14.97% for BLCI as of December 31, 2023 and 2022. The carrying amount of goodwill related to the investment in BLCI amounted to ₱32.5 million as of December 31, 2023 and 2022 (see Note 13).

5. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence.

The Group's policy on material related party transactions is in compliance with the Philippine SEC Memorandum Circular No. 10, Series of 2019, or the *Rules on Material Related Party Transactions for Publicly-Listed Companies*.

The policy applies to the Group and covers related party transactions that meet the materiality threshold of 10% of the Group's consolidated total assets. It defines the processes, controls and safeguards for the proper handling, including review, approval and disclosure, of such related party transactions in accordance with applicable laws and regulations.

The Group, in the normal course of business, has significant transactions with related parties which principally consist of the following:

Associates

- Rendering of management and other services by the Parent Company to MECO, an associate, was discontinued towards the end of 2021 and no longer renewed. The management and other services income in 2021 amounting to ₱40.0 million is recorded as part of "Service income" presented under "Other income (charges)" in the consolidated statements of comprehensive income.



- Management, operation and maintenance services rendered by SIPC on ODPP arising from the assignment of rights and obligations by the Parent Company to SIPC under the “Operations, Maintenance and Management Services Agreement” with MECO until March 12, 2021. Revenue recorded related to the services amounted to ₱7.5 million and ₱5.2 million in 2022 and 2021, respectively. There are no outstanding receivables from MECO on these transactions as of December 31, 2023.
- Purchase of power by BLCI from KEPCO SPC Power Corporation (KEPCO SPC), an associate, under the Power Sales Contract between BLCI and KEPCO SPC amounting to ₱806.3 million ₱710.0 million and ₱343.7 million in 2023, 2022 and 2021, respectively (see Note 24). Outstanding amount due to KEPCO SPC on this transaction amounted to ₱89.7 million and ₱137.0 million as of December 31, 2023 and 2022, respectively, and are included as part of “Trade and other payables” in the consolidated statements of financial position (see Note 14).
- Extension of short-term, noninterest-bearing advances by the Parent Company to KEPCO SPC for the development of the 2x100 MW CFBC coal-fired Power Plant in Naga, Cebu. Outstanding amount due from KEPCO SPC amounted to ₱0.8 million as of December 31, 2023 and 2022, respectively, and are included in “Due from related parties” presented under “Trade and other receivables” in the consolidated statements of financial position (see Note 7).
- Dividends received from KEPCO SPC amounting to nil, ₱964.7 million and ₱1,026.8 million in 2023, 2022 and 2021, respectively; and from MECO amounting to ₱200 million, ₱40.0 million and ₱120.0 million in 2023, 2022 and 2021, respectively (see Note 8). The dividend receivable amounting to ₱40.0 million and nil as of December 31, 2023 and 2022, respectively, is presented under “Trade and other receivables” in the consolidated statements of financial position (see Note 7).

Affiliates Under Common Ownership

- Sale of electricity to Bohol Water Utilities, Inc. (BWUI) at the same rates charged to BLCI’s consumers amounted to ₱38.4 million, ₱29.0 million and ₱19.6 million in 2023, 2022 and 2021, respectively. Outstanding receivable from BWUI related to this transaction amounting to ₱2.1 million and ₱3.9 million as of December 31, 2023 and 2022, respectively, are included as part of “Trade and other receivables” in the consolidated statements of financial position (see Note 7).
- Rentals on office spaces from SPEC Properties, Inc. (SPEC) and SII Properties Development Corporation (SPDC) with lease terms ranging from 2–3 years amounted to ₱4.5 million in 2023 and ₱4.4 million in 2022 and 2021. Outstanding payables from these leases amounting to ₱1.1 million and nil as of December 31, 2023 and 2022, respectively, are included as part of “Trade and other receivables” in the consolidated statements of financial position (see Note 14).
- Collection charges from BWUI with outstanding balances amounting to ₱0.01 million and ₱0.04 million as of December 31, 2023 and 2022, respectively, and advances to related parties are recorded under “Trade and other receivables” in the consolidated statements of financial position (see Note 7). Advances from related parties are presented as “Trade and other payables” in the consolidated statements of financial position (see Note 14).



The results of these transactions are presented in the appropriate accounts in the consolidated financial statements. The amounts due from/due to related parties follow:

2023				
Category	Transaction	Outstanding Balance - Receivable (Payable)	Terms	Conditions
Associates				
Purchase of power from:				
KEPCO SPC	₱806,306,924	(₱89,713,882)	Interest-bearing; 91-day T-bill plus 3% per annum	Unsecured
Advances:				
KEPCO SPC	—	837,925	Due and demandable	Unsecured; No impairment
MECO	—	939	60-day; Noninterest-bearing	Unsecured; No impairment
Dividend income (see Note 8):				
MECO	199,999,778	39,999,956	Due and demandable	Unsecured; No impairment
Affiliates (Companies Under Common Ownership)				
Sales:				
BWUI	38,408,024	2,067,784	10 days from receipt of billing	Unsecured; No impairment
Lease of office space from:				
SPEC	3,651,136	(912,784)	30-day; Noninterest-bearing; 3% annual escalation	Unsecured
SPDC	801,426	(200,357)	30-day; Noninterest-bearing; 3% annual escalation	Unsecured
Collection charges:				
BWUI	130,773	79,136	₱2.60 per receipt 20 days from receipt; interest bearing 2% per month	Unsecured; No impairment
Advances:				
BWUI	257,671	502,292	60-day; Noninterest-bearing	Unsecured; No impairment
BWUI	27,507	(27,507)	60-day; Noninterest-bearing	Unsecured
SPDC	162,543	576,063	60-day; Noninterest-bearing	Unsecured; No impairment
SPEC	159,931	67,883	60-day; Noninterest-bearing	Unsecured; No impairment
SII	246,451	428,386	60-day; Noninterest-bearing	Unsecured; No impairment
SPI	81,770	59,895	60-day; Noninterest-bearing	Unsecured; No impairment
SPI	—	(5,600)	60-day; Noninterest-bearing	Unsecured
SWRI	—	223,586	60-day; Noninterest-bearing	Unsecured; No impairment
WPHC	127,622	362,765	60-day; Noninterest-bearing	Unsecured; No impairment
KV Holdings, Inc.	24,745	10,825	60-day; Noninterest-bearing	Unsecured; No impairment
KEPCO Philippines Holdings, Inc.	—	(497,043)	60-day; Noninterest-bearing	Unsecured



2022				
Category	Transaction	Outstanding Balance - Receivable (Payable)	Terms	Conditions
Associates				
Purchase of power from: KEPCO SPC	₱709,983,001	(₱137,031,554)	Interest-bearing; 91-day T-bill plus 3% per annum	Unsecured
Advances:				
KEPCO SPC	—	763,112	Due and demandable	Unsecured; No impairment
MECO	—	939	60-day; Noninterest-bearing	Unsecured; No impairment
Dividend income (see Note 8):				
KEPCO SPC	964,673,562	—	Due and demandable	Unsecured; No impairment
MECO	39,999,956	—	Due and demandable	Unsecured; No impairment
Affiliates (Companies Under Common Ownership)				
Sales:				
BWUI	28,966,817	3,856,333	10 days from receipt of billing	Unsecured; No impairment
Lease of office space from:				
SPEC	3,651,136	—	30-day; Noninterest-bearing; 3% annual escalation	Unsecured
SPDC	778,084	—	30-day; Noninterest-bearing; 3% annual escalation	Unsecured
Collection charges:				
BWUI	114,006	41,717	₱1.53 per receipt 20 days from receipt; interest bearing 2% per month	Unsecured; No impairment
Advances:				
BWUI	95,298	176,574	60-day; Noninterest-bearing	Unsecured; No impairment
SPDC	90,729	507,410	60-day; Noninterest-bearing	Unsecured; No impairment
SPEC	101,810	304,756	60-day; Noninterest-bearing	Unsecured; No impairment
SII	42,199	181,935	60-day; Noninterest-bearing	Unsecured; No impairment
SPI	44,041	171,516	60-day; Noninterest-bearing	Unsecured; No impairment
SWRI	—	223,586	60-day; Noninterest-bearing	Unsecured; No impairment
WPHC	108,565	235,143	60-day; Noninterest-bearing	Unsecured; No impairment
KV Holdings, Inc.	30,109	7,789	60-day; Noninterest-bearing	Unsecured; No impairment
KEPCO Philippines Holdings, Inc.	—	(497,043)	60-day; Noninterest-bearing	Unsecured



2021				
Category	Transaction	Outstanding Balance - Receivable (Payable)	Terms	Conditions
Associates				
Sales:				
MECO	₱5,216,459	₱–	30-day; Noninterest-bearing	Unsecured; No impairment
Technical services rendered to:				
MECO	40,002,385	–	60-day; Noninterest-bearing	Unsecured
Purchase of power from:				
KEPCO SPC	343,669,158	(48,371,310)	Interest-bearing; 91-day T-bill plus 3% per annum	Unsecured
Advances:				
KEPCO SPC	–	763,112	Due and demandable	Unsecured; No impairment
MECO	939	939	60-day; Noninterest-bearing	Unsecured; No impairment
Dividend income (see Note 8):				
KEPCO SPC	1,026,799,946	–	Due and demandable	Unsecured; No impairment
MECO	119,999,866	79,999,911	Due and demandable	Unsecured; No impairment
Affiliates (Companies Under Common Ownership)				
Sales:				
BWUI	19,566,742	6,668,944	10 days from receipt of billing	Unsecured; No impairment
Lease of office space from:				
SPEC	3,651,136	(2,738,352)	30-day; Noninterest-bearing; 3% annual escalation	Unsecured
SPDC	765,946	(572,066)	30-day; Noninterest-bearing; 3% annual escalation	Unsecured
Collection charges:				
BWUI	138,573	26,522	₱1.53 per receipt 20 days from receipt; interest bearing 2% per month	Unsecured; No impairment
Advances to (from):				
BWUI	146,762	236,819	60-day; Noninterest-bearing	Unsecured; No impairment
SPDC	94,042	416,681	60-day; Noninterest-bearing	Unsecured; No impairment
SPDC	294,551	(509,711)	60-day; Noninterest-bearing	Unsecured
SPEC	70,197	202,945	60-day; Noninterest-bearing	Unsecured; No impairment
SII	51,184	139,736	60-day; Noninterest-bearing	Unsecured; No impairment
SPI	45,500	127,475	60-day; Noninterest-bearing	Unsecured; No impairment
SWRI	30,041	223,586	60-day; Noninterest-bearing	Unsecured; No impairment
WPHC	29,041	126,578	60-day; Noninterest-bearing	Unsecured; No impairment
KV Holdings, Inc.	8,564	26,111	60-day; Noninterest-bearing	Unsecured; No impairment
KEPCO Philippines Holdings, Inc.	–	(497,043)	60-day; Noninterest-bearing	Unsecured

These transactions with related parties are generally settled in cash.



Compensation and Benefits of Key Management Personnel

The Group considers all senior officers as key management personnel. The compensation of key management personnel follows:

	2023	2022	2021
Short-term benefits	₱49,946,045	₱50,474,435	₱43,171,364
Post-employment benefits	964,964	762,626	636,490
	₱50,911,009	₱51,237,061	₱43,807,854

6. Cash and Cash Equivalents

	2023	2022
Cash on hand and in banks	₱798,410,969	₱1,819,002,343
Short-term investments	3,944,632,065	2,212,419,250
	₱4,743,043,034	₱4,031,421,593

Cash in banks earn interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three months or less, depending on the immediate cash requirements of the Group, and earn interest at the prevailing short-term investment rates. Total interest income amounted to ₱160.5 million, ₱27.8 million and ₱34.6 million in 2023, 2022 and 2021, respectively.

7. Trade and Other Receivables

	2023	2022
Receivable from customers (net of allowance for impairment losses of ₱44.9 million and ₱45.7 million as of 2023 and 2022, respectively) (see Note 5)	₱457,828,766	₱593,891,475
Dividend receivable (Note 8)	39,999,956	—
Current portion of PSALM deferred adjustments (see Note 29)	31,892,013	36,798,477
Interest receivable	17,229,397	5,589,472
Advances to officers and employees	13,909,273	24,426,406
Due from related parties	3,149,696	2,689,294
Others	85,098,556	32,439,934
	₱649,107,657	₱695,835,058

Receivable from customers arises from generation and sale of energy, distribution of purchased energy, and from provision of ancillary services.

Receivables from PSALM and customers are noninterest-bearing and are generally with a term of 1–30 days and 30–90 days, respectively.

Other receivables mainly consist of universal charges receivable from customers that are noninterest-bearing, insurance claims and accrued interest receivables from short-term investments. Universal charges are amounts passed on and collected from customers on a monthly basis. These are charges imposed to recover the stranded debts, stranded contract costs of National Power Corporation (“NPC”) and stranded contract costs of eligible contracts of distribution. The Company remits collections



monthly to PSALM who administers the fund generated from universal charges and disburses the said funds in accordance with the intended purposes.

Allowance for impairment losses pertains to trade receivables as a result of performing collective impairment test at reporting date. These relate to debtors who are either in significant financial difficulties, have defaulted on payments or whose accounts are under dispute and legal proceedings.

The following table shows the movement in the allowance for impairment losses:

	2023	2022
At January 1	₱45,655,447	₱48,283,301
Provision for impairment losses (see Note 20)	1,556,344	2,007,340
Reversals	(2,317,533)	(4,635,194)
At December 31	₱44,894,258	₱45,655,447

8. Investments in Associates

	2023	2022
Acquisition cost	₱2,852,565,368	₱2,852,565,368
Accumulated equity in net earnings and other comprehensive income:		
At January 1	2,579,888,296	2,652,678,229
Equity in net earnings	587,156,364	925,354,304
Share in remeasurement of employee benefits of associates	(3,858,824)	6,529,281
Dividend	(199,999,777)	(1,004,673,518)
At December 31	2,963,186,059	2,579,888,296
	₱5,815,751,427	₱5,432,453,664

The Group's associates, corresponding equity ownerships, and acquisition costs follow:

	Principal Activity	% of Ownership	Acquisition Cost
KEPCO SPC	Power generation	40.0	₱2,472,464,616
MECO	Power distribution	40.0	380,000,752
SWRI	Water processing	40.0	100,000
			₱2,852,565,368

KEPCO SPC

KEPCO SPC was registered with the SEC on June 22, 2005 primarily to build, operate, maintain, own and manage the 2x100 MW CFBC Boiler Coal-Fired Power Plant in Naga, Cebu, Philippines.



Summarized financial information pertaining to KEPCO SPC as of and for the years ended December 31 follows:

	2023	2022	2021
Current assets	₱5,025,272,862	₱3,648,061,247	₱3,295,642,541
Noncurrent assets	7,431,058,522	8,134,819,864	8,767,282,343
Current liabilities	1,018,887,600	1,079,104,218	849,143,657
Noncurrent liabilities	177,871,046	169,135,312	170,367,207
Equity	11,259,572,738	10,534,641,581	11,043,414,020
Revenue	9,491,824,536	10,685,730,574	7,401,904,359
Gross profit	1,612,378,636	2,954,375,631	2,789,999,501
Net income	730,593,462	1,895,967,997	1,781,078,822
Other comprehensive income (loss)	(5,662,304)	6,943,469	3,649,551
Total comprehensive income	724,931,158	1,902,911,466	1,784,728,373
Group's share in net income	292,237,385	758,387,199	712,431,529
Carrying amount of the investment	4,503,829,095	4,213,856,632	4,417,365,608
Dividends received from KEPCO SPC	—	964,673,562	1,026,799,946

KEPCO SPC declared and paid cash dividends to the Parent Company amounting to nil, ₱964.7 million and ₱1,026.8 million in 2023, 2022 and 2021, respectively (see Note 5).

As of December 31, 2023, 2022 and 2021, the Group's share in the net assets of KEPCO SPC approximates the carrying value of its investment amounting to ₱4,503.8 million, ₱4,213.9 million and ₱4,417.4 million, respectively.

MECO

MECO is a distribution utility granted by the NEC under Presidential Decree No. 269, a franchise for 25 years from October 10, 1991 to engage in, conduct and carry on the business of generating, buying and selling electric light, heat and power for sale within the limits of the City of Lapu-Lapu and the Municipality of Cordova, Cebu until October 9, 2016. On July 17, 2016, MECO was granted a renewal of its franchise for another 25 years.

Summarized financial information pertaining to MECO as of and for the years ended December 31 follows:

	2023	2022	2021
Current assets	₱3,420,169,230	₱3,272,422,195	₱3,003,015,589
Noncurrent assets	3,822,420,452	3,737,587,700	3,643,168,379
Current liabilities	938,870,145	1,056,351,577	1,107,062,700
Noncurrent liabilities	2,647,655,706	2,506,399,191	2,392,848,077
Equity	3,656,063,831	3,447,259,127	3,146,273,191
Revaluation increment on property, plant and equipment, and others (adjusted at consolidated level following the Group's policy of cost model)	376,509,006	401,016,994	426,828,555
Revenue	7,206,586,540	7,524,368,045	5,738,323,076
Gross profit	481,187,003	214,305,875	375,379,894

(Forward)



	2023	2022	2021
Net income	₱704,620,130	₱383,002,350	₱310,601,812
Other comprehensive income (loss)	(3,984,755)	9,379,733	32,020,078
Net income after adjustment of depreciation on revaluation increment	737,297,447	417,417,764	340,635,858
Group's share in net income after adjustment of depreciation on revaluation increment and others	281,848,052	166,967,106	155,418,367
Carrying amount of the investment	1,311,822,330	1,218,496,853	1,087,777,988
Dividends received from MECO	199,999,778	39,999,956	119,999,867

MECO declared cash dividends to the Parent Company amounting to ₱200.0 million, ₱40.0 million and ₱120.0 million in 2023, 2022 and 2021, respectively, and paid ₱160.0 million, ₱40.0 million and ₱120.0 million in 2023, 2022 and 2021 (see Note 5).

As of December 31, 2023, 2022 and 2021, the Group's share in the net assets of MECO approximates the carrying value of its investment amounting to ₱1,299.7 million, ₱1,218.5 million and ₱1,087.8 million, respectively.

SWRI

SWRI is incorporated to engage in the business of providing water services for the operation, maintenance, refurbishment and expansion of power production and electrical generating facilities, including supply of water for the operation of said facilities.

9. Inventories

	2023	2022
On hand - at cost:		
Fuel	₱168,891,275	₱208,404,577
Materials and supplies	229,229,732	256,874,983
In transit - at cost	1,272,659	2,267,821
	₱399,393,666	₱467,547,381

Inventories include fuel, lubricants, chemicals, spare parts, supplies and other consumables used in the operations, repairs and maintenance of the power generation and utility plants, property and equipment.

Inventories charged to "Cost of operations" amounted to ₱1,880.3 million, ₱1,817.7 million and ₱799.7 million in 2023, 2022 and 2021, respectively, in the consolidated statements of comprehensive income (see Note 19).



10. Prepayments and Other Current Assets

	2023	2022
Input VAT	₱40,023,625	₱51,525,280
Prepaid income tax	18,752,038	25,206,340
Prepaid insurance	7,946,577	7,370,515
Prepaid real property tax	7,560,461	7,429,242
Refundable deposits	5,547,081	5,600,081
Deferred input VAT	1,197,300	954,484
Prepaid rent	304,738	279,705
Others	2,377,991	2,566,020
	₱83,709,811	₱100,931,667



11. Property, Plant, and Equipment

2023										
	Distribution Lines, Poles and Fixtures	Power Transformers, Switches and Devices	Plant Machinery and Equipment	Motor Vehicles	Structures	Furniture and Office Equipment	Land	Construction in Progress	Right-of-use Assets (see Note 30)	Total
Cost										
At January 1	₱247,601,145	₱220,979,711	₱1,061,232,689	₱43,049,773	₱66,485,459	₱32,805,024	₱87,472,343	₱46,454,500	₱17,903,464	₱1,823,984,108
Additions	13,435,092	17,858,470	8,935,206	12,365,267	1,069,995	27,676,240	279,675	13,157,790	—	94,777,735
Reclassifications	—	51,629,346	—	—	—	—	—	(51,629,346)	—	—
At December 31	261,036,237	290,467,527	1,070,167,895	55,415,040	67,555,454	60,481,264	87,752,018	7,982,944	17,903,464	1,918,761,843
Accumulated Depreciation and Impairment										
At January 1	155,058,220	146,405,824	669,515,240	33,908,415	52,240,123	29,532,119	—	—	2,606,305	1,089,266,246
Depreciation (see Note 22)	13,084,813	12,628,616	51,525,344	5,103,498	2,351,317	5,341,387	—	—	2,830,008	92,864,983
At December 31	168,143,033	159,034,440	721,040,584	39,011,913	54,591,440	34,873,506	—	—	5,436,313	1,182,131,229
Net Book Value	₱92,893,204	₱131,433,087	₱349,127,311	₱16,403,127	₱12,964,014	₱25,607,758	₱87,752,018	₱7,982,944	₱12,467,151	₱736,630,614

2022										
	Distribution Lines, Poles and Fixtures	Power Transformers, Switches and Devices	Plant Machinery and Equipment	Motor Vehicles	Structures	Furniture and Office Equipment	Land	Construction in Progress	Right-of-use Assets (see Note 30)	Total
Cost										
At January 1	₱233,500,836	₱213,554,305	₱1,061,657,315	₱42,932,431	₱66,485,459	₱32,000,351	₱87,472,343	₱9,230,467	₱5,651,294	₱1,752,484,801
Additions	14,100,309	7,425,406	14,063,017	117,342	—	944,244	—	37,224,033	12,252,170	86,126,521
Retirements	—	—	(14,487,643)	—	—	(139,571)	—	—	—	(14,627,214)
At December 31	247,601,145	220,979,711	1,061,232,689	43,049,773	66,485,459	32,805,024	87,472,343	46,454,500	17,903,464	1,823,984,108
Accumulated Depreciation and Impairment										
At January 1	144,136,141	135,435,508	632,940,985	29,617,683	49,820,641	27,732,125	—	—	1,035,816	1,020,718,899
Depreciation (see Note 22)	10,922,079	10,970,316	51,061,898	4,290,732	2,419,482	1,939,565	—	—	1,570,489	83,174,561
Retirements	—	—	(14,487,643)	—	—	(139,571)	—	—	—	(14,627,214)
At December 31	155,058,220	146,405,824	669,515,240	33,908,415	52,240,123	29,532,119	—	—	2,606,305	1,089,266,246
Net Book Value	₱92,542,925	₱74,573,887	₱391,717,449	₱9,141,358	₱14,245,336	₱3,272,905	₱87,472,343	₱46,454,500	₱15,297,159	₱734,717,862

The Group has no purchase commitments as of December 31, 2023 and 2022.



12. Other Noncurrent Assets and Intangible Assets

Other noncurrent assets

	2023	2022
Investment in proprietary club share	₱15,000,000	₱13,000,000
PSALM deferred adjustments (see Notes 7 and 29)	1,839,924	35,571,861
Advances to suppliers and contractors	2,803,719	2,789,616
Others	13,727,928	23,427,732
	₱33,371,571	₱74,789,209

Current portion of PSALM deferred adjustments amounting to ₱31.9 and ₱36.8 million is presented under “Trade and other receivables” in the consolidated statements of financial position as of December 31, 2023 and 2022 (see Note 7).

In 2023, 2022 and 2021, the Group recognized “Unrealized valuation gain on financial asset at FVOCI” amounting to ₱2.0 million, ₱5.0 million and ₱0.6 million, respectively, in the consolidated statements of comprehensive income for its investment in proprietary club shares.

Others mainly represent deferred input taxes on capital goods and project development costs for future projects.

Intangible assets

	2023	2022
Software costs	₱1,216,504	₱1,824,755
Franchise	954,869	1,432,302
	₱2,171,373	₱3,257,057

The following table shows the movement of software costs:

	2023	2022
Acquisition Cost	₱6,082,514	₱6,082,514
Accumulated Amortization		
At January 1	4,257,759	3,649,508
Amortization (see Notes 20 and 22)	608,251	608,251
At December 31	4,866,010	4,257,759
Net Book Value	₱1,216,504	₱1,824,755

Franchise pertains to the costs incurred by BLCI to acquire the franchise to operate the Bohol Provincial Electric System and are amortized over 25 years. The following table shows the movement of franchise:

	2023	2022
Acquisition Cost	₱11,935,833	₱11,935,833
Accumulated Amortization		
At January 1	10,503,531	10,026,098
Amortization (see Notes 20 and 22)	477,433	477,433
At December 31	10,980,964	10,503,531
Net Book Value	₱954,869	₱1,432,302



13. Goodwill

Goodwill acquired through business combinations have been allocated to a single cash-generating unit comprising of the distribution business, which is a reportable segment. The recoverable amount of each unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

Carrying amount of goodwill related to BLCI amounted to ₱32.5 million as of December 31, 2023 and 2022. The goodwill is attributed to the expected synergies and other benefits from combining the assets of the distribution utility with those of the Group.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

- Interest rate used to discount the net cash flows from operations is BLCI's WACC of 14.97% as of December 31, 2023 and 2022 using the capital asset pricing model.
- Energy sold is projected at 4%–7% annual growth based on the actual average for 2023 and 2022, depending on the customer category.
- Operating expenses are projected to increase from 5% to 7% depending on the nature of expenses.
- The computation of terminal value assumes no growth in projected cash flows beyond five years.

Based on the impairment testing, management has determined that there is no impairment on goodwill in 2023 and 2022.

Sensitivity to Changes in Assumptions

With regard to the assessment of value-in-use of BLCI, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount.

14. Trade and Other Payables

	2023	2022
Trade (see Note 24)	₱394,559,067	₱520,165,764
Nontrade (see Note 29)	420,994,308	197,864,151
Accrued expenses (see Note 15)	41,171,141	58,492,314
Due to related parties (see Note 5)	530,150	502,642
	₱857,254,666	₱777,024,871

Trade payables include purchases of goods and services that are noninterest-bearing and are normally settled on 30–60 days terms.

Nontrade payables include accrual for deferred output VAT of ₱148.9 million and ₱138.7 million as of December 31, 2023 and 2022, respectively; current portion of PSALM deferred adjustments of ₱1.8 million and ₱31.8 million as of December 31, 2023 and 2022, respectively (see Note 29), dividends payable amounting to ₱119.6 million and ₱4.3 million as of December 31, 2023 and 2022, respectively, and various accounts with nontrade suppliers and contractors including government payables amounting to ₱28.0 million and ₱12.2 million as of December 31, 2023 and 2022, respectively.

Accrued expenses include accrual of power cost, accrual of interest on customers' deposits and other statutory liabilities.



15. Customers' Deposits

	2023	2022
Bill deposits	₱123,764,396	₱121,794,122
Material deposits	70,149,998	69,784,927
	₱193,914,394	₱191,579,049

Bill Deposits

Bill deposits are obtained from customers and maintained at approximately equivalent to one month consumption principally as guarantee for any uncollected bills upon termination of the service contract. Under the Magna Carta for Residential Electricity Consumers (Magna Carta) as amended and Distribution Service and Open Access Rules (DSOAR) as amended, dated November 15, 2010 and February 22, 2010, respectively, bill deposits shall earn interest equivalent to the peso savings account interest rate of Land Bank of the Philippines or other government banks subject to the approval of the ERC and the same shall be credited yearly to the bills of the registered customer.

The Magna Carta and DSOAR also provide that bill deposits, together with accrued interests, shall be refunded within one month from the termination of the services if all bills have been paid. In addition to this, the customer who has paid his electric bills on or before its due date for three consecutive years may demand for the full refund of the deposit even prior to the termination of the service.

In cases where the customer has previously received the refund of his bill deposit pursuant to Article 7 of the Magna Carta, and later defaults in the payment of his monthly bills, the customer shall be required to post another bill deposit with the distribution utility and lose his right to avail of the right to refund his bill deposit in the future until termination of service. Failure to pay the required bill deposit shall be a ground for disconnection of electric service.

Material Deposits

Large load consumers applying for power connection may pay for the transformers and poles in advance. This is subject to a refund which can be applied as a reduction from the accounts of the consumers at 25% of the consumers' monthly billing for deposits prior to June 2010 and 75% of the consumers' monthly billing from June 2010 onwards until such amounts are fully refunded or for five years, whichever period is shorter.

Interest on Bill Deposits

The implementing guidelines of the Magna Carta provide that the interest rate then on meter deposits shall be at 6% for contracts of service entered into prior to the effectivity of the then Energy Regulatory Board (ERB) Resolution No. 95-21 issued on August 3, 1995. The ERB Resolution No. 95-21 was issued adopting a 10% interest on customers' deposits. Pursuant to the Magna Carta as amended, bill deposits shall earn interest equivalent to the peso savings account interest rate of Land Bank of the Philippines or other government banks subject to the approval of the ERC. In the case of non-residential customers, the DSOAR, as amended provides that BLCI shall pay interest on bill deposits at the rate equivalent to the peso savings account interest rate of Land Bank of the Philippines or other government banks subject to the approval of the ERC. Interest expense on bill deposits amounting to ₱0.06 million, ₱0.07 million and ₱0.1 million in 2023, 2022 and 2021, respectively, are presented as part of "Interest expense" in the consolidated statements of comprehensive income. Outstanding interest expense accrued on bill deposits amounted to ₱2.8 million as of December 31, 2023 and 2022 and are presented as part of "Accrued expenses" under "Trade and other payables" in the consolidated statements of financial position (see Note 14).



16. Asset Retirement Obligation

The Parent Company's subsidiary, SIPC, has obligations under the Environmental Compliance Certificate issued by the Department of Environment and Natural Resources to protect/enhance the environment and mitigate the plant's adverse impact on the environment and on the community's health and welfare by making available a fund to cover expenses for compensation of damages to life and property that may be caused by the plant's construction, operation and abandonment. In this regard, SIPC established an obligation to recognize its estimated liability for asset retirement.

The movement of the asset retirement obligation follows:

	2023	2022
At January 1	₱94,302,870	₱89,721,893
Accretion of interest	4,814,870	4,580,977
Changes in ARO	(6,048,263)	—
At December 31	₱93,069,477	₱94,302,870

As of December 31, 2023 and 2022, the ARO recognized by the Group pertains only to PDPP of SIPC.

As of December 31, 2023 and 2022, estimates for SIPC's ARO are projected using inflation rates ranging from 3.9%–8.7% and discounted using a risk-free rate of 5.1%.

The actual dismantling and restoration cost could vary substantially from the above estimate because of new regulatory requirements, changes in technology, increased cost of labor, materials, and equipment and/or actual time required to complete all dismantling and removal activities.

17. Pension Liabilities

Under the existing regulatory framework, Republic Act (R.A.) No. 7641, *The Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employees' retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The Parent Company has a funded defined benefit pension plan covering substantially all of its employees which require contributions to be made to a separately administered fund, while SIPC and BLCI have unfunded, noncontributory, defined benefit pension plans covering substantially all of its regular and permanent employees.

The following tables summarize the components of pension expense recognized in the consolidated statements of comprehensive income and amounts recognized in the consolidated statements of financial position.

The components of pension expense recognized under "Cost of operations" and "General and administrative" in the consolidated statements of comprehensive income follow (see Note 21):

	2023	2022	2021
Current service cost	₱7,780,211	₱6,212,724	₱6,855,450
Interest cost on benefit obligation	1,945,844	1,639,166	1,431,738
Past service cost	80,846	—	—
	₱9,806,901	₱7,851,890	₱8,287,188



Remeasurement effects recognized under “Other comprehensive income” in the consolidated statements of comprehensive income amounted to ₱5.2 million and ₱3.6 million in 2022 and 2021, respectively.

	2023	2022
Present value of defined benefit obligation	₱62,331,144	₱70,945,179
Fair value of plan assets	(25,164,733)	(27,213,457)
	₱37,166,411	₱43,731,722

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

	2023	2022
At January 1	₱70,945,179	₱62,159,515
Current service cost	7,780,211	6,212,724
Interest cost	3,202,595	3,027,620
Benefits paid	(13,284,933)	(454,680)
Benefits paid from subsidiaries’ operating funds	(2,684,288)	—
Remeasurement loss (gain) due to:		
Experience adjustments	2,489,671	—
Changes in financial assumptions	(6,198,137)	—
Past service cost	80,846	—
At December 31	₱62,331,144	₱70,945,179

Changes in the fair value of plan assets follow:

	2023	2022
At January 1	₱27,213,457	₱27,385,679
Gain (loss) on return on plan assets	1,545,084	(3,352,674)
Interest income included in net interest cost	1,256,751	1,388,454
Contribution to the retirement fund	8,434,374	2,246,678
Benefits paid	(13,284,933)	(454,680)
At December 31	₱25,164,733	₱27,213,457

Net pension liabilities follow:

	2023	2022
Present value of defined benefit obligation	₱62,331,144	₱70,945,179
Fair value of plan assets	(25,164,733)	(27,213,457)
	₱37,166,411	₱43,731,722

Changes in the amounts recognized in the consolidated statements of financial position for net pension liabilities follows:

	2023	2022
At January 1	₱43,731,722	₱34,773,836
Pension expense	9,806,901	7,851,890
Remeasurement loss (gain)	(5,253,550)	3,352,674
Benefits paid from subsidiaries’ operating funds	(2,684,288)	—
Contribution to the retirement fund	(8,434,374)	(2,246,678)
At December 31	₱37,166,411	₱43,731,722



The fair value of plan assets by class as at December 31 follows:

	2023	2022
Cash and cash equivalents	₱4,731,855	₱11,417,171
Investments in government securities	20,327,953	15,718,407
Accrued interest income and others	199,883	116,369
Total assets	25,259,691	27,251,947
Total liabilities	94,958	38,490
Fair value of plan assets	₱25,164,733	₱27,213,457

The Parent Company expects to contribute to the retirement fund in 2024.

The principal assumptions used in determining pension benefit obligation for the Group's plans as of December 31 are shown below:

	2023	2022
Discount rate	6.10%–6.13%	5.07–5.11%
Future salary increase	5%	5.00–6.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the present value of the defined benefit obligation of the most recent actuarial valuation report as of December 31, 2023 and 2022 assuming all other assumptions were held constant:

	Increase (Decrease)	Present Value Change of Defined Benefit Obligation	
		2023	2022
Discount rate	+100 basis points	(₱3,521,508)	(₱3,508,771)
	–100 basis points	4,130,472	4,411,087
Future salary increase rate	+100 basis points	₱4,380,369	₱4,933,839
	–100 basis points	(3,800,421)	(4,115,290)

The weighted average duration of the benefit payments ranges from 12.0 to 15.20 and 15.20 to 20.75 years as of December 31, 2023 and 2022. The expected benefit payment assumes that all actuarial assumptions will materialize. Shown below is the maturity analysis of the undiscounted benefit payments as of December 31:

Plan Year	2023	2022
Less than one year	₱25,727,665	₱9,500,355
One year to less than five years	19,949,274	16,423,496
Five years to less than 10 years	21,830,966	21,125,715
10 years to less than 15 years	35,239,816	20,380,392
15 years to less than 20 years	44,737,961	31,104,480
20 years and above	121,755,667	90,890,770



18. Equity

Capital Stock

There were no changes in the Parent Company's authorized, issued and outstanding common shares as of December 31, 2023 and 2022:

	2023		2022	
	No. of shares	Amount	No. of shares	Amount
Capital stock - ₱1 par value				
Authorized	2,000,000,000	₱2,000,000,000	2,000,000,000	₱2,000,000,000
Issued and outstanding:				
At January 1 and December 31	1,569,491,900	₱1,569,491,900	1,569,491,900	₱1,569,491,900
Treasury shares	(72,940,097)	(131,008,174)	(72,940,097)	(131,008,174)
	1,496,551,803	₱1,438,483,726	1,496,551,803	₱1,438,483,726

On various dates in 2002 and 2012, the Parent Company registered with SEC its 1,569,491,900 common shares that were offered to the public at an issue price of ₱1.80 per share. Gross proceeds from this issuance of new shares amounted to ₱2.8 billion. As of December 31, 2023, the Parent Company has 757 stockholders including 51 depository participants counted as one stockholder each.

As of December 31, 2023 and 2022, the Parent Company is compliant with the Minimum Public Ownership requirement of the PSE for listed entities.

Retained Earnings

Retained earnings are also restricted for dividend declaration to the extent of the accumulated equity in net earnings of associates amounting to ₱3.0 billion and ₱2.6 billion as of December 31, 2023 and 2022, respectively, until actually declared as dividends by the associates. Retained earnings is further restricted for dividend declaration to the extent of the acquisition price of the treasury shares amounting to ₱131.0 million as of December 31, 2023 and 2022.

Appropriation

On November 28, 2018, the Board of Directors of the Parent Company approved the following: (i) reversal of retained earnings appropriated on November 20, 2017 amounting to ₱850.0 million for the construction of a CFBC coal-fired thermal power plant with a capacity of at least 300 MW due to the adverse Supreme Court decision that led to the return of the Naga Power Plant Complex to PSALM pursuant to a Memorandum of Agreement and Certificate of Turnover executed between the Parent Company and PSALM on July 9, 2018 and July 13, 2018, respectively (see Note 29); (ii) reversal of retained earnings appropriated on November 20, 2017 amounting to ₱500.0 million for two run-of-river hydro-electric power plant projects in Palawan due to unsuccessful conclusion of final studies/negotiations; and (iii) appropriation of ₱1.5 billion out of the unappropriated retained earnings of the Parent Company for the acquisition of a 100% ownership interest in a power generation company and for 1Bohol Power Project that will serve the long-term power requirements of three distribution utilities in Bohol within the years 2024–2033.

In January 2019, the Parent Company lost in its bid to acquire the power generation company. Consequently, on April 4, 2019, the Board of Directors of the Parent Company approved the reversal of a portion of its 2018 appropriation amounting to ₱1.0 billion.

On November 25, 2019, the Board of Directors of the Parent Company approved the following: (i) appropriation of retained earnings amounting to ₱1.3 billion for the construction and operation of new generating power plant capacity to supply 39 MW full demand requirements in the mainland of Occidental Mindoro starting May 25, 2022, (ii) appropriation of retained earnings amounting to



₱1.0 billion to invest in SPC Island Power Corporation for the 44.2 MW expansion of Bohol Diesel Power Plant in the years 2020–2021, and (iii) confirmation of the 2018 appropriation of retained earnings amounting to ₱500.0 million for 1Bohol Power Project that will serve the long-term power requirements of three distribution utilities in Bohol starting December 26, 2023.

On December 2, 2020, the Board of Directors of the Parent Company approved the following: (i) reversal of its 2019 appropriation amounting to ₱1.0 billion as a consequence of change in market conditions. The appropriation was intended for investment in SPC Island Power Corporation for the 44.2 MW expansion of Bohol Diesel Power Plant; (ii) confirmation of the appropriation of retained earnings amounting to ₱1.3 billion for the construction and operation of new generating power plant capacity to supply 39 MW full demand requirements in the mainland of Occidental Mindoro starting May 25, 2022, and (iii) confirmation of the appropriation of retained earnings amounting to ₱500.0 million for 1Bohol Power Project that will serve the long-term power requirements of three distribution utilities in Bohol starting December 26, 2023.

On July, 26, 2023, the Board of Directors of the Parent Company approved the following: (i) reversal of the appropriation of retained earnings amounting to ₱1.3 billion for the construction and operation of new generating power plant capacity to supply 39 MW full demand requirements in the mainland of Occidental Mindoro, and (ii) the reversal of ₱500.0 million appropriation for One Bohol Power Project that will serve the long-term power requirements of the three distribution utilities in Bohol starting December 26, 2023, the contract of which was already awarded to Energy Development Corporation.

Dividends

Cash dividends declared by the Parent Company and its subsidiaries in the last three years are summarized as follows:

Declared By	Date of Declaration	Record Date	Amount	
			Gross (in millions)	Per Share
2023				
SPC	July 26, 2023	August 9, 2023	₱299.3	₱0.20
BLCI	November 30, 2023	December 15, 2023	15.0	0.20
2022				
SPC	May 31, 2022	June 15, 2022	₱299.3	₱0.20
SLCI	November 16, 2022	November 18, 2022	12.6	0.40
SECI	November 16, 2022	November 18, 2022	14.2	0.75
BLCI	December 7, 2022	December 22, 2022	11.3	0.15
SIPC	December 12, 2022	December 15, 2022	190.0	3.80 (common)
2021				
SPC	April 7, 2021	April 23, 2021	₱598.6	₱0.40
	May 28, 2021	June 14, 2021	897.9	0.60
	December 9, 2021	December 23, 2021	823.1	0.55
SIPC	December 9, 2021	December 15, 2021	350.0	14.0 (common)
BLCI	June 2, 2021	June 7, 2021	11.3	0.15
	December 1, 2021	December 7, 2021	11.3	0.15



Non-controlling Interests

As of December 31, 2023 and 2022, the Group has 53.66% direct and indirect ownership interest in BLCI which is primarily engaged in the supply and distribution of electricity in the area presently comprised by Tagbilaran City, Bohol. The summarized financial information of BLCI as of December 31 is provided below:

	2023	2022
Statements of financial position:		
Current assets	₱485,501,080	₱481,930,317
Noncurrent assets	278,358,312	304,946,293
Current liabilities	263,613,220	326,291,933
Noncurrent liabilities	204,897,425	237,361,170
Equity	295,348,747	223,223,507
Statements of comprehensive income:		
Revenue	1,678,615,101	1,354,150,549
Costs and expenses	1,592,057,631	1,352,813,155
Net income	86,890,665	19,109,806
Total comprehensive income	87,041,730	19,786,188
Net income attributable to non-controlling interest	40,226,436	9,288,398
Total comprehensive income attributable to non-controlling interest	40,335,138	9,168,920
Accumulated non-controlling interest	136,864,609	103,441,773

As of December 31, 2023 and 2022, total non-controlling interests amounted to ₱166.9 million and ₱132.5 million, respectively.

Capital Management

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2023 and 2022.

The Group considers its total equity attributable to equity holders of the Parent, excluding other comprehensive income (loss), as its core capital and is not subject to any externally imposed capital requirements. As of December 31, 2023 and 2022, the Group's core capital amounted as follows:

	2023	2022
Capital stock	₱1,569,491,900	₱1,569,491,900
Additional paid-in capital	86,810,752	86,810,752
Retained earnings	9,598,002,269	8,727,417,031
Treasury stock	(131,008,174)	(131,008,174)
	₱11,123,296,747	₱10,252,711,509



19. Cost of Operations

	2023	2022	2021
Fuel, lubricants and chemicals (see Note 9)	₱1,821,909,295	₱1,782,032,700	₱758,703,944
Purchased power (see Notes 5 and 24)	1,525,036,459	1,210,261,754	908,258,790
Personnel costs (see Note 21)	130,418,606	125,654,648	119,083,444
Depreciation and amortization (see Note 22)	84,950,273	79,616,613	77,780,037
Spares, materials and supplies (see Note 9)	58,424,571	35,669,642	41,023,244
Repairs and maintenance	22,346,971	21,664,090	13,085,748
Others (see Note 24)	41,577,392	35,273,474	34,556,607
	₱3,684,663,567	₱3,290,172,921	₱1,952,491,814

20. General and Administrative Expenses

	2023	2022	2021
Personnel costs (see Note 21)	₱74,322,274	₱61,867,788	₱57,820,098
Business development	58,188,013	63,360,648	21,891,882
Shared expenses	26,597,373	15,349,154	16,799,664
Taxes, licenses and regulatory charges	23,092,217	11,424,430	11,634,226
Professional fees	22,849,376	17,559,238	15,190,694
Directors' fees	17,145,468	17,604,926	16,073,792
Insurance	16,232,555	15,050,879	14,468,428
Depreciation and amortization (see Note 22)	9,000,394	4,643,632	9,194,380
Repairs and maintenance	6,549,105	4,194,748	3,591,457
Rentals (see Notes 5, 29 and 30)	6,282,648	6,627,758	3,157,626
Transportation and travel	4,883,095	3,868,651	1,919,563
Communications	4,099,712	3,284,473	3,612,217
Power and water	4,059,249	3,640,408	2,773,220
Janitorial and security	2,809,300	2,695,588	2,790,972
Office supplies	2,349,853	2,330,079	2,188,068
Association dues	2,103,820	1,399,213	2,078,264
Provisions (see Notes 7, 8 and 11)	1,814,379	2,007,340	9,829,183
Corporate social responsibility	1,392,120	2,069,438	2,017,035
Trainings and seminars	764,859	467,597	362,517
Supervision and regulation	750,000	750,000	750,000
Entertainment, amusement and recreation	611,496	512,373	162,806
Freight and handling	209,971	242,082	282,170
Others	10,216,407	8,357,817	7,155,406
	₱296,323,684	₱249,308,260	₱205,743,668

Provisions include provision for credit losses (see Note 7).



21. Personnel Costs

	2023	2022	2021
Salaries and wages	₱137,401,934	₱128,128,156	₱118,287,194
Retirement (see Note 17)	9,806,901	7,851,890	8,287,188
Other employee benefits	57,532,045	51,542,390	50,329,160
	₱204,740,880	₱187,522,436	₱176,903,542

22. Depreciation and Amortization

	2023	2022	2021
Depreciation of property, plant and equipment (see Notes 11 and 30):			
Cost of operations (see Note 19)	₱84,472,840	₱79,139,180	₱77,302,604
General and administrative (see Note 20)	8,392,143	4,035,381	8,586,129
	92,864,983	83,174,561	85,888,733
Amortization of franchise:			
Cost of operations (see Note 19)	477,433	477,433	477,433
Amortization of software costs:			
General and administrative (see Note 20)	608,251	608,251	608,251
	₱93,950,667	₱84,260,245	₱86,974,417

23. Unbundling of Rates and VAT Implementation

Unbundling of Electricity Bill

In compliance with EPIRA, BLCI started to bill its customers using the final unbundled rates approved by the ERC in May 2008 per ERCi decision dated March 27, 2008. The Uniform Rate Filing Requirements (UFR) on the rate unbundling released by the ERC on October 30, 2001 specified that BLCI billing will have the following components: Generation Charge, Transmission Charge, System Loss Charge, Distribution Charge, Supply Charge, Metering Charge, and Interclass and Lifeline Subsidies. Local Franchise Taxes, the Power Act Reduction (PAR, for Residential Customers) and the Universal Charge are also separately indicated in the customer's billing statements. The Universal Charges, which are billed and collected merely on behalf of the national government agency, do not form part of BLCI's revenues. The components of the unbundled bill presented below pertain only to those with recovery mechanism.

Unbundled Bill Component	Mechanism
Generation and System Loss Charges	<ul style="list-style-type: none"> Guidelines for the Automatic Adjustment of Generation Rates and System Loss Rates by Distribution Utilities (DU), as Amended (AGRA)
Transmission Charge	<ul style="list-style-type: none"> Guidelines for the Adjustment of Transmission Rates by DU (TRAM) Rules for Calculation of the Over or Under Recovery in the Implementation of Transmission Rates and the Corresponding System Loss Rates by DU



Unbundled Bill Component	Mechanism
Inter-class Subsidy	<ul style="list-style-type: none"> Guidelines for a “True-Up” Mechanism of the Over or Under Recovery in the Implementation of Inter-class Cross Subsidy Removal by DU
Lifeline Rate/Subsidy	<ul style="list-style-type: none"> Guidelines for the Calculation of the Over or Under Recovery in the Implementation of Lifeline Rates by DU

For the years ended December 31, 2023, 2022 and 2021, BLCI’s revenue from distribution of power amounted to ₱1,678.6 million, ₱1,354.2 million and ₱973.7 million, respectively (see Note 26).

Implementation of VAT

With the enactment of R.A. No. 9337, the ERC issued on November 7, 2005 Resolution No. 20, Series of 2005 which prescribed the Guidelines for Implementing the Recovery of VAT and Other Provisions of R.A. No. 9337 affecting the Power Industry. R.A. No. 9337 removes the 2% national franchise tax but imposes a VAT on generation, transmission, distribution, and supply of electricity. Similar to the local franchise tax, the VAT is a separate item in the customers’ bills. The 12% VAT is imposed on electricity consumptions starting February 1, 2006.

24. Significant Contracts

The Group has the following significant contracts:

Parent Company

On May 26, 2015, the Parent Company entered into an Ancillary Services Procurement Agreement (ASPA) with the National Grid Corporation of the Philippines (NGCP) that took effect on September 26, 2015 after getting the provisional approval of the ERC. The Parent Company and NGCP executed the ASPA for the supply of dispatchable reserve and reactive power support from its Cebu Diesel Power Plant located in the City of Naga, Cebu for a period of five (5) years under a non-firm arrangement. The ASPA was preterminated on July 13, 2018 due to the return of the Cebu Diesel Power Plant to PSALM (see Note 29).

On December 18, 2018, the Parent Company entered into an ASPA with NGCP for the supply of dispatchable reserve and reactive power support and black start service from the former’s 4x7 MW PB 104 located in Tapal Wharf, Ubay, Bohol under firm and non-firm arrangements. The term of this agreement is for a period of five (5) years commencing upon receipt of a final approval, or in the absence thereof, a provisional approval by the ERC of the application filed on February 14, 2019. The ASPA was implemented effective September 26, 2019.

SIPC

SIPC and NGCP entered into a Connection Agreement on August 28, 2010, in order for SIPC’s generation facilities to remain connected to the transmission system of the NGCP and to continue to avail of the transmission services. This agreement is subject to the terms and conditions for the connection of the generation facility to the transmission system pursuant to the revised rules, terms and conditions for the provision of Open Access Transmission Service. Total transmission charges, lodged in “Others” under “Cost of operations” amounted to ₱8.7 million, ₱5.7 million and ₱5.8 million in 2023, 2022 and 2021, respectively (see Note 19).

On April 18, 2013, SIPC entered into an ASPA with NGCP with provisional approval granted by the ERC on November 11, 2013. The ASPA, however, was made effective only on February 25, 2014 due to the impact of super typhoon Yolanda in November 2013. SIPC and NGCP executed the ASPA for the supply of contingency reserve, dispatchable reserve, reactive power support, and black start service from the Panay and Bohol Diesel Power Plants for a period of five (5) years under a non-firm



arrangement. The agreement expired on February 25, 2019. Due to the necessity of extending the services of providing the same ancillary services, SIPC and NGCP have agreed per letter dated November 26, 2018 to extend the ASPA until a new ASPA for each power plant is approved by the ERC.

On November 20, 2018, SIPC entered into an ASPA with NGCP for the supply of dispatchable reserve and black start service under firm and non-firm arrangements, respectively, from SIPC's Bohol Diesel Power Plant. The term of this agreement is for a period of five (5) years commencing upon receipt of a final approval, or in the absence thereof, a provisional approval by the ERC. The ASPA was implemented effective April 26, 2019.

On July 3, 2019 and July 25, 2019, SIPC entered into an ASPA with NGCP for the supply of dispatchable reserve and contingency reserve under firm and non-firm arrangements from SIPC's Panay Diesel Power Plant. The term of this agreement is for a period of five (5) years commencing upon receipt of a final approval, or in the absence thereof, a provisional approval by the ERC. As of December 31, 2023, the ASPA is still for approval by ERC. As of December 31, 2021, all of SIPC's power supply contracts for the supply of peaking power requirements have expired. Revenue generated from the PSC in 2021 that expired amounted to ₱6.8 million.

In December 2021, due to the major damages brought by Typhoon Odette on the power supply in Bohol, the Company entered in Emergency Power Sales Agreement with local distribution utilities to provide emergency power to the Province of Bohol until the transmission lines connecting the province to the Visayas power grid was completed in February 2022. Revenues generated from the EPSA in 2022 amounted to ₱75.5 million.

BLCI

On March 22, 2013, the ERC provisionally approved the Power Sales Contract (PSC) between BLCI and KEPCO SPC that was executed on October 12, 2012. The contract period is 10 years with an annual contract quantity of 43,800,000 kWh. KEPCO SPC started its supply to BLCI on July 26, 2013. On June 29, 2015, ERC issued the final approval on the PSC between BLCI and KPSC with modification on the base price particularly on the fuel cost component.

Pursuant to Section 8 of R.A. No. 9136, the National Transmission Corporation (TransCo) was created and assumed the electrical transmission functions of the NPC. On November 13, 2006, BLCI and TransCo entered into a Transmission Service Agreement (TSA) to support the CSEE between BLCI and NPC. By virtue of R.A. No. 9511 dated December 1, 2008, the NGCP was granted a franchise to engage in the business of conveying or transmitting electricity through high voltage backbone system of interconnected transmission lines, substations and related facilities and for other purposes. These activities were previously undertaken by TransCo.

The Wholesale Electricity Spot Market (WESM) started operation in the Visayas region on December 26, 2010. BLCI is registered with Philippine Electricity Market Corporation (PEMC)/Independent Electricity Market Operator of the Philippines, Inc. (IEMOP) as a direct WESM participant in order to avail of the opportunities in the competitive electricity market effective December 26, 2010.

Total power purchases from KEPCO SPC, NGCP, NPCs and PEMC/IEMOP, net of discounts, amounted to ₱1,489.4 million, ₱1,254.9 million and ₱863.4 million in 2023, 2022 and 2021, respectively, and presented as "Purchased power" under "Cost of operations" in the consolidated statements of comprehensive income (see Note 19). The outstanding payables to KEPCO SPC, NGCP and PEMC/IEMOP included under "Trade and other payables" (see Note 14), on purchased power amounted to ₱106.8 million and ₱174.0 million as of December 31, 2023 and 2022, respectively.



25. Income Tax

	2023	2022	2021
Current	₱143,586,887	₱93,336,400	₱77,005,217
Deferred	(2,233,807)	14,770,731	4,620,497
	₱141,353,080	₱108,107,131	₱81,625,714

The reconciliation between the amounts of provision for income tax computed at the statutory tax rates of 25% and 20% in 2023, 2022 and 2021 to provision for income tax in the consolidated statements of comprehensive income for the years ended December 31 follows:

	2023	2022	2021
Income before income tax	₱1,352,520,546	₱1,394,889,461	₱1,279,338,784
Provision for income tax at respective income tax rates	₱338,152,528	₱348,722,366	₱319,592,759
Adjustments to income tax resulting from:			
Equity in net earnings of associates	(146,789,091)	(231,338,576)	(216,962,474)
Net unrealized foreign exchange loss (gain)	(2,100,467)	17,014,161	(409,124)
Impact of optional standard deduction (OSD)	8,429,383	(200,265)	(13,026,245)
Interest income already subjected to final tax	(39,984,212)	(6,949,552)	(8,608,745)
Others	(16,355,061)	(19,141,003)	1,039,543
	₱141,353,080	₱108,107,131	₱81,625,714

The Group's deferred income tax assets and deferred income tax liabilities relate to the following:

	2023	2022
Deferred income tax assets on:		
Asset retirement obligation	₱23,267,369	₱23,575,717
Right-of-use asset	7,383,274	2,846,922
Pension liabilities	2,244,087	7,474,725
Unrealized foreign exchange loss	4,370,626	330,425
	₱35,457,044	₱34,227,789
Deferred income tax liabilities on:		
Excess of fair value over acquisition cost - property, plant and equipment and inventory	₱415,702	₱569,015
Lease liability	1,433,924	2,756,738
Unrealized foreign exchange gain	17,876,113	17,326,346
	₱19,725,739	₱20,652,099

The Group did not recognize deferred income tax on temporary differences on provision for impairment losses and net operating loss carryover (NOLCO) amounting to ₱0.7 million and ₱0.3 million in 2023 and 2022, respectively because management believes that these items may have no possible future deductible benefit when these will be reversed, settled or realized.



On July 7, 2008, R.A. No. 9504, which amended the provisions of the 1997 Tax Code, became effective. It includes provisions relating to the availment of the OSD. Corporations, except for non-resident foreign corporations, may now elect to claim standard deduction in an amount not exceeding 40% of their gross income. A corporation must signify in its returns its intention to avail of the OSD. If no indication is made, it shall be considered as having availed of the itemized deductions. The availment of the OSD shall be irrevocable for the taxable year for which the return is made. On November 26, 2008, the BIR issued Revenue Regulation 16-2008 for the implementing guidelines of the law.

The Parent Company and SIPC availed of the OSD in the computation of their taxable income in 2023, 2022 and 2021 with an effective tax rate of 15% in 2023, 2022 and 2021.

26. Segment Information

For management purposes, the Group is organized into business units based on their products and services provided as follows:

- Generation - generation and supply of power and ancillary services to NPC/PSALM, NGCP, distribution utilities, WESM and other customers.
- Distribution - distribution and sale of electricity to the end-users.
- Others - includes the operations of SECI and SLCI such as to manage, operate and invest in power generating plants and related facilities.

These operating segments are consistent with those reported to the BOD, the Group's Chief Operating Decision Maker (CODM).

The Group operates and generates revenue principally only in the Philippines (i.e., one geographical location). Thus, geographical segment information is not presented.

The CODM monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss in the consolidated financial statements. The Group earned inter-segment revenues amounting to nil in 2023 and 2021 and ₱70.2 million in 2022 and nil in 2021 and 2020, pertaining to the supply of emergency power by SPC and SIPC to BLCI.

2023						
	Before Eliminations			Eliminations	After	
	Generation	Distribution	Others		Eliminations/	Consolidated
Revenue	₱2,873,821,678	₱1,678,615,101	₱—	₱4,552,436,779	₱—	₱4,552,436,779
Income before income tax	854,312,422	116,083,828	3,016,713	973,412,963	379,107,583	1,352,520,546
Net income	742,236,015	86,807,155	3,016,713	832,059,883	379,107,583	1,211,167,466
Total assets	9,111,704,641	763,775,882	66,154,480	9,941,635,003	2,589,523,210	12,531,158,213
Property, plant and equipment (see Note 11)	462,115,188	273,247,521	—	735,362,709	1,267,905	736,630,614
Total liabilities	764,105,279	468,510,645	145,207	1,232,761,131	(9,311,464)	1,223,449,667
Depreciation and amortization (see Note 22)	63,637,304	30,313,363	—	93,950,667	—	93,950,667
Capital expenditures	51,560,896	43,216,839	—	94,777,735	—	94,777,735



2022						
	Before Eliminations				Eliminations	After
	Generation	Distribution	Others	Total		Eliminations/ Consolidated
Revenue	₱2,565,982,204	₱1,354,150,548	₱–	₱3,920,132,752	(₱70,160,929)	₱3,849,971,823
Income before income tax	1,645,872,826	28,209,580	9,907,042	1,683,989,448	(289,099,987)	1,394,889,461
Net income	1,545,931,257	20,044,018	9,907,042	1,575,882,317	(289,099,987)	1,286,782,330
Total assets	8,548,644,207	786,876,611	63,229,460	9,398,750,278	2,208,953,018	11,607,703,296
Property, plant and equipment (see Note 11)	473,583,345	259,866,612	–	733,449,957	1,267,905	734,717,862
Total liabilities	650,911,273	563,653,103	236,902	1,214,801,278	(6,583,898)	1,208,217,380
Depreciation and amortization (see Note 22)	57,800,909	26,459,336	–	84,260,245	–	84,260,245
Capital expenditures	13,035,579	60,839,249	–	73,874,828	(477)	73,874,351
2021						
	Before Eliminations				Eliminations	After
	Generation	Distribution	Others	Total		Eliminations/ Consolidated
Revenue	₱1,495,725,744	₱973,658,521	₱–	₱2,469,384,265	₱–	₱2,469,384,265
Income before income tax	1,897,868,015	17,604,966	4,889,220	1,920,362,201	(641,023,417)	1,279,338,784
Net income	1,822,421,878	11,425,389	4,889,220	1,838,736,487	(641,023,417)	1,197,713,070
Total assets	7,344,102,008	645,719,620	80,012,500	8,069,834,128	2,282,390,810	10,352,224,938
Property, plant and equipment (see Note 11)	505,488,253	225,009,267	–	730,497,520	1,268,382	731,765,902
Total liabilities	504,637,301	431,032,301	132,434	935,802,036	(5,936,033)	929,866,003
Depreciation and amortization (see Note 22)	61,537,016	25,437,401	–	86,974,417	–	86,974,417
Capital expenditures	27,818,771	42,958,309	–	70,777,080	–	70,777,080

The Group's revenue from contracts with customers is mainly from generation and distribution services. Set out below is the disaggregation of the Group's revenue from contracts with customer in 2023, 2022 and 2021:

2023			
	Generation	Distribution	Total
Revenue from power supply contracts and ancillary services	₱744,309,063	₱–	₱744,309,063
Revenue from market power trading	2,129,512,615	–	2,129,512,615
Revenue from distribution services (see Note 23)	–	1,678,615,101	1,678,615,101
Total revenue	₱2,873,821,678	₱1,678,615,101	₱4,552,436,779
2022			
	Generation	Distribution	Total
Revenue from power supply contracts and ancillary services	₱1,054,696,712	₱–	₱1,054,696,712
Revenue from market power trading	1,441,124,563	–	1,441,124,563
Revenue from distribution services (see Note 23)	–	1,354,150,548	1,354,150,548
Total revenue	₱2,495,821,275	₱1,354,150,548	₱3,849,971,823



		2021	
	Generation	Distribution	Total
Revenue from power supply contracts and ancillary services	₱799,436,314	₱—	₱799,436,314
Revenue from market power trading	696,289,430	—	696,289,430
Revenue from distribution services (see Note 23)	—	973,658,521	973,658,521
Total revenue	1,495,725,744	973,658,521	2,469,384,265
Revenue from management services presented as “Service income” (see Note 5)	40,002,385	—	40,002,385
Total	₱1,535,728,129	₱973,658,521	₱2,509,386,650

Revenue from the Group’s major customers, which account for 16%, 23%, 32% in 2023, 2022 and 2021, respectively, amounted to ₱744.3 million, ₱906.6 million and ₱787.4 million, respectively.

Eliminations

Eliminations are part of detailed reconciliations presented below:

Reconciliation of Net Income

	2023	2022	2021
Segment net income	₱832,059,882	₱1,575,882,321	₱1,838,736,487
Equity in net earnings of associates (see Note 8)	587,156,364	925,354,304	867,849,896
Dividend income from associates (see Note 8)	(199,999,778)	(1,004,673,517)	(1,146,799,813)
Dividend income from subsidiaries	(8,049,002)	(209,780,778)	(362,073,500)
Group net income	₱1,211,167,466	₱1,286,782,330	₱1,197,713,070

Reconciliation of Total Assets

	2023	2022
Segment assets	₱9,941,635,003	₱9,400,018,185
Inter-segment receivables	(16,682,422)	(15,222,759)
Investments in associates and subsidiaries	2,573,683,616	2,190,385,854
Goodwill	32,522,016	32,522,016
Group assets	₱12,531,158,213	₱11,607,703,296

Reconciliation of Total Liabilities

	2023	2022
Segment liabilities	₱1,232,761,131	₱1,214,801,278
Inter-segment payables	(9,311,464)	(6,583,898)
Group liabilities	₱1,223,449,667	₱1,208,217,380



Indicators

The following financial indicators are used, among others, by management to evaluate the performance of the Group as of and for the years ended December 31, 2023, 2022 and 2021:

	2023	2022	2021
For the years ended December 31			
Earnings per share (see Note 27)	₱0.78	₱0.85	₱0.80
Share in net earnings of associates (see Note 10)	587,156,364	925,354,304	867,849,896
Return on equity (total comprehensive income divided by average total equity)	11.19%	13.06%	11.99%
Return on assets (total comprehensive income divided by average total assets)	10.06%	11.80%	10.99%
Cash flows:			
Net cash flows from operating activities	847,577,390	369,629,036	300,434,967
Net cash flows from investing activities	65,222,086	930,799,167	1,065,237,033
Net cash flows used in financing activities	(192,854,222)	(321,100,929)	(2,327,504,748)
As of December 31			
Cash and cash equivalents (see Note 6)	₱4,743,043,034	₱4,031,421,593	₱2,984,110,635
Current ratio (total current assets including noncurrent assets held for sale divided by total current liabilities including liabilities directly associated with noncurrent assets held for sale)	6.75	6.52	7.21
Debt ratio (total liabilities divided by total assets)	0.10	0.10	0.09
Debt-to-equity ratio (total liabilities divided by total equity)	0.11	0.11	0.10
Solvency ratio (total comprehensive income before depreciation and amortization divided by total liabilities)	1.07	1.16	1.38

27. Earnings Per Share

The following presents information necessary to calculate earnings per share attributable to equity holders of the Parent Company:

	2023	2022	2021
Net income attributable to equity holders of the Parent	₱1,169,895,562	₱1,272,356,481	₱1,190,653,672
Weighted average number of common shares issued and outstanding	1,496,551,803	1,496,551,803	1,496,551,803
Basic/Diluted earnings per share	₱0.78	₱0.85	₱0.80



Computation of weighted average number of common shares issued and outstanding follows:

Number of shares issued	1,569,491,900
Less weighted average number of treasury shares	72,940,097
	<u>1,496,551,803</u>

There are no potentially dilutive common shares issued as of December 31, 2023, 2022 and 2021.

28. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash and cash equivalents and trade and other payables. The Group has various other financial assets and liabilities such as trade and other receivables, trade and other payables, PSALM deferred adjustments included under "Other noncurrent assets" and customers' deposits which arise directly from its operations.

The main risks arising from the Group's financial instruments are liquidity risk and credit risk.

The Group's senior management oversees the management of these risks. The Group's senior management ensures that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk appetite.

The BOD reviews and approves policies for managing each of these risks and they are summarized below.

Liquidity Risk

Liquidity risk is the potential of not meeting obligations as they come due because of an inability to liquidate assets or obtain adequate funding. The Group's objective is to maintain a balance between continuity of funding and flexibility. The Group maintains sufficient cash and cash equivalents to finance its operations. Any excess cash is invested in short-term money market placements. These placements are maintained to meet maturing obligations and pay dividend declarations.

The tables below summarize the maturity profile of the Group's financial assets used to manage liquidity risk and financial liabilities at December 31 based on contractual undiscounted payments:

		2023				
	Total	On Demand	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days
Financial Assets						
At amortized cost:						
Cash and cash equivalents	₱4,743,043,034	₱798,410,969	₱3,944,632,065	₱–	₱–	₱–
Trade and other receivables						
Receivable from customers	457,828,766	296,349,329	31,681,359	18,264,876	13,918,375	97,614,827
Dividends receivable	39,999,956	–	–	–	–	39,999,956
Current portion of PSALM deferred adjustments	31,892,013	31,892,013	–	–	–	–
Due from related parties	3,149,695	557,384	20,474	143,405	196,013	2,232,419
Others*	116,237,227	39,395,814	17,110,654	11,097,177	2,645,408	45,988,174
	649,107,657	368,194,540	48,812,487	29,505,458	16,759,796	185,835,376
PSALM deferred adjustments (included in "Other noncurrent assets")	1,839,924	–	–	–	–	1,839,924
	5,393,990,615	1,166,605,509	3,993,444,552	29,505,458	16,759,796	187,675,300
At FVOCI:						
Investment in proprietary club shares	15,000,000	–	–	–	–	15,000,000
	5,408,990,615	1,166,605,509	3,993,444,552	29,505,458	16,759,796	202,675,300

(Forward)



2023						
	Total	On Demand	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days
Financial Liabilities						
Trade and other payables						
Trade	₱394,559,067	₱368,776,398	₱3,800,169	₱280,257	₱602,161	₱21,100,082
Nontrade	244,060,030	92,297,513	3,202,704	3,394,647	3,204,128	141,961,038
Accrued expenses	30,994,396	12,089,740	634,320	615,359	(490,310)	18,145,287
Due to related parties	530,150	20,360	—	—	7,148	502,642
	670,143,643	473,184,011	7,637,193	4,290,263	3,323,127	181,709,049
Customers' deposits	193,914,394	—	—	—	—	193,914,394
Lease liabilities	10,725,319	—	—	—	—	10,725,319
Other noncurrent liability	1,839,924	—	—	—	—	1,839,924
	876,623,280	473,184,011	7,637,193	4,290,263	3,323,127	388,188,686
Net Financial Assets (Liabilities)	₱4,532,367,335	₱693,421,498	₱3,985,807,359	₱25,215,195	₱13,436,669	(₱185,513,386)

* Others include Interest receivable (see Note 7).

2022						
	Total	On Demand	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days
Financial Assets						
At amortized cost:						
Cash and cash equivalents	₱4,031,421,593	₱1,819,002,343	₱2,212,419,250	₱—	₱—	₱—
Trade and other receivables						
Receivable from customers	593,891,475	369,709,365	46,790,364	24,642,283	13,110,124	139,639,339
Dividends receivable	—	—	—	—	—	—
Current portion of PSALM deferred adjustments	36,798,477	36,798,477	—	—	—	—
Due from related parties	2,689,294	249,598	16,787	15,000	131,842	2,276,067
Others*	62,455,812	17,809,500	16,412,138	14,244,441	5,734,827	8,254,906
	695,835,058	424,566,940	63,219,289	38,901,724	18,976,793	150,170,312
PSALM deferred adjustments (included in "Other noncurrent assets")	35,571,861	—	—	—	—	35,571,861
	4,762,828,512	2,243,569,283	2,275,638,539	38,901,724	18,976,793	185,742,173
At FVOCI:						
Investment in proprietary club shares	13,000,000	—	—	—	—	13,000,000
	4,775,828,512	2,243,569,283	2,275,638,539	38,901,724	18,976,793	198,742,173
Financial Liabilities						
Trade and other payables						
Trade	520,165,764	478,726,389	5,812,963	3,567,007	1,558,500	30,500,905
Nontrade	46,975,567	4,754,292	3,141,306	3,066,540	3,066,554	32,946,875
Accrued expenses	49,082,493	38,740,025	121,898	301,058	211,743	9,707,769
Due to related parties	502,642	—	—	—	—	502,642
	616,726,466	522,220,706	9,076,167	6,934,605	4,836,797	73,658,191
Customers' deposits	191,579,049	—	—	—	—	191,579,049
Lease liabilities	13,215,403	—	—	—	—	13,215,403
Other noncurrent liability	35,571,861	—	—	—	—	35,571,861
	857,092,779	522,220,706	9,076,167	6,934,605	4,836,797	314,024,504
Net Financial Assets (Liabilities)	₱3,918,735,733	₱1,721,348,577	₱2,266,562,372	₱31,967,119	₱14,139,996	(₱115,282,331)

* Others include Interest receivable (see Note 7).

Credit Risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting to a financial loss.

The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit procedures. In addition, receivable balances are monitored on an ongoing basis with the result that exposure to impairment loss is not significant.

With respect to credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and PSALM deferred adjustments included in "Other noncurrent assets", the Group's exposure to credit risk arises from default of the counterparty. The Group's credit risk from cash and cash equivalents is mitigated by Philippine Deposit Insurance Corporation's (PDIC) insurance coverage on the cash in bank. While the Group does not hold collateral as security, its credit risk from trade and other receivables is mitigated by the customers' deposits which



are collected to guarantee any uncollected bills from the customers upon termination of the service contract.

The Group's maximum exposure equals to the carrying amount of the aforementioned instruments, excluding cash on hand, and is offset by the PDIC insurance coverage and customers' deposits. The offset relates to balances where there is a legally enforceable right of offset in the event of counterparty default and where, as a result, there is a net exposure for credit risk management purposes. However, as there is no intention to settle these balances on a net basis under normal circumstances, they do not qualify for net presentation for accounting purposes.

2023			
	Maximum exposure	Offset	Exposure to credit risk
At amortized cost:			
Cash and cash equivalents (excluding cash on hand)	₱4,742,464,501	(₱10,138,295)	₱4,732,326,206
Trade and other receivables	649,107,657	—	649,107,657
PSALM deferred adjustments (included in "Other noncurrent assets")	1,839,924	—	1,839,924
At FVOCI:			
Investment in proprietary club shares	15,000,000	—	15,000,000
	₱5,408,412,082	(₱10,138,295)	₱5,398,273,787

2022			
	Maximum exposure	Offset	Exposure to credit risk
At amortized cost:			
Cash and cash equivalents (excluding cash on hand)	₱4,030,740,465	(₱9,507,428)	₱4,021,233,037
Trade and other receivables	695,835,058	(60,342,329)	635,492,729
PSALM deferred adjustments (included in "Other noncurrent assets")	35,571,861	—	35,571,861
At FVOCI:			
Investment in proprietary club shares	13,000,000	—	13,000,000
	₱4,775,147,384	(₱69,849,757)	₱4,705,297,627

As of December 31, 2023 and 2022, the Group's significant concentration of credit risk pertains to its trade and other receivables and PSALM deferred adjustments amounting to ₱650.9 million and ₱731.4 million, respectively, and impaired financial assets, determined based on probability of collection, are adequately covered with allowance.

The following are the details of the Group's assessment of credit quality and the related ECLs as at December 31, 2023 and 2022:

General Approach

- *Cash and cash equivalents* - As of December 31, 2023 and 2022, the ECL relating to the cash and cash equivalents of the Group is minimal as these are deposited in reputable banks which have good bank standing, and is considered to have low credit risk.
- *Due from NPC/PSALM and other receivables* - As of December 31, 2023 and 2022, there were no individually impaired accounts. No ECL is recognized for these receivables since there were no history of default payments. This assessment is undertaken each financial year through examining the financial position of the parties and the markets in which the parties operate.



Simplified Approach

- *Trade and other receivables* - The Group applied the simplified approach using a 'provision matrix'. As of December 31, 2023 and 2022, the allowance for impairment losses as a result of performing collective and specific impairment test amounted to ₱44.9 million and ₱45.7 million. Management evaluated that the Parent Company's trade receivables are of high grade and of good credit quality.

2023					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱-	₱-	₱44,894,258	₱649,107,657	₱694,001,915
Less allowance*	-	-	(44,894,258)	-	(44,894,258)
Carrying amount	₱-	₱-	₱-	₱649,107,657	₱649,107,657

2022					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱-	₱-	₱48,283,304	₱693,207,201	₱741,490,505
Less allowance*	-	-	(48,283,304)	2,627,857	(45,655,447)
Carrying amount	₱-	₱-	₱-	₱695,835,058	₱695,835,058

* Lifetime ECL using the simplified approach includes provision of allowance for the year and reversal of allowance amounting to ₱2.0 and ₱4.7 million, respectively.

The Group grades its financial assets as follows:

- *Cash and Cash Equivalents*: These are assessed as high grade since these are deposited in reputable banks which have good bank standing, thus credit risk is minimal.
- *Receivable/Due from NPC/PSALM, NGCP and Distribution Utilities*: These are assessed as high grade since these receivables arose from the contract provisions of the ROMM Agreement, Operation and Maintenance Service Contracts (OMSC), Ancillary Services Procurement Agreements (ASPA), Power Supply Contracts (PSCs), and/or collectible from government institution.
- *Receivable from Customers of BLCI*: Receivables from commercial customers are classified as high grade; receivables from residential customers as standard; and receivables from the government, hospitals and radio stations as substandard. Classification is based on the collection history with these customers.
- *Due from Related Parties*: These are assessed as standard, although recoverability of these receivables is certain, as these are given secondary priority as to settlement by the related parties compared to third party obligations.
- *Other Receivables*: Grading of financial assets is determined individually based on the Group's collection experience with the counterparty.

Fair Value of Financial Assets and Financial Liabilities

Fair value is defined as 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. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.



The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

- *Cash and Cash Equivalents, Trade and Other Receivables and Trade and Other Payable.* The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate their value due to the relatively short-term maturity of these financial instruments.
- *Investment in Proprietary Club Shares.* Market values have been used to determine the fair value of traded proprietary club shares.
- *Noncurrent Receivable (included in "Other Noncurrent Assets") and Other Noncurrent Liability.* The fair values of the noncurrent receivable and noncurrent liability are based on the net present value of cash flows using the prevailing market rate of interest. As of December 31, 2023 and 2022, the carrying values of the noncurrent receivable and noncurrent liability approximate their fair values.
- *Customers' Deposits.* The fair value of customers' deposits approximates the carrying value as (1) bill deposits earn interest at the prevailing market interest rate in accordance with regulatory guidelines and (2) the timing and related amounts of future cash flows relating to material deposits cannot be reasonably and reliably estimated for purposes of establishing their fair values using an alternative valuation technique.

As of December 31, 2023 and 2022, the Group considers its investment in proprietary club shares measured and carried at fair values of ₱15.0 million and of ₱13.0 million, respectively, under Level 1 classification (see Notes 3 and 12). The Group also considers its noncurrent receivable amounting to ₱1.8 million and ₱35.6 million as of December 31, 2023 and 2022, respectively; noncurrent liability amounting to ₱1.8 million and ₱35.6 million as of December 31, 2023 and 2022, respectively; and customers' deposits amounting to ₱193.9 million and ₱191.6 million as of December 31, 2023 and 2022, respectively, under the Level 3 classification.

During the reporting period ended December 31, 2023, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

29. Other Matters

Electricity Power Industry Reform Act (EPIRA) of 2001

On June 8, 2001, the EPIRA was signed into law and took effect on June 26, 2001. The law provides, among others, for the privatization of the assets of NPC, the creation of PSALM to accept transfers of all assets and assume all outstanding obligations of NPC, and the restructuring of the electric power industry sector as a whole. The law also provides for the mandate and framework to introduce competition in the electricity market and penalize anti-competitive behaviour. The IRR of the EPIRA was approved by the Joint Congressional Power Commission on February 27, 2002.

The EPIRA and its covering IRR provide for significant changes in the power industry including the following: (i) Competition in the retail supply of electricity; (ii) Open access to the transmission and distribution systems; (iii) Establishment of a Wholesale Electricity Spot Market (WESM); (iv) Unbundling of the generation, transmission and distribution rates; and (v) Removal of existing cross-subsidies provided by industrial and commercial users to residential customers.



An important milestone in the Philippine power industry was reached when the WESM began commercial operations on June 23, 2006. In the Visayas region, WESM started operations on December 26, 2010. The establishment of the WESM is one of the preconditions to retail competition and open access required by the EPIRA.

SIPC, after complying with the requirements set under WESM rules, has been participating in the WESM since the start of commercial operation of the WESM in the Visayas Grid on December 26, 2010 up to the present. The Parent Company participated in the WESM starting in the last quarter of 2014.

Land Lease Agreements (LLAs)

The Parent Company and SIPC entered into LLAs with PSALM (as Lessor) in furtherance of and as an ancillary contract to the respective Asset Purchase Agreements (APA) with PSALM, governing the sale of assets as follows:

- *Panay and Bohol Diesel Power Plants.* The purchase of the Panay and Bohol Diesel Power Plants was covered by LLA between the Parent Company and PSALM which provides, among others, that the control and possession of the facilities will be turned over to the Parent Company upon completion of the conditions precedent to closing. Subsequently, with the written consent of PSALM, the Parent Company assigned its rights and obligations under the APA and LLA to SIPC. Following the completion of the conditions precedent and the completion of the respective Certificates of Closing of the Parent Company, SIPC and PSALM, the control and possession of the purchased assets were turned over and transferred to SIPC on March 25, 2009 (the “Closing Date”).

The term of the LLA is 25 years from Closing Date, which may be renewed or extended for another period of 25 years or the remaining corporate life of PSALM, whichever is shorter, upon the mutual written agreement of the parties. The rentals which were paid in full on Closing Date (March 25, 2009) amounted to ₱10.6 million.

- *LBGTs.* On January 29, 2010, the Parent Company executed the LLA with a term of 10 years from Closing Date, which may be renewed or extended for another period of 10 years or the remaining corporate life of PSALM, whichever is shorter, upon the mutual written agreement of the parties. The rentals which were paid in full on Closing Date amounted to ₱1.2 million.
- *153.1 MW Naga Power Plant (consisting of CTPP 1, CTPP 2 and CDPP 1).* On September 25, 2014, the Parent Company executed the LLA with a term of 25 years from Closing Date, which may be renewed or extended for another period of 25 years or the remaining corporate life of PSALM, whichever is shorter, upon the mutual written agreement of the parties. The rentals which were paid in full in 2014 amounted to ₱712.5 million including withholding tax borne by the Parent Company.

Under the LLAs, the Parent Company and SIPC shall use and occupy the leased premises primarily for the operation, management, expansion and maintenance of the power plants, and shall not assign or transfer any of their right under the LLA or sublease all or any part of the leased premises without the prior consent of PSALM. The Parent Company and SIPC, at their own expense, shall be solely responsible for obtaining all the necessary authorizations, licenses and permits for any alterations, additions, facilities, improvements and installations introduced on the leased premises. Within a period of 180 days from the termination of the LLAs or expiration of the lease terms, the Parent Company and SIPC are obliged to perform activities to facilitate clean-up, return and surrender of the leased premises (see Notes 3 and 4).



The LLAs also cover an option to purchase optioned assets within the leased premises that may be offered by the Lessor. The purchase price (on a per square meter basis) shall be equivalent to the highest of the following valuations and/or amounts: (i) the assessment of the Provincial Assessor; (ii) the assessment of the Municipal or City Assessor; and (iii) the zonal valuation of the Bureau of Internal Revenue. The unused rentals corresponding to the area of the optioned assets over which the option was exercised shall be deducted from the purchase price.

In 2017, SIPC exercised its option to purchase the optioned assets covering all the lots underlying the Bohol Diesel Power Plant with a total area of 27,527 square meters. The aggregate of the purchase price amounting to ₱35.6 million is shown as part of “Property, plant and equipment” account in the consolidated statements of financial position (see Note 11).

- *Berthing Area and Subtransmission Steel Post.* On June 23, 2022, the Parent Company entered into a 5-year lease agreement for a parcel of land with Philippine Ports Authority designated as berthing and subtransmission steel post area in the Port of Tapal, Bohol.

PSALM’s Cost Recovery Adjustments

Deferred Accounting Adjustments (DAA). The ERC issued an Order dated June 20, 2017-authorizing PSALM to implement the methodology for the recovery/refund of the approved DAA pertaining to GRAM and ICERA, which was granted by ERC in a Decision dated March 26, 2012.

Upon Private Electric Power Operators Association’s (PEPOA) motion, the ERC, in an Order dated October 19, 2017, deferred the implementation of the approved DAA pending clarification by the ERC of the queries raised in the motion for clarification.

The ERC subsequently clarified that the GRAM and ICERA DAA are deferred adjustments, which were incurred by PSALM/NPC in supplying energy during the corresponding period; thus, it should be recovered/refunded by PSALM/NPC to its customers. Hence, the Distribution Utilities (DUs) are not just mere collectors of the said DAA but these are charges that they should pay to NPC/PSALM and charged to their customers as part of their generation charge. In the same Order, the ERC directed the DUs to resume the implementation of the GRAM and ICERA starting the January 2018 billing period.

Automatic Cost Recovery Mechanism (ACRM). On June 20, 2017, the ERC issued its Decision, authorizing PSALM to recover/refund the True-up Adjustments of Fuel and Purchased Power Costs and Foreign Exchange-Related Costs effective its next billing period.

In an Order dated October 19, 2017, the implementation of the ACRM was deferred to the January 2018 billing period pending the evaluation of the clarifications raised in PEPOA’s letter and motion and, subsequently, the ERC issued an Order directing PSALM and the DUs to abide with the clarifications issued by the ERC.

The current portion of the Group’s PSALM deferred adjustments amounting to ₱31.9 million as of December 31, 2023 and 2022, respectively, is recorded under “Trade and other receivables” and the noncurrent portion amounting to ₱1.8 million and ₱35.6 million as of December 31, 2023 and 2022, respectively, are presented as part of “Other noncurrent assets”, in the consolidated statements of financial position (see Notes 7 and 12). The current and noncurrent portions of the corresponding amounts due to PSALM was presented as part of “Nontrade” under “Trade and other payables” and “Other noncurrent liability” in the consolidated statement of financial position as of December 31, 2023 and 2022.



Acquisition and Turnover of the 153.1 MW Naga Power Plant Complex (NPPC)

Prior to the expiration of the OMSC on September 25, 2014, the Parent Company purchased the NPPC after exercising its "right-to-top" (RTT) the winning bid, which right was pursuant to the LLA with PSALM that was executed when the LBGTs were acquired by the Parent Company in 2010. Pursuant to the APA executed by the Parent Company and PSALM covering the purchase of the assets consisting of the thermal and diesel power plants (CTPP 1 and CTPP 2, and CDPP 1), the Parent Company paid PSALM a total of ₱463.3 million. The Parent Company and PSALM also entered into an LLA, as an ancillary contract to the APA, covering the land where the purchased assets are located, and paid in full the total lease rentals amounting to ₱712.5 million. Following the issuance of Notice of Award on July 28, 2014 and after completing all the conditions for Closing, PSALM turned over the NPPC to the Parent Company on September 25, 2014, coinciding with the termination of the OMSC.

More than one year after PSALM awarded the NPPC to the Parent Company, the Supreme Court (SC) declared the APA and the LLA for the sale of the NPPC to be null and void per decision promulgated on September 28, 2015.

On December 1, 2015, the Parent Company filed its Motion for Reconsideration of the SC Decision dated September 28, 2015. In said Motion for Reconsideration, the Parent Company stressed that, as the owner of the LBGT and the lease on the land on which the LBGT stands, it has an interest in the whole of the Complex and not just within the leased premises. This is due to the fact that the Parent Company's payment for the LBGT necessarily includes payment for the RTT, the LBGT and the land subject of the LBGT-LLA which forms part of the Complex, and the Parent Company shares in the use, upkeep and maintenance of the Co-Use Facilities within the Complex, thus, showing that the Parent Company's interest extends to the whole of the Complex.

On December 9, 2015, the SC resolved to deny the Motion for Reconsideration. Thus, a Motion For Leave to File and Admit the Attached Urgent Motion for Second Reconsideration and/or Referral to the En Banc was filed by the Parent Company on February 2, 2016. However, on April 6, 2016, the SC issued a Resolution where it resolved among others to deny the said Motion For Leave and noted without action, the attached Urgent Motion for Second Reconsideration and /or Referral to En Banc, in view of the denial of the Motion for Leave. Accordingly, an amount equivalent to ₱1,143.2 million (i.e., amount paid by the Parent Company to PSALM in 2014, net of withholding tax) was recognized as other noncurrent receivable as of December 31, 2016 and 2015. On October 5, 2016, the SC granted the manifestation/motion of Therma Power Visayas, Inc. (TPVI) dated March 16, 2016 praying for the reinstatement of the notice of award in favor of TPVI dated April 30, 2014. The Parent Company then filed an Urgent Motion For Reconsideration with Alternative Motion to Refer to the En Banc, on November 2, 2016. In a Resolution dated November 28, 2016, the SC denied the same. Another Urgent Motion For Reconsideration was filed by the Parent Company on December 9, 2016. This was followed up by the filing on January 19, 2017 of a Supplemental Motion/Petition for Referral to the En Banc which argued that there was a violation of SPC's substantive right to due process in reinstating the Notice of Award in favor of TPVI and a violation of procedural due process in lifting the Entry of Judgment of September 28, 2015.

On February 21, 2017, the Parent Company received the Entry of Judgment through its legal counsel certifying that the September 28, 2015 Decision and October 5, 2016 Resolution have become final and executory on November 28, 2016 and were recorded in the Books of Entries of Judgments.

On April 26, 2017, the SC issued a final resolution denying both the Motion for Reconsideration and the Supplemental Motion/Petition for Referral to the En Banc filed on December 9, 2016 and January 19, 2017, respectively. In its final resolution, the SC confirmed that the September 28, 2015 Decision and the October 5, 2016 Resolution became final on November 28, 2016.



After receipt of the Notice of the Second Entry of Judgment in February 2017, the Parent Company was anticipating a speedy turnover of the NPPC. However, serious negotiations never transpired as of December 31, 2017 through no fault of the Parent Company.

Considering that the NPPC has been in the possession of the Parent Company even after November 28, 2016, it has to operate the plant as the best way to preserve it pending the eventual turn-over to PSALM and the return of the purchase price, as well as the reimbursement of necessary and useful expenses made on the NPPC. The incidental income and expenses derived from operating and preserving the NPPC after November 28, 2016 are recognized as part of "Others - net" in the consolidated statements of comprehensive income (see Note 8).

On July 9, 2018, PSALM and the Parent Company finally entered into a Memorandum of Agreement (MOA) containing the terms and conditions for the return of the NPPC to PSALM, return of the SPC Bid to the Parent Company, and the settlement of all claims between the parties.

In accordance with the MOA, PSALM and the Parent Company executed the Joint Certificate of Turnover on July 13, 2018. Thus, the Parent Company turned over the NPPC and paid the entire payable to PSALM through cash amounting to ₱75.7 million, net of withholding tax, for fuel and coal consumed and through replacement of fuel while PSALM returned the SPC Bid to the Parent Company amounting to ₱1,143.2 million.

Donation of ODPP to the Technical Education and Skills Development Authority (TESDA)

On December 9, 2021, the Board of Directors of SIPC approved the donation of ODPP to TESDA, a government agency tasked to manage and supervise technical education and skills development in the Philippines. This is in relation to SIPC's intention to promote education and welfare among the people in Olango Island and nearby areas. The donation, approximately worth ₱4.1 million of equipment, materials and related facilities, excludes land and fixed structures and improvements.

The Deed of Donation was executed on February 14, 2022.

Purchase of Power Barge 102 and 103

On September 15, 2021, SIPC entered into an Asset Purchase Agreement (APA) with AC Energy Corporation (ACEN) (Seller) for the purchase of PB 102 and 103 to obtain new and used engine spare parts and replacement equipment for the group's existing operating plant and power barge. Power Barge (PB) 102 and 103, are both 4x8MW oil-fired diesel barges located in Barangay Obrero, Iloilo City and Barangay Poblacion, Lapu-Lapu City, respectively, and are not in commercial operation. Completion of the transaction is subject to the satisfaction of the agreed conditions precedent, including applicable regulatory approvals. Under the APA, SIPC has the right to assign its rights to purchase PB 102 and 103 to SPC, its parent company. In a Board Resolution dated September 15, 2021, SIPC assigned its rights under the APA to SPC, with such assignment accepted by SPC on a Board Resolution dated the same day.

On February 22, 2022, the Deed of Absolute Sale for the purchase of PB 102 was executed between SPC and ACEN for a consideration amounting to ₱39.2 million, inclusive of VAT. On April 18, 2022, the Deed of Absolute Sale for the purchase of PB103 was executed between SPC and ACEN for the same consideration as PB102.



30. Lease Agreements

The Group has entered into various leases for rooms, office spaces, parking lots, sub transmission line steel post space, and parcels of land which include those with other landowners and those with respect to its LLA with PSALM (see Note 29). Leases of parcels of land generally have lease terms between 5–25 years. Lease terms for the other leased assets generally vary between five months to 4 years.

Set out below are the carrying amounts of the Company's right-of-use assets, presented as part of property, plant and equipment, and lease liabilities and the movements during the years ended December 31:

2023

	Right of Use Asset	Lease Liabilities
At January 1	₱15,297,159	₱11,387,692
Interest accretion	–	661,891
Depreciation expense	(2,830,008)	–
Payments of:		
Principal	–	(1,828,196)
Interest	–	(661,891)
At December 31	₱12,467,151	₱9,559,496

2022

	Right of Use Asset	Lease Liabilities
At January 1	₱4,615,478	₱2,662,317
Additions	12,252,170	12,252,170
Interest accretion	–	373,979
Depreciation expense	(1,570,489)	–
Payments of:		
Principal	–	(3,526,795)
Interest	–	(373,979)
At December 31	₱15,297,159	₱11,387,692

Set out below are the amounts recognized in the consolidated statements of comprehensive income for the years ended December 31:

	2023	2022	2021
Depreciation expense of right-of-use assets	₱2,830,008	₱1,570,489	₱3,423,945
Interest expense on lease liabilities	661,891	373,979	112,059
Rent expense - short-term leases (see Notes 19 and 20)	6,282,648	6,627,758	4,586,277
	₱9,774,547	₱8,572,226	₱8,131,281

Shown below is the maturity analysis as of December 31, 2023 and 2022 of the undiscounted lease payments:

	2023	2022
One year	₱2,739,096	₱2,490,088
More than 1 years to 2 years	3,013,006	2,739,096
More than 2 years to 3 years	3,314,307	3,013,006
More than 3 years to 4 years	1,658,910	3,314,307
More than 4 years to 5 years	–	1,658,910
	₱10,725,319	₱13,215,407



31. Notes to the Consolidated Statements of Cash Flows

Changes in liabilities arising from financing activities are as follows:

2023						
	At January 1	Dividend Declaration	Dividend Attributable to NCI	Others	Cash Flows	At December 31
Dividends payable (see Note 18)	₱4,342,483	₱299,310,361	₱6,951,001	₱–	(₱191,026,026)	₱119,577,819
Lease liabilities* (see Note 30)	11,387,692	–	–	661,891	(2,490,087)	9,559,496
	₱15,730,175	₱299,310,361	₱6,951,001	₱661,891	(₱193,516,113)	₱129,137,315

* The cash outflow presented includes payment of interest amounting to ₱0.7 million is presented as part of operating activities in the statement of cash flows (see Note 30).

2022						
	At January 1	Dividend Declaration	Dividend Attributable to NCI	Others	Cash Flows	At December 31
Dividends payable (see Note 18)	₱4,342,484	₱299,310,361	₱18,263,772	₱–	(₱317,574,134)	₱4,342,483
Lease liabilities* (see Note 30)	2,662,317	–	–	12,626,149	(3,900,774)	11,387,692
	₱7,004,801	₱299,310,361	₱18,263,772	₱12,626,149	(₱321,474,908)	₱15,730,175

* The cash outflow presented includes payment of interest amounting to ₱0.4 million is presented as part of operating activities in the statement of cash flows (see Note 30). Others also include additional lease liabilities recognized during the year.

2021						
	At January 1	Dividend Declaration	Dividend Attributable to NCI	Others	Cash Flows	At December 31
Dividends payable (see Note 18)	₱–	₱2,319,655,293	₱10,426,500	₱–	(₱2,325,739,309)	₱4,342,484
Lease liabilities* (see Note 30)	6,172,755	–	–	(1,632,940)	(1,877,498)	2,662,317
	₱6,172,755	₱2,319,655,293	₱10,426,500	(₱1,632,940)	(₱2,327,616,807)	₱7,004,801

* Others include the net effect of interest accrual for lease liabilities and payment amounting to ₱0.1 million but classified as part of operating activities (see Note 30). Others also include the pre-termination of a lease contract during the year.

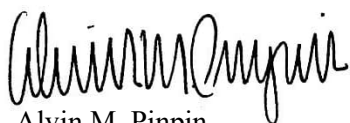


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and the Stockholders
SPC Power Corporation
7th Floor, BDO Towers Paseo
Paseo de Roxas
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SPC Power Corporation and Subsidiaries as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, included in this Form 17-A, and have issued our report thereon dated April 11, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Alvin M. Pinpin

Partner

CPA Certificate No. 94303

Tax Identification No. 198-819-157

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

BIR Accreditation No. 08-001998-070-2023, October 23, 2023, valid until October 22, 2026

PTR No. 10079991, January 6, 2024, Makati City

April 11, 2024

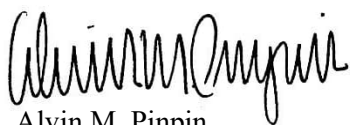


INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and the Stockholders
SPC Power Corporation
7th Floor, BDO Towers Paseo
Paseo de Roxas
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SPC Power Corporation and Subsidiaries (the Group) as at December 31, 2023 and 2022, and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated April 11, 2024. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulae, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Alvin M. Pinpin

Partner

CPA Certificate No. 94303

Tax Identification No. 198-819-157

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

BIR Accreditation No. 08-001998-070-2023, October 23, 2023, valid until October 22, 2026

PTR No. 10079991, January 6, 2024, Makati City

April 11, 2024



SPC POWER CORPORATION AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

CASH, RECEIVABLES, FINANCIAL ASSETS AND OTHER SHORT-TERM INVESTMENTS

DECEMBER 31, 2023

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position/Notes	Value Based on Market Quotations at End of Reporting Period	Income Received and Accrued
At amortized cost:				
Cash and cash equivalents	—	₱4,743,043,034	₱4,743,043,034	₱160,534,615
Trade and other receivables:				
Receivable from customers	—	457,828,766	457,828,766	—
Current portion of PSALM deferred adjustments	—	36,798,477	36,798,477	—
Due from related parties	—	3,149,695	3,149,695	—
Dividend receivable	—	39,999,956	39,999,956	—
Others	—	111,330,763	111,330,763	—
		649,107,657	649,107,657	—
PSALM deferred adjustments (included in “Other noncurrent assets”)	—	1,839,924	1,839,924	—
		5,393,990,615	5,393,990,615	160,534,615
Financial assets at fair value through other comprehensive income:				
Investment in proprietary club shares		15,000,000	15,000,000	
Total financial assets	—	₱5,408,990,615	₱5,408,990,615	₱160,534,615

See Note 28 of the Consolidated Financial Statements.

SPC POWER CORPORATION AND SUBSIDIARIES

SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES, AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)

DECEMBER 31, 2023

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Collections	Write Offs	Balance at End of Period		
					Current	Noncurrent	Total
– Not applicable –							

SPC POWER CORPORATION AND SUBSIDIARIES

**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2023**

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Collections	Write Offs	Balance at End of Period		
					Current	Noncurrent	Total
SPC Electric Company, Inc.	₱12,869	₱20,668	(₱27,528)	₱—	₱6,009	₱—	₱6,009
Bohol Light Company, Inc.	488,505	161,866	(298,360)	—	352,011	—	352,011
SPC Island Power Corporation	328,523	2,427,874	(2,080,862)	—	675,535	—	675,535
SPC Malaya Power Corporation	1,669,588	21,155	(8,139)	—	1,682,604	—	1,682,604
SPC Light Company, Inc.	12,289	21,009	(26,847)	—	6,451	—	6,451
Cebu Naga Power Plant Corporation	217,151	109,111	—	—	326,262	—	326,262
	₱2,728,925	₱2,761,683	(₱2,441,736)	₱—	₱3,048,872	₱—	₱3,048,872

SPC POWER CORPORATION AND SUBSIDIARIES

SCHEDULE D - LONG-TERM DEBT

DECEMBER 31, 2023

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Current Portion of Long-term Debt	Long-term Debt
– Not applicable –			

SPC POWER CORPORATION AND SUBSIDIARIES

SCHEDULE E - INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)

DECEMBER 31, 2023

Name of Related Party	Balance at Beginning of Period	Balance at End of Period
– Not applicable –		

SPC POWER CORPORATION AND SUBSIDIARIES

SCHEDULE F - GUARANTEES OF SECURITIES OF OTHER ISSUERS

DECEMBER 31, 2023

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which Statement is Filed	Nature of Guarantee
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– Not applicable –

SPC POWER CORPORATION AND SUBSIDIARIES

SCHEDULE G - CAPITAL STOCK

DECEMBER 31, 2023

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown under Related Consolidated Statement of Financial Position Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Affiliates	Directors and Officers	Others
Capital stock	2,000,000,000	1,496,551,803	–	21,850,269	1,275,830,707	198,870,827

See Note 18 of the Consolidated Financial Statements.

SPC POWER CORPORATION
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2023

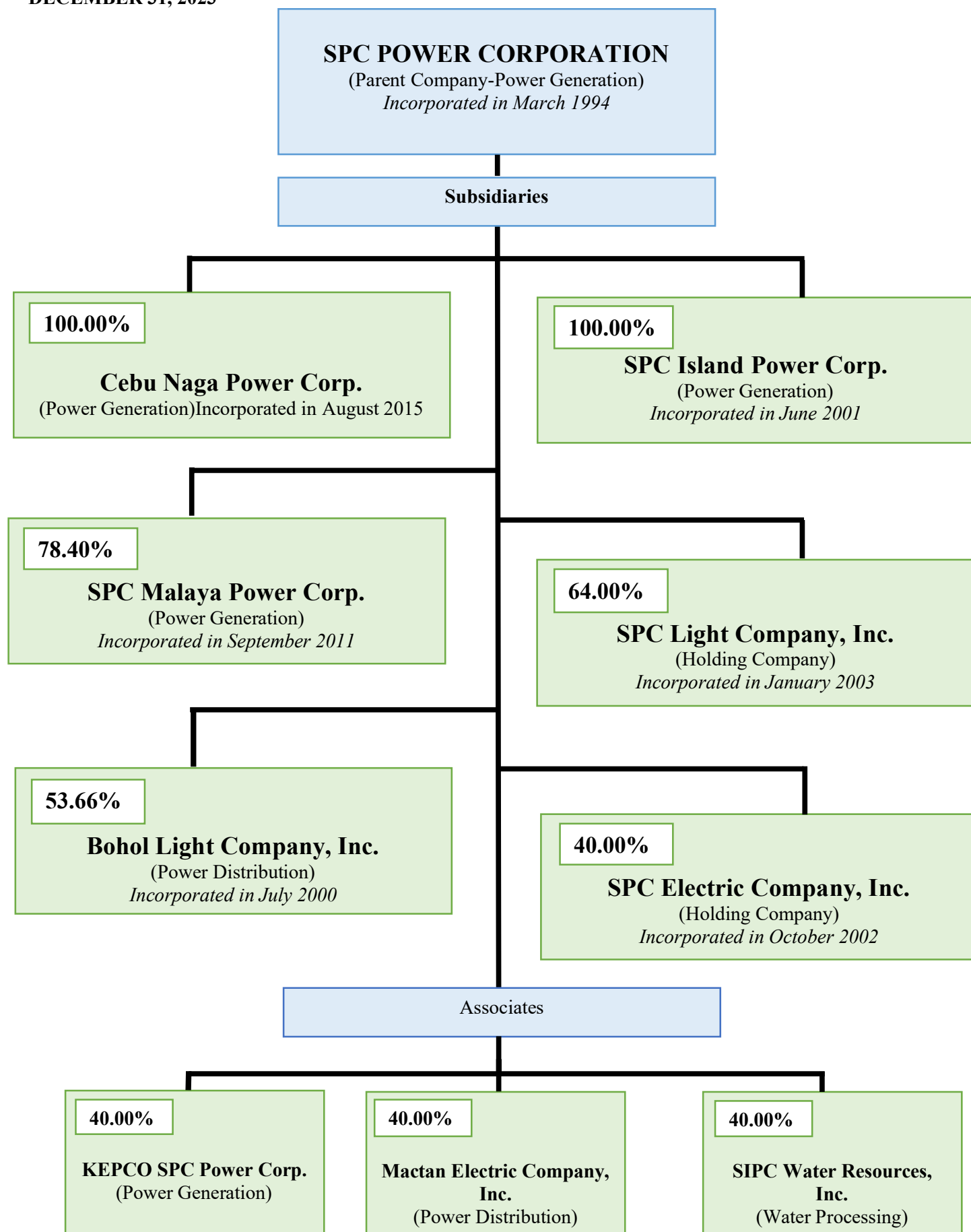
Items	Amount
Unappropriated Retained Earnings, Beginning	₱3,941,964,875
Add: Category A: Items that are directly credited to Unappropriated Retained Earnings	
Reversal of Retained Earnings appropriations	₱1,800,000,000
Effect of restatements or prior-period adjustments	—
Others	—
	<u>1,800,000,000</u>
Less: Category B: Items that are directly debited to Unappropriated Retained Earnings	
Dividend declaration during the reporting period	299,310,360
Retained Earnings appropriated during the reporting period	—
Effect of restatements or prior-period adjustments	—
Treasury shares	131,008,174
	<u>430,318,534</u>
Unappropriated Retained Earnings, as adjusted	5,311,646,341
Add: Net Income for the current year	303,031,974
Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)	
Equity in net income of associate/joint venture, net of dividends declared	—
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	—
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	—
Unrealized fair value gain of investment property	—
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	—
Subtotal	<u>—</u>
Add: Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)	
Realized foreign exchange gain, except those attributable to cash and cash equivalents	—
Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	—
Realized fair value gain of investment property	—
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	—
Subtotal	<u>—</u>

(Forward)

Items	Amount
Add: Category C.3: Unrealized income recognized in the profit or loss in prior reporting periods but reversed in the current reporting period (net of tax)	
Realized foreign exchange gain, except those attributable to cash and cash equivalents	P—
Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	—
Realized fair value gain of investment property	—
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	—
Subtotal	P—
Adjusted Net Income/Loss	303,031,974
Add: Category D: Non-actual loss recognized in profit or loss during the reporting period (net of tax)	
Depreciation on revaluation increment (after tax)	—
Subtotal	—
Add/Less: Category E: Adjustments related to relief granted by the SEC and BSP	
Amortization of the effect of reporting relief	—
Total amount of reporting relief granted during the year	—
Others	—
Subtotal	—
Add/Less: Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution	
Net movement of treasury shares (except for reacquisition of redeemable shares)	—
Net movement of deferred tax asset not considered in the reconciling items under the previous categories	(1,643,418)
Net movement in deferred tax asset and deferred tax liabilities related to same transaction, e.g., set up of right of use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	—
Adjustment due to deviation from PFRS/GAAP - gain(loss)	—
Interest expense on lease liabilities	661,891
Subtotal	(981,527)
TOTAL RETAINED EARNINGS, END OF THE YEAR FOR DIVIDEND DECLARATION	P5,613,696,788

SPC POWER CORPORATION AND SUBSIDIARIES

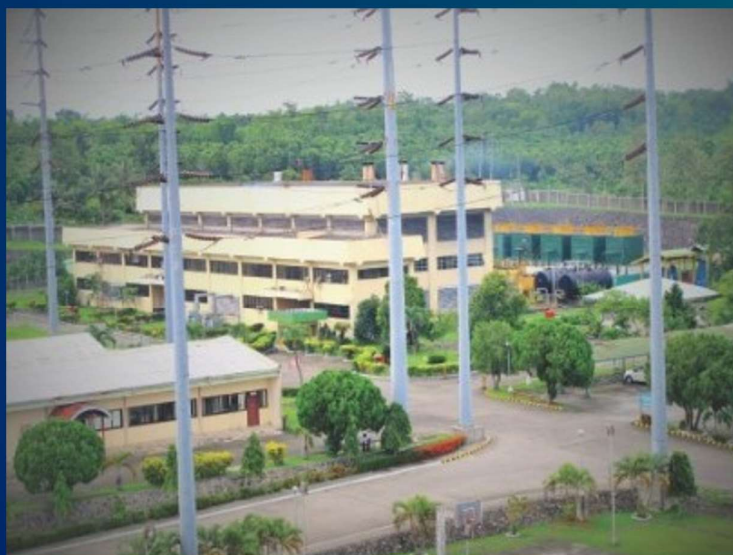
MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP DECEMBER 31, 2023



SPC POWER CORPORATION
FINANCIAL SOUNDNESS INDICATORS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023

Ratio	Formulae	2023	2022
Current Ratio	<p>Total Current Assets divided by Total Current Liabilities</p> <p>Total current assets ₱5,875,254,168</p> <p>Divide by: Total current liabilities 870,374,480</p> <p>Current ratio 6.75</p>	6.75	6.52
Acid Test Ratio	<p>Quick Assets (<i>Total Current Assets less Inventories and Prepayments and Other Current Assets</i>) divided by Total Current Liabilities</p> <p>Total current assets ₱5,875,254,168</p> <p>Less: Inventories 399,393,666</p> <p>Prepayments and other current assets 83,709,811</p> <p>Quick assets 5,392,150,691</p> <p>Divide by: Total current liabilities 870,374,480</p> <p>Acid test ratio 6.20</p>	6.20	5.82
Solvency Ratio	<p>Total Comprehensive Income before Depreciation and Amortization divided by Total Liabilities</p> <p>Total comprehensive income ₱1,214,483,992</p> <p>Add: Depreciation and amortization 93,950,667</p> <p>1,308,434,659</p> <p>Divide by: Total liabilities 1,223,449,667</p> <p>Solvency ratio 1.07</p>	1.07	1.14
Debt-to-Equity Ratio	<p>Total Liabilities divided by Total Equity</p> <p>Total liabilities ₱1,223,449,667</p> <p>Divide by: Total equity 11,307,708,546</p> <p>Debt-to-equity ratio 0.11</p>	0.11	0.12
Asset-to-Equity Ratio	<p>Total Assets divided by Equity Attributable to Parent</p> <p>Total assets ₱12,531,158,213</p> <p>Divide by: Equity attributable to parent 11,140,796,492</p> <p>Asset-to-equity ratio 1.12</p>	1.12	1.13

Ratio	Formulae	2023	2022
Interest Rate Coverage Ratio	Earnings before Income Tax, Depreciation and Amortization (<i>Net Income plus Provision for Income Tax, Interest Expense, Depreciation and Amortization less Interest Income</i>) divided by Interest Expense Net income ₱1,211,167,466 Add: Provision for income tax 141,353,080 Interest expense 5,537,842 <hr/> 1,358,058,388 Less: Interest income 160,535,324 <hr/> EBIT 1,197,523,064 Add: Depreciation and amortization 93,950,667 <hr/> EBITDA 1,291,473,731 Divide by: Interest expense 5,537,842 <hr/> Interest expense coverage ratio 233.21	233.21	289.64
Return on Equity	Total Comprehensive Income divided by Average Total Equity (<i>Total Equity PY + Total Equity CY divided by 2</i>) Total comprehensive income ₱1,214,483,992 Total equity current year 11,307,708,546 Total equity prior year 10,399,485,916 <hr/> Average total equity 10,853,597,231 Return on equity 11.19%	11.19%	13.06%
Return on Assets	Total Comprehensive Income divided by Average Total Assets (<i>Total Assets PY + Total Assets CY divided by 2</i>) Total comprehensive income ₱1,214,483,992 Total assets current year 12,531,158,213 Total assets prior year 11,607,703,296 <hr/> Average total assets 12,069,430,755 Return on assets 10.06%	10.06%	11.79%
Net Profit Margin	Net Income Attributable to Parent divided by Revenue Net income attributable to parent ₱1,169,895,562 Divide by: Revenue 4,552,436,779 <hr/> Net income margin 25.70%	25.70%	33.05%



SPC POWER CORPORATION

2023 SUSTAINABILITY REPORT

www.spcpowergroup.com



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About Us	4	Our Corporate Governance	15
Mission, Vision, Values	5	Environment	18
SPC Power Corporation and Subsidiaries	6	Social	29
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Our Materiality Process	7	Goals	42

CONTEXTUAL INFORMATION

Name of Organization	SPC POWER CORPORATION
Location of Headquarters	7 TH Floor, BDO Towers Paseo, 8741, Paseo de Roxas, Makati City, 1209
Location of Operations	PDPP Complex, Dingle, Iloilo Tagbilaran City, Bohol; Ubay, Bohol
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	Includes the following subsidiaries: SPC Island Power Corporation Bohol Light Company, Inc. SPC Light Company, Inc. SPC Electric Company, Inc. SPC Malaya Power Corp.
Business Model, including Primary Activities, Brands, Products, and Services	Power generation and distribution
Reporting Period	For the year ended December 31, 2023
Highest Ranking Person responsible for this report	 Atty. Maria Luz L. Caminero Senior Vice President, Legal and Regulatory Affairs

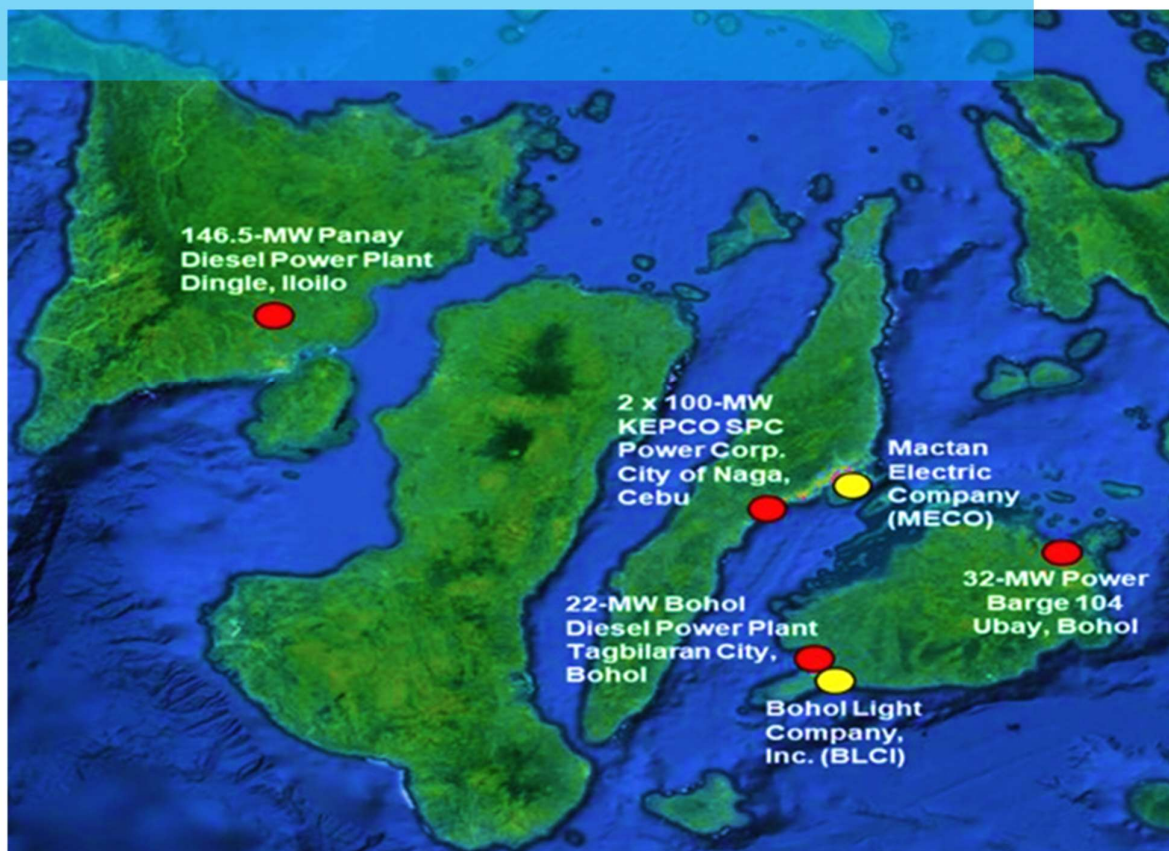
ABOUT US

SPC Power Corporation (SPC), was incorporated in the Republic of the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on March 11, 1994.

SPC is an active industry player in the Visayas Region for almost twenty-nine (29) years, currently owns and operates the 32-MW Power Barge 104 (PB 104) in Ubay, Bohol; 146.5MW Panay Diesel Power Plant (PDPP) in Dingle, Iloilo; and the 22-MW Bohol Diesel Power Plant (BDPP) in Tagbilaran City, Bohol, thru its wholly-owned subsidiary, SPC Island Power Corporation, also including the 2 x 100-MW KEPCO SPC Power Corporation (KSPC) in Colon, City of Naga, Cebu which is an affiliate of SPC.

SPC also invested in the power distribution sector, thru Mactan Electric Company (MECO) whose franchise covers Lapu-lapu City and the Municipality of Cordova in the Province of Cebu; and Bohol Light Company, Inc. (BLCI) whose franchise covers Tagbilaran City, Bohol.

The registered office address of the Parent Company is 7th Floor, BDO Towers Paseo, Paseo De Roxas, Makati City.



MISSION, VISION AND VALUES

Our Mission

To provide quality and reliable power supply to our customers from a mix of conventional and renewable sources and ensure a fair and reasonable price that will allow an appropriate balance between availability of supply and equitable return to our shareholders.

Our Vision

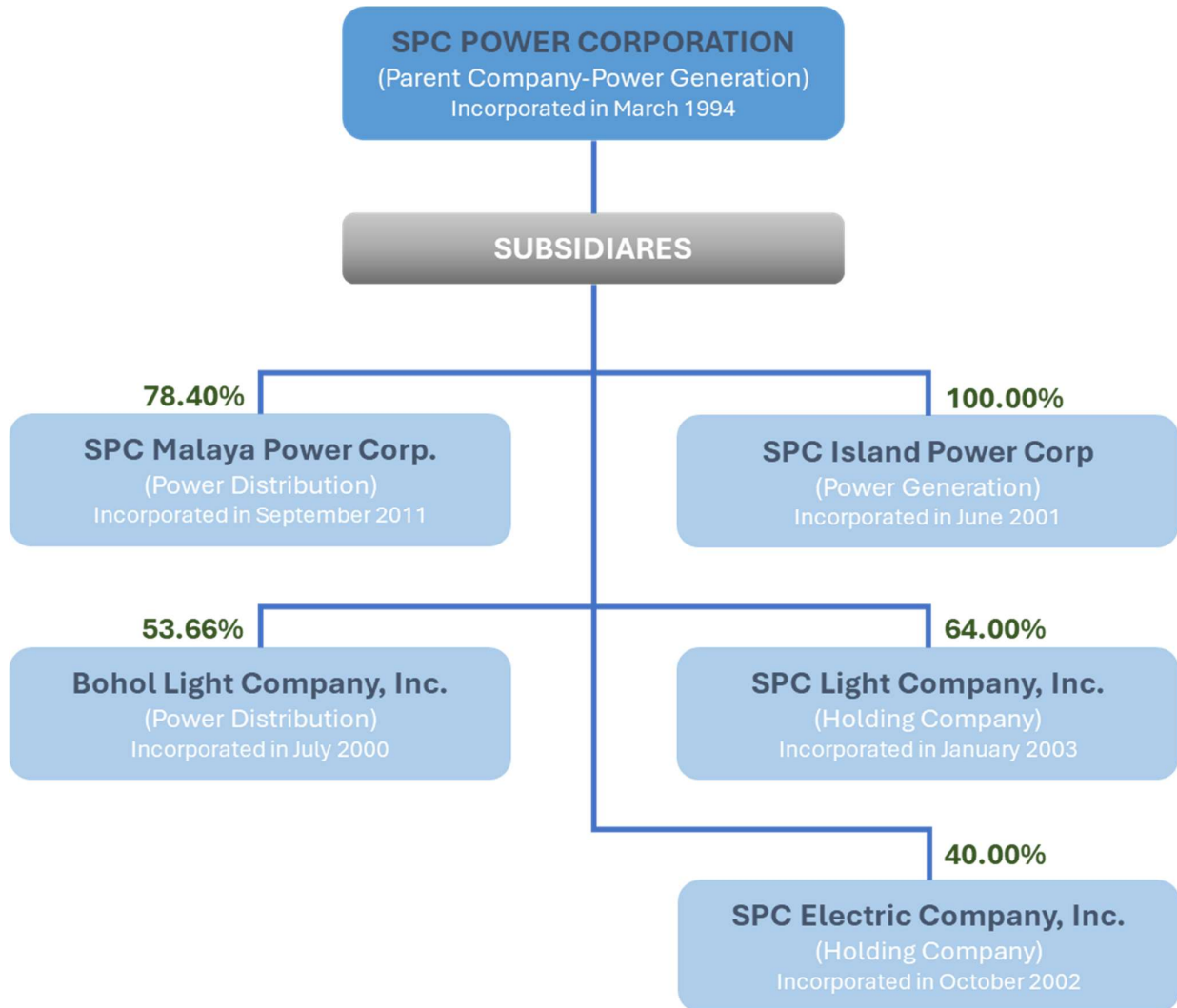
To be a long-term partner in the growth and development of our nation, by providing an imperative for nation-building and a better quality of life for our citizens - electricity.

Our Values

S	STEADFAST. We are dutifully firm and unwavering in our resolve to always meet our customers' demand.
P	PERSISTENT. We are determined to reach our company's goals despite challenges or obstacles.
C	CARING. Caring for and protecting our environment is a prerequisite for the success of our business.
P	PHILANTHROPY. Giving back to the community is our way of life. We are sensitive to the needs of the communities we serve and belong to
O	OBJECTIVITY. We trust our personnel's judgement to be free of bias and outside influence in carrying out tasks.
W	WELL BALANCED. We aim to provide our personnel with a healthy work-life balance atmosphere that increase their productivity and boost happiness in the workplace.
E	EXCELLENCE. Day in and day out, we strive to be the best in everything we do.
R	RESPONSIBILITY. We trust and rely on our personnel to make decisions on their own, based on limits of authority and principles of personal accountability.

SPC POWER CORP. AND SUBSIDIARIES

Group Structure



ABOUT THIS REPORT

This report covers the Parent Company and its subsidiaries, collectively referred to as the Group. This covers the fiscal year 2023 for the entire Group, including all locations in Makati, Cebu, Bohol, and Iloilo. Any locations closed during the period were not included in this report.

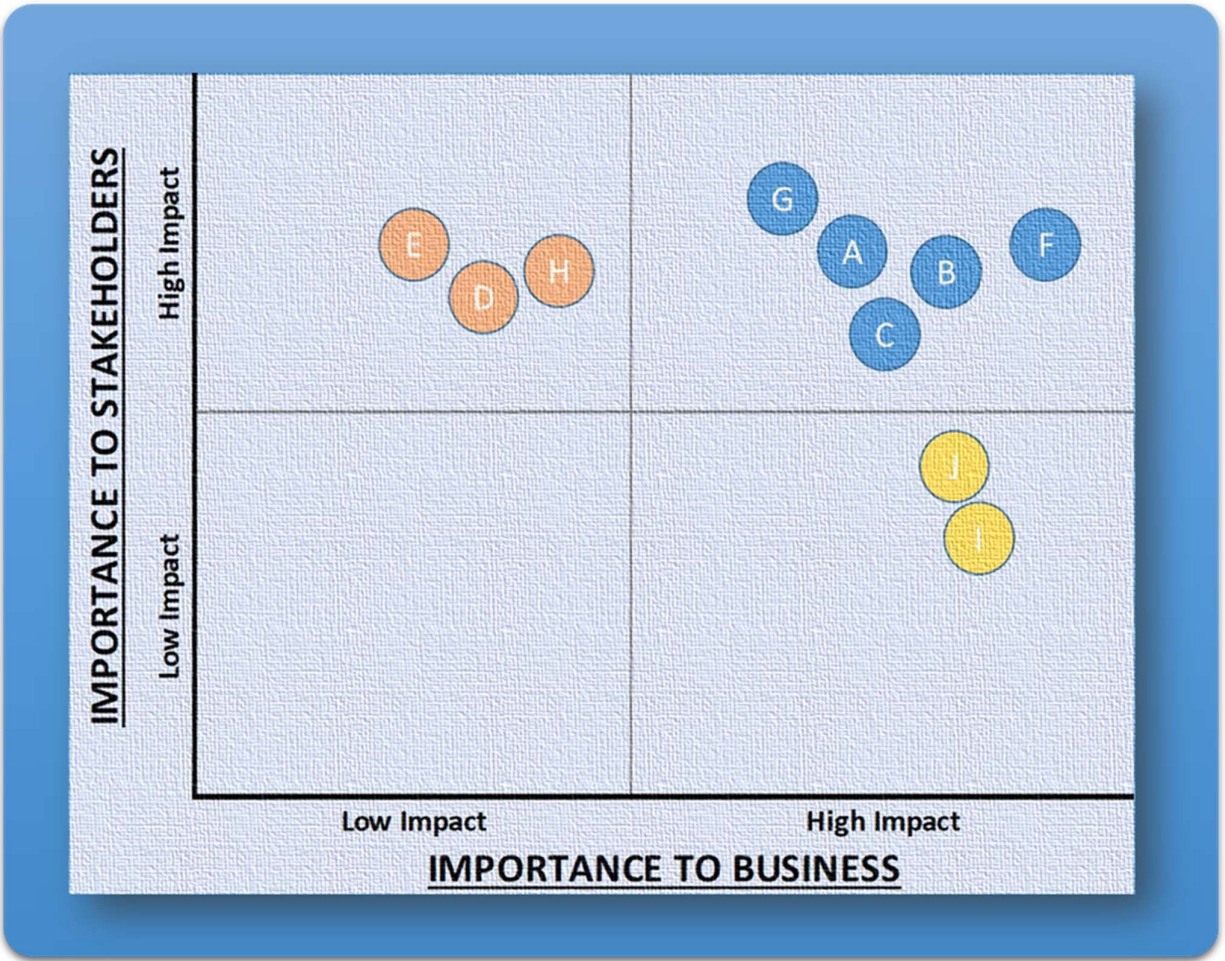
OUR MATERIALITY PROCESS

The Group has undertaken a process to understand, assess, and prioritize the issues considered material to the business concerning economic, environmental, social, and governance (EESGs). The Group considers an issue as material when it influences the decisions, actions, and performance of the Group and/or its stakeholders. Interviews with Management were undertaken to assess the EESGs issues, and identified the following:

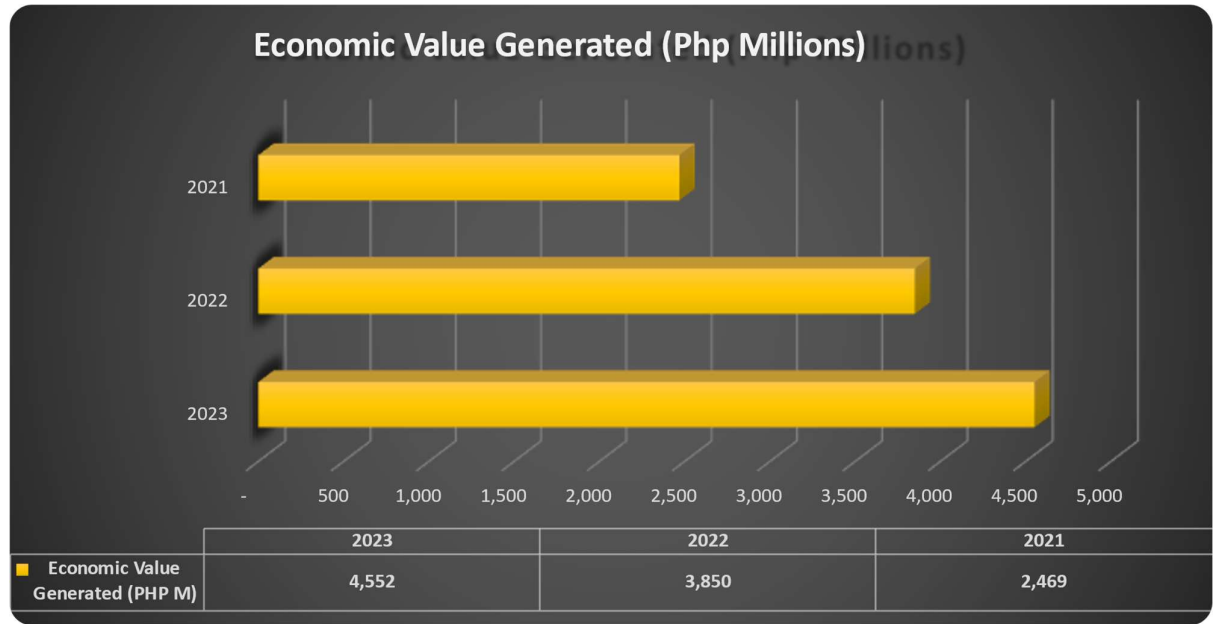
A.	Employee Welfare
B.	Customer satisfaction
C.	Safe work environment
D.	Integrity from among its officers and employees
E.	Renewable energy
F.	Compliance on energy regulations
G.	Ethical operations
H.	Data privacy and data security
I.	Digitalization
J.	Conservation and efficient use of resources



Based on the assessment undertaken, the following are considered material to the Group's business and its relevant stakeholders:

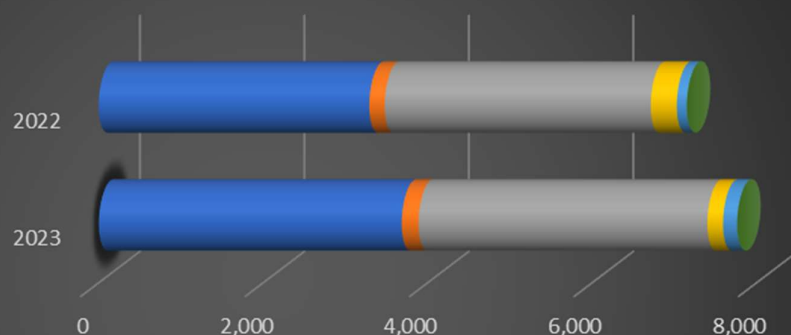


ECONOMIC VALUE



Diversity and Equal Opportunity

Economic Value Distributed (Php Millions)



	2023	2022
Operating costs	3,685	3,290
Employee wages and benefits	205	188
Payment to suppliers of goods and services	3,512	3,235
Payments to providers of capital	191	318
Payments to government	170	120
Corporate Social Responsibility	1	2

Amount in Millions (PHP)	2023	2022
Total Assets	12,531	11,607
Total Liabilities	1,223	1,208
Total Stockholders' Equity	11,308	10,399

Financial Ratios	2023	2022
Current Ratio	6.75 : 1	6.52 : 1
Debt-to-Equity Ratio	0.11: 1	0.12 : 1

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Economic value generated & distributed has a positive impact on our major areas of operations in the provinces of Iloilo and Bohol; and investors in the organization.	The following stakeholders are affected: employees, community, suppliers and contractors, government, stockholders, and lenders.	Paying taxes properly and timely; faithful compliance to labor laws; fairness in dealing with suppliers and contractors; ensuring reasonable rate of return to shareholders; commitment to corporate social responsibility.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Financial risks (increase in competition); Natural calamities/disasters; Legal risks (change in law); Regulatory risks	The following stakeholders are affected: employees, community, suppliers and contractors, government, stockholders, and lenders.	Diversification; Ensure Insurance coverage; Contract management.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Business expansion.	The following stakeholders are affected: employees, community, suppliers and contractors, government, stockholders, and lenders.	Invest in research and development.

Climate-related risks and opportunities¹



Governance

The management committee considers climate-related issues when reviewing and guiding strategy, major plans of action, risk management policies, annual budgets, and business plans, monitoring implementation and performance, and overseeing major capital expenditures and acquisitions/new investments.



Strategy

The organization's business strategy already considered investing in climate-friendly technologies in its power generation business.



Risk Management

The organization identifies, and assesses climate-related risks by being aware of established laws and regulations; assessing the organization's compliance; and taking necessary measures for compliance.



Metrics & Targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities by the organization are aligned with the requirements of the relevant regulatory agencies.

PROCUREMENT PRACTICES

Proportion of spending on local suppliers



Percentage of procurement budget used for significant locations of operations that is spent on local suppliers.

93%

¹ Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to nonfinancial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

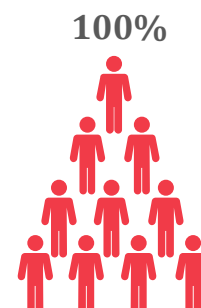
What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
The proportion of spending on local suppliers has a positive impact on our major areas of operations and our local suppliers.	The following stakeholders are affected: employees, community, suppliers and contractors, government and stockholders.	Priority is given to local suppliers and contractors whenever the goods and services needed in our operations are locally available.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
No risks were identified because issues or concerns arising from procurement from local suppliers and contractors are manageable.	None	Accreditation of all prospective local suppliers and contractors to determine their capabilities, quality, and competitiveness of their products.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Mutual growth of the business leads to a better quality of life for everyone.	Community, suppliers and contractors, and the organization itself (indirectly its employees and investors, government).	Priority is given to local suppliers and contractors whenever the goods and services needed in our operations are locally available.

Anti-corruption

Training on Anti-corruption Policies and Procedures

% of employees to whom the organization's anticorruption policies and procedures have been communicated to

% of business partners to whom the organization's anti-corruption policies and procedures have been communicated to



Percentage of directors and management that have received anti-corruption training

Percentage of employees that have received anti-corruption training

0%



What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p>The anti-corruption policies and procedures adopted and implemented by the organization have positive, actual, and direct impacts on the management and Employee levels of the organization; and business partners.</p> <p>The organization has taken concrete measures or steps to ensure a high level of awareness of anti-corruption policies within the company.</p>	Suppliers and contractors and employees, management, and other business partners.	<p>Management adopted an anti-corruption policy under its ethical values of honesty, integrity, and fair dealing.</p> <p>It has disseminated this policy publicly through its disclosure on its website and included a specific provision on anticorruption in some of its major contracts.</p>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Compliance risks	Suppliers and contractors and employees, management, and other business partners.	Financial, Operation, and legal audit.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Promotes transparency, fairness, and accountability in the conduct of our business.	Suppliers and contractors and employees, management, and other business partners.	Periodic review of policies and procedures on anti-corruption; Financial, Operation, and legal audit.

Incidents of Corruption

0%

Number of incidents in which directors were removed or disciplined for corruption

Number of incidents in which employees were dismissed or disciplined for corruption

Number of incidents when contracts with business partners were terminated due to incidents of corruption



What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p>No incidents of corruption were noted during the covered period of this report.</p> <p>The organization has taken concrete measures or steps to ensure a high level of awareness of anti-corruption policies within the company.</p>	<p>Since no incidents of corruption were noted during the covered period of this report, no stakeholders were negatively affected.</p>	<p>Management adopted an anti-corruption policy under its ethical values of honesty, integrity, and fair dealing. It has disseminated this policy publicly through its disclosure on its website and included a specific provision on anticorruption in some of its major contracts.</p>
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
<p>No incidents of corruption were noted during the covered period of this report.</p>	<p>Since no incidents of corruption were noted during the covered period of this report, no stakeholders were negatively affected.</p>	<p>If incidents of corruption occur, the anticorruption policies and procedures adopted are implemented by the organization.</p>
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach


Improves positive business reputation and trustworthiness.	Suppliers and contractors and employees, management, shareholders, and other business partners.	Management adopted and implemented an anti-corruption policy under its ethical values of honesty, integrity, and fair dealing. It has disseminated this policy publicly through its disclosure on its website and included a specific provision on anticorruption in some of its major contracts.
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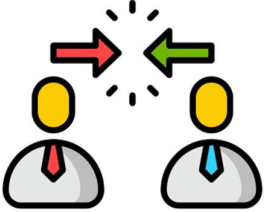
Our Corporate Governance

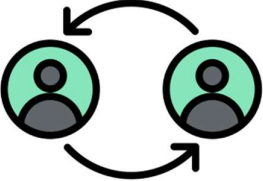
The Group is committed to the principles and guidelines outlined in the Code of Corporate Governance for Publicly Listed Companies (PLCs) and its Manual of Corporate Governance. Beyond the compliance requirements, the Board of Directors and Management, employees, and shareholders, believe that corporate governance is a necessary component of what constitutes sound strategic business management and therefore undertakes every effort necessary to create awareness thereof within the organization.

The Group's Manual of Corporate Governance provides, among others, the following:

	Related Party Transactions Policy
	<p>The Company has adopted a policy on Material Related Party Transactions. In accordance with its policy, it shall not extend preferential treatment to its related partners; and shall accord equal treatment to related and non-related parties under similar circumstances.</p> <p>The Compliance Officer works with the Board and Management identifying persons and companies that are considered as related parties. The Board of Directors and its Management require quarterly review and update of the Related Party registry to capture organizational and structural changes in the Company and its related parties.</p>

	<h2>Whistle-blowing Policy</h2>
	<p>The Company has an open policy that actively promotes honest and highest ethical behavior possible in all its business dealings and activities.</p> <p>SPC Power Corporation employees, executive officers, and directors who have knowledge or reasonably believe that an applicable law, regulation, policy, or ethical guideline has been, is being, or about to be or maybe, violated must promptly report such information to any independent director of the Board, or Compliance Officer of the Company.</p> <p>The Board, through the Corporate Governance Committee (CGC), shall establish a suitable framework for whistleblowing that allows employees, executive officers, and directors to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or the Compliance Officer on whistleblowing concerns. The CGC should be conscientious in establishing the framework, as well as in supervising and ensuring its enforcement.</p>

	<h2>Conflict-of-Interest Policy</h2>
	<p>Pursuant to the Code of Corporate Governance for Publicly-Listed Companies (CGCPLCs), “the Board should oversee that an appropriate internal control system is in place, including setting up a mechanism for monitoring and managing potential conflicts of interest of the Management, board members, and shareholders. The Board should also approve the Internal Audit Charter.”</p> <p>Based on the foregoing, the Company hereby establishes a Conflict-of-Interest Policy. The Board of Directors, officers, and all employees shall at all times avoid any conflict of interest. The Company’s business interest shall in all cases be given preeminence over the personal interests of all employees.</p> <p>The Board, through the Corporate Governance Committee, shall ensure the implementation of this policy by formally establishing an appropriate internal control system, including setting up a mechanism for monitoring and managing potential conflicts of interest of the Management, board members, employees, and shareholders.</p>

	<div data-bbox="745 268 1146 317">Insider Trading Policy</div> <div data-bbox="462 388 1414 579"><p>The Company adheres to fair and transparent principles of trading its securities. Thus, the Company, its directors, officers, and employees are bound to strictly observe the provisions of the Corporation Code, the Securities Regulations Code, and its Implementing Rules and Regulations on prohibitions on fraud, manipulation, and Insider Trading.</p></div>
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ENVIRONMENT

Resource Management

Energy consumption within the organization:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	0	GJ
Energy consumption (heavy fuel oil - Operation)	35,816,815	Li
Energy consumption (light fuel oil - Operation)	2,392,931	Li
Energy consumption (lubricant - Operation)	409,661	Li
Energy consumption (electricity - Plant Consumption)	9,360,714	kWh

Reduction of energy consumption:

Disclosure	Quantity	Units
Energy consumption (renewable sources)	0	GJ
Energy consumption (heavy fuel oil - Operation)	(1,741,542)	Li
Energy consumption (light fuel oil - Operation)	431,059	Li
Energy consumption (lubricant - Operation)	(25,685)	Li
Energy consumption (electricity - Plant Consumption)	(1,076,921)	kWh

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
<p>The increase in energy consumption is an unintended impact or consequence resulting from an increase in the demand for the organization's product (sale of electricity) and not from wastage or unwarranted consumption.</p> <p>The organization's involvement in the impact is due to a higher level of operations brought about by the increase in demand for its product.</p>	Suppliers and contractors and employees, management, shareholders, and other business partners.	Maintenance of cost efficiency measures in the operation; compliance with environmental laws and regulations.

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
An increase in energy consumption would proportionately increase demand for extraction of natural resources identified as components of materials critical for the operations of the organization.	Suppliers and contractors and employees, management, shareholders, and other business partners	Maintenance of cost efficiency measures in the operation; compliance with environmental laws and regulations.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Fast-track the development of alternative energy resources or technologies that will help conserve natural resources being exploited for power generation.	Suppliers and contractors and employees, management, shareholders, and other business partners	Maintenance of cost efficiency measures in the operation; compliance with environmental laws and regulations.

Water consumption within the organization:

Disclosure	Quantity	Units
Water withdrawal (Plant Consumption)	177,790	Cubic meters
Water consumption (Plant Consumption)	177,836	Cubic meters
Water recycled and reused (Plant Consumption)	(Not Quantified)	Cubic meters

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach

The increase in water consumption is an unintended impact or consequence resulting from an increase in the demand for the organization's product (sale of electricity) and not from wastage or unwarranted consumption. The organization's involvement in the impact is due to a higher level of operations brought about by an increase in demand for its product.	Suppliers and contractors and employees, management, shareholders, and other business partners	Maintenance of cost efficiency measures in the operation; compliance with environmental laws and regulations.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
An increase in water consumption would proportionately increase the demand for extraction of natural resources identified as components of materials critical for the operations of the organization.	Suppliers and contractors and employees, management, shareholders, and other business partners	Maintenance of cost efficiency measures in the operation; compliance with environmental laws and regulations.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Fast-track the development of alternative water resources or technologies that will help conserve natural resources being exploited for power generation.	Suppliers and contractors and employees, management, shareholders, and other business partners	Maintenance of cost efficiency measures in the operation; compliance with environmental laws and regulations.

Materials used by the organization:

Disclosure	Quantity	Units
Materials used by weight or volume		
Renewable	Information not available	kg/liters
Non-renewable (HFO)	9,205,380	liters
Percentage of recycled input materials used to manufacture the organization's primary products and services	Information not available	%

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Due to the unavailability of information on materials used by the organization that are either renewable or non-renewable, we have no basis for answering this question.		

What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Due to the unavailability of information on materials used by the organization that are either renewable or non-renewable, we have no basis for answering this question.		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Due to the unavailability of information on materials used by the organization that are either renewable or non-renewable, we have no basis for answering this question.		

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	Quantity	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	None	
Habitats protected or restored	2	ha
IUCN2 Red List species and National Conservation List species with habitats in areas affected by operations	None	

² International Union for Conservation of Nature

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
There being no operational sites that the organization owns, leases, manages in, or is adjacent to, protected areas and areas of high biodiversity value outside protected areas, we have no basis to respond to this question.		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
There being no operational sites that the organization owns, leases, manages in, or is adjacent to, protected areas and areas of high biodiversity value outside protected areas, we have no basis to respond to this question.		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
There being no operational sites that the organization owns, leases, manages in, or is adjacent to, protected areas and areas of high biodiversity value outside protected areas, we have no basis to respond to this question.		

Environmental Impact Management

Air Emissions – GHG

Disclosure	Quantity	Units
Direct (Scope 1) GHG Emissions	No data available	Tonnes CO ₂ e
Energy Indirect (Scope 2) GHG Emissions	No data available	Tonnes CO ₂ e
Emissions of ozone-depleting substances (ODS)	No data available	Tonnes

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
There being no available data, we have no basis to respond to this question.		
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
There being no available data, we have no basis to respond to this question.		
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
There being no available data, we have no basis to respond to this question.		

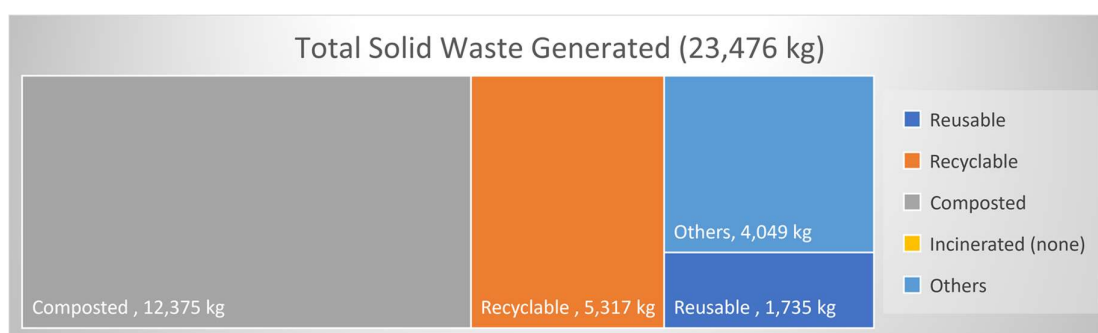
Air Pollutants

Disclosure	Quantity	Units
NO _x	6,281	mg/Nm ³
SO _x	4,279	mg/Nm ³
Persistent organic pollutants (POPs)	1,395	kg
Volatile organic compounds (VOCs)	Information not available	kg
Hazardous air pollutants (HAPs)	Information not available	kg
Particulate matter (PM)	592	mg/Nm ³

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
There had been no complaints from host communities and government regulators	Employees, community, suppliers, and vulnerable groups	The Management quarterly monitors the air emissions through an expert consultant and performs remedial measures as recommended, if any. To date, the Group has not exceeded the limits prescribed by the DENR.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Health hazards	Employees, community, suppliers, government regulators, and vulnerable groups	The Management quarterly monitors the air emissions through an expert consultant and performs remedial measures as recommended, if any. To date, the Group has not exceeded the limits prescribed by the DENR.

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Fosters harmonious relationship with host communities	Employees, community, suppliers, and vulnerable groups	The Management quarterly monitors the air emissions through an expert consultant and performs remedial measures as recommended, if any. To date, the Group has not exceeded the limits prescribed by the DENR.

Solid and Hazardous Wastes



What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
There is no environmental degradation due to proper disposal of solid wastes	Employees, community	The Management appoints an Environmental, Health, Safety and Security (EHSS) Officer to oversee the environmental compliance of the Group. The Group complies with the EMB environmental requirements.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Hazardous to the environment	Employees, community	The Management appoints an Environmental, Health, Safety and Security (EHSS) Officer to oversee the environmental compliance of the Group. The Group complies with the EMB environmental requirements.

What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Recycling/composting contributes to the improvement of the quality of soil used for planting; cuts down on the amount of trash and reduces the cost and carbon emissions it takes to haul and process these garbage materials; reduces soil pollution.	Employees, community	The Management appoints an Environmental, Health, Safety and Security (EHSS) Officer to oversee the environmental compliance of the Group. The Group complies with the EMB environmental requirements.

Hazardous Waste



What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Water discharges are treated in accordance with the Environmental Management Bureau's (EMB) standards. Consequently, the protection and conservation of marine resources	Employee and community	The Management appoints an Environmental, Health, Safety and Security (EHSS) Officer to oversee the environmental compliance of the Group. The Group complies with the EMB requirement on water effluents. Quarterly testing by an EMB accredited facility is performed before discharge.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach

Accidental discharge of effluents due to acts of God such as strong typhoons and tsunami	Employee and community	The Management appoints an Environmental, Health, Safety and Security (EHSS) Officer to oversee the environmental compliance of the Group. The Group has a Risk Disaster Plan for each Plant and conducts periodic drills to prepare for any contingency.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Preservation of natural breeding ground habitat or abode of fishes and other marine organism	Employee and community	The Management appoints an Environmental, Health, Safety and Security (EHSS) Officer to oversee the environmental compliance of the Group. The Group complies with the EMB requirement on water effluents. Quarterly testing by an EMB accredited facility is performed before discharge.

Environmental compliance

Non-compliance with Environmental Laws and Regulations

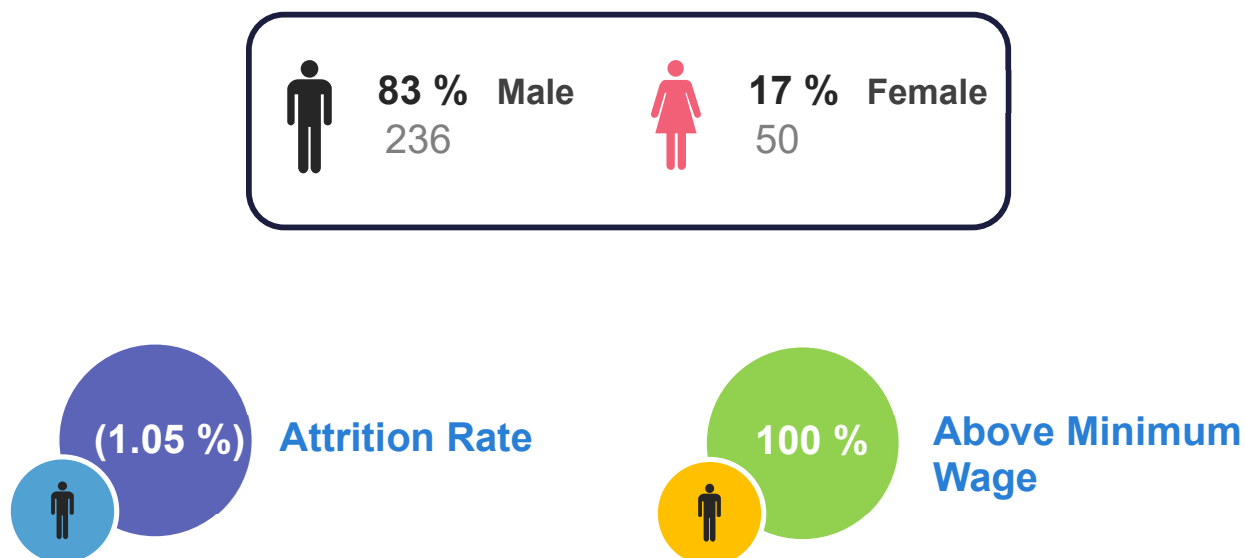
Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	PHP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	0	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Which stakeholders are affected?	Management Approach
Continuous unhampered operations on the primary business through implementation and strict observance of the environmental regulations.	Employees and community	The Management appoints an Environmental, Health, Safety and Security (EHSS) Officer to oversee the

		environmental compliance of the Group.
What are the Risk/s Identified?	Which stakeholders are affected?	Management Approach
Closure of business, related damage to the environment, and costly litigation for damages	Employees and community	Management has identified this as one of the Group's core Values i.e. Caring for and protecting our environment is a prerequisite for the success of our business; Institutionalized policies and procedures safeguarding the environment; Compliance with environmental laws.
What are the Opportunity/ies Identified?	Which stakeholders are affected?	Management Approach
Continuous unhampered operations	Employees and community	Management has identified this as one of the Group's core Values i.e. Caring for and protecting our environment is a prerequisite for the success of our business; Institutionalized policies and procedures safeguarding the environment; Compliance with environmental laws.

SOCIAL

Our current workforce:



Employee Hiring and Benefits

Employee data

Disclosure	Quantity	Units
Total number of employees ³	286	#
a. Number of female employees	50	#
b. Number of male employees	236	#
Attrition rate ⁴	(1.05%)	rate
The ratio of the lowest-paid employee against the minimum wage	0	ratio

³ Employees are individuals who are in an employment relationship with the organization, according to national law or its application ([GRI Standards 2016 Glossary](#))

⁴ Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Y	60%	76%
PhilHealth	Y	38%	66%
Pag-ibig	Y	56%	74%
Parental leaves	Y	0%	2%
Vacation leaves	Y	62%	77%
Sick leaves	Y	62%	72%
Medical benefits (aside from PhilHealth))	Y	62%	91%
Housing assistance (aside from Pagibig)	Y	0%	0%
Retirement fund (aside from SSS)	Y	0%	0%
Further education support	Y	0%	0%
Company stock options	Y	0%	0%
Telecommuting	Y	0%	0%
Flexible-working Hours	Y	57%	64%
(Others)			

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
<p>The Company's workforce is motivated to perform well at work and get involved socially in family and community activities</p> <p>Ensuring employee equal opportunity and satisfactory benefits package which is annually reviewed by management</p>	<p>Management provides annual merit increase as a result of employees' performance evaluation; The Management provides Productivity incentive bonus depending on the performance of the Company.</p> <p>Management provides annual merit increase as a result of employees' performance evaluation with consideration of inflationary factors</p>

What are the Risk/s Identified?	Management Approach
High employee turnover	<p>Establishment of grievance procedures;</p> <p>Management provides annual merit increase as a result of employees' performance evaluation; The Management provides Productivity incentive bonus depending on the performance of the Company.</p>
What are the Opportunity/ies Identified?	Management Approach
Productive and efficient employees	<p>Management provides annual merit increase as a result of employees' performance evaluation; The Management provides Productivity incentive bonus depending on the performance of the Company.</p>

Employee Training and Development

Disclosure	Quantity	Units
Total training hours provided to employees		
a. Female employees	721 Hours	hours
b. Male employees	2,210 Hours	hours
Average training hours provided to employees		
a. Female employees	4	For 50 employees
b. Male employees	9	For 236 employees

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Enhances the expertise of the employees; uplifts employees' morale; attracts and retains good employees by providing them the opportunity for growth and advancement; motivates employees to face bigger challenges in their careers.	Management provides training venues to its employees; Requires employees to attend seminars for professional development; plans and implements effective employee training programs and development

What are the Risk/s Identified?	Management Approach
Inability to match the pace of changes in technological development in terms of continuing professional development in training employees; low employee morale/performance due to insufficient training and development.	Management adopts a policy on continuing professional education and development; Serves as one of the parameters for employee advancement within the organization; plans and implements effective employee training programs and development
What are the Opportunity/ies Identified?	Management Approach
Employee growth in the organization; Promotes efficiency and effectivity that are mutually beneficial to the Company and the employees.	Management adopts a policy on continuing professional education and development; which serves as one of the parameters for employee advancement within the organization.

Labor-Management Relations

Disclosure	Quantity	Units
% of employees covered with Collective Bargaining Agreements	40 Employees	%
Number of consultations conducted with employees concerning employee-related policies	Around 5	# (2023 only)

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Promotes industrial peace	Management allows employee participation in the development of employee-related policies and compliance with all labor laws, rules, and regulations.

What are the Risk/s Identified?	Management Approach
Labor disputes; Strike and lockdowns; disruption of operations resulting to loss of revenue or shutdown of operations.	Management allows employee participation in the development of employee-related policies; Compliance with all labor laws, rules, and regulations; Formulation and implementation of grievance procedures and conciliation.
What are the Opportunity/ies Identified?	Management Approach
Fosters Industrial Peace; Motivated and productive employees; Less employee turnover.	Management allows employee participation in the development of employee-related policies; Compliance with all labor laws, rules, and regulations; Formulation and implementation of grievance procedures and conciliation.

Diversity and Equal Opportunity

Disclosure	Quantity	Units
% of female workers in the workforce	17%	%
% of male workers in the workforce	83%	%
Number of employees from indigenous communities and/or vulnerable sectors*	19	#



***The vulnerable sector includes the elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).**

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Non-discrimination of qualified female and vulnerable sector individuals; provides a wider pool of talents for the organization	Management promotes a policy of gender equality and inclusiveness.
What are the Risk/s Identified?	Management Approach
Misogynism; limits the pool of talents available for the organization	Management promotes a policy of gender equality and inclusiveness.

What are the Opportunity/ies Identified?	Management Approach
Provides equal opportunity in the workplace	Management promotes a policy of gender equality and inclusiveness.

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	251,680	Man-hours
No. of work-related injuries	0	#
No. of work-related fatalities	0	#
No. of work-related ill-health	0	#
No. of safety drills	54	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Reduced absenteeism; reduced health care expenditures; productive employees; employees become more focused and goal-oriented at work; fosters harmonious relationships among employees in the workplace	The Management appoints an Environmental, Health, Safety and Security (EHSS) Officer to oversee the health and safety of employees of the Group. Provision of medical insurance to all regular employees which includes coverage on consultation fees and mandatory annual physical examination. Established COVID-19 Protocols for mandatory compliance of employees to ensure good health and welfare.
What are the Risk/s Identified?	Management Approach
High incidence of absenteeism resulting to low productivity; high operating expenses; depletion of workforce	The Management appoints an Environmental, Health, Safety and Security (EHSS) Officer to oversee the health and safety of employees of the Group. Provision of medical insurance to all regular employees which includes coverage on consultation fees and mandatory annual physical examination.

What are the Opportunity/ies Identified?	Management Approach
Fosters harmonious relationships within the workplace; high level of productivity; provides continuous opportunity for growth and advancement; Health is wealth.	The Management appoints an Environmental, Health, Safety and Security (EHSS) Officer to oversee the health and safety of employees of the Group. Provision of medical insurance to all regular employees which includes coverage on consultation fees and mandatory annual physical examination;

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallow violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite the reference in the company policy
Forced labor	Y	Employee Uniform Code of Conduct
Child labor	Y	Employee Uniform Code of Conduct
Human Rights	Y	Employee Uniform Code of Conduct

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
No cases were filed against the Group on forced labor, child labor, and human rights violations.	Management has integrated the policies against forced labor and child labor; and respect for human rights, in the Employee Uniform Code of Conduct.
What are the Risk/s Identified?	Management Approach
Prosecution of management and its officers for violations of anti-child labor, anti-forced labor laws, and human rights.	Management has integrated the policies against forced labor and child labor; and respect for human rights, in the Employee Uniform Code of Conduct.
What are the Opportunity/ies Identified?	Management Approach
Enhances good reputation as a corporate citizen	Management has integrated the policies against forced labor and child labor; and respect for human rights, in the Employee Uniform Code of Conduct.

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

Yes, we have a supplier accreditation policy incorporated in the Purchasing Policy.

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite the reference in the supplier policy
Environmental performance	Y	Embodied in the Company's supplier accreditation policy
Forced labor	Y	
Child labor	Y	
Human rights	Y	
Bribery and corruption	Y	

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Suppliers became aware of the Company's sustainability requirements for accreditation.	The Management has incorporated the sustainability topics in the Group's supplier accreditation policy
What are the Risk/s Identified?	Management Approach
This may limit the number of suppliers to choose from	The Management has incorporated the sustainability topics in the Group's supplier accreditation policy

What are the Opportunity/ies Identified?	Management Approach
The Company may contribute to the reduction of practices of certain suppliers that make use of forced/child labor, violate human rights, and engage in bribery and corruption.	The Management has incorporated the sustainability topics in the Group's supplier accreditation policy

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative) impacts on local communities (exclude CSR projects; this has to be business operations)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on indigenous people (Y/N)?	Collective or individual rights that have been identified that or particular concern for the community	Mitigating measures (if negative) or enhancement measures (if positive)
Local employment opportunities	Bohol, Iloilo, Cebu, Makati	Elderly	N	Employment concerns	Hiring Priority/preference for local residents
Boost local economic activities	Bohol, Iloilo, Cebu, Makati	Elderly, PWDs, poor	N	Livelihood	Patronize local products and suppliers
Payment of taxes to local government units (LGU)	Bohol, Iloilo, Cebu, Makati	Indirectly	N	Efficient delivery of government services	Timely payment of correct taxes to the LGUs
Continuous generation of electricity to avoid power shortages	Visayas Grid	Children, elderly, youth, PWDs, women, poor	N	Affordable power supply	Efficient operations to reduce cost

Certificates	Quantity	Units
The FPIC process is still undergoing	0	#
CP secured	0	#

What are the Risk/s Identified?	Management Approach
No IPs in our area of operations	No IPs in our area of operations

What are the Opportunity/ies Identified?	Management Approach
No IPs in our area of operations	No IPs in our area of operations

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	No survey was conducted in 2021 due to COVID-19 pandemic	N

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
By supporting and providing affordable and reliable electricity, we empower our customers in the community to be able to: <ul style="list-style-type: none"> a. create businesses and employment opportunities b. building home-grown capabilities c. improve the standard of living of the residents in our areas of operation 	Adopting the philosophy of "Customer is always right"; encourages customers to engage in open-line communication with the Group and inculcates the value of responsiveness to customer demands.
What are the Risk/s Identified?	Management Approach
Slow down on economic activities; regression of social development in areas of operation	Encourage customers to engage in open line communication with the Group; Inculcate the value of responsiveness to customer demands
What are the Opportunity/ies Identified?	Management Approach
Continuous business growth and sustained social development	Encourage customers to engage in open line communication with the Group; Inculcate the value of responsiveness to customer demands

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	0	#
No. of complaints addressed	0	#



***Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.**

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Continuous business growth and sustained social development	The Management appoints an Environmental, Health, Safety, and Security (EHSS) Officer to oversee the continuous implementation of health and safety rules and regulations.
What are the Risk/s Identified?	Management Approach
Destruction of the environment; health hazard	The Management appoints an Environmental, Health, Safety, and Security (EHSS) Officer to oversee the continuous implementation of health and safety rules and regulations.
What are the Opportunity/ies Identified?	Management Approach
Preservation and conservation of the environment; healthy and able-bodied citizens/residents	The Management appoints an Environmental, Health, Safety, and Security (EHSS) Officer to oversee the continuous implementation of health and safety rules and regulations.

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labeling*	None	#
No. of complaints addressed	None	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Continuous business growth and sustained social development	Management is committed to ensuring that its representations on the delivery of reliable and affordable electricity can be depended upon by the customers
What are the Risk/s Identified?	Management Approach
Slow down on economic activities; regression of social development in areas of operation	Management is committed to ensuring that its representations on the delivery of reliable and affordable electricity can be depended upon by the customers
What are the Opportunity/ies Identified?	Management Approach
Continuous business growth and sustained social development.	Management is committed to ensuring that its representations on the delivery of reliable and affordable electricity can be depended upon by the customers

Customer Privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	None	#
No. of complaints addressed	None	#
No. of customers, users, and account holders whose information is used for secondary purposes	None	#



***Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.**

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
--	---------------------

Reliance upon the business quality of the Group; protection of information of customers	Strict implementation of the Data Privacy Act of 2012
What are the Risk/s Identified?	Management Approach
Prosecution of management and its officers for violations of the Data Privacy Act of 2012.	Strict implementation of the Data Privacy Act of 2012
What are the Opportunity/ies Identified?	Management Approach
Enhancement of corporate credibility.	Strict implementation of the Data Privacy Act of 2012

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts, and losses of data	None	#

What is the impact and where does it occur? What is the organization's involvement in the impact?	Management Approach
Reliance upon the business quality and credibility of the Group; protection of information of customers	Strict implementation of the Data Privacy Act of 2012
What are the Risk/s Identified?	Management Approach
Prosecution of management and its officers for violations of the Data Privacy Act of 2012.	Strict implementation of the Data Privacy Act of 2012
What are the Opportunity/ies Identified?	Management Approach
Enhancement of corporate credibility.	Strict implementation of the Data Privacy Act of 2012

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and their contribution to sustainable development.

Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
Power generation and distribution	<ul style="list-style-type: none"> • Good Health and Promote Wellbeing • Gender Equality Affordable and • Clean Energy • Decent Work and Economic Growth • Sustainable Cities and Communities • Responsible Consumption and Production • Climate Action 	Increased reliance on renewable energy may affect the stability of the grid, particularly in an archipelagic country prone to natural calamities.	A. Diversification of power plant portfolio. B. Combat the spread of COVID-19 and protect the company employees and their families by <ol style="list-style-type: none"> a. providing appropriate protective equipment, b. enforcing skeletal workforce at the workplace c. establishing work-from-home set-up among its workforce and d. other related preventive measures

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

	A	S	9	4	0	0	2	3	6	5
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COMPANY NAME

[illegible]**PRINCIPAL OFFICE** (No. / Street / Barangay / City / Town / Province)[illegible]

A	A	P	F	S
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C	R	M	D
----------	----------	----------	----------

N	/	A	
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COMPANY INFORMATION

info@spcpower.com

(032) 232 0377

	N/A
--	-----

757

05/30

12/31

CONTACT PERSON INFORMATION	
NAME	
PHONE	
EMAIL	
ADDRESS	
CITY	
STATE	
ZIP	
COUNTRY	

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

Niño Ray Aguirre

info@spcpower.com

(032) 810 4476

(0917) 802 9343

CONTACT PERSON'S ADDRESS	
Name:	
Address:	
City:	
State:	
Zip:	
Phone:	
Fax:	
E-mail:	

7th Floor, BDO Towers Paseo, 8741, Paseo de Roxas, Makati City, 1209

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

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



Your BIR AFS eSubmission uploads were received

eafs@bir.gov.ph <eafs@bir.gov.ph>

Sat 4/13/2024 6:15 PM

To: Finance <finance@spcpower.com>

Cc: Niño Ray D. Aguirre <ndaguirre@spcpower.com>

Hi SPC POWER CORPORATION,

Valid files

- EAFS003868048RPTTY122023.pdf
- EAFS003868048ITRTY122023.pdf
- EAFS003868048AFSTY122023.pdf

Invalid file

- <None>

Transaction Code: **AFS-0-M2SN3TWV02YZZVXZ4NYMRR3Z309BG78CE**

Submission Date/Time: **Apr 13, 2024 06:15 PM**

Company TIN: **003-868-048**

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SPC Power Corporation

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS


The Management of **SPC POWER CORPORATION** (the Parent Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.


In preparing the financial statements, management is responsible for assessing the Parent 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 Parent Company or to cease operations, or has no realistic alternative but to do so.


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

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

SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Parent Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.


ALFREDO L. HENARES
Chairman of the Board


DENNIS T. VILLAREAL
Chief Executive Officer/President


NIÑO RAY D. AGUIRRE
Treasurer/Vice President - Finance

Signed this 11th day of April 2024.

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
SPC Power Corporation
7th Floor, BDO Towers Paseo
Paseo de Roxas
Makati City

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of SPC Power Corporation (Parent Company), which comprise the parent company statements of financial position as at December 31, 2023 and 2022, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for each of the three years in the period ended December 31, 2023, and notes to the parent company financial statements, including material accounting policy information.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2023, in accordance with Philippine Financial Reporting Standards (PFRSs).

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 Parent Company Financial Statements* section of our report. We are independent of the Parent 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 parent company 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 Parent Company Financial Statements

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



In preparing the parent company financial statements, management is responsible for assessing the Parent 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 Parent Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company 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 parent company 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 parent company 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 Parent 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 Parent 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 parent company 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 Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company 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.

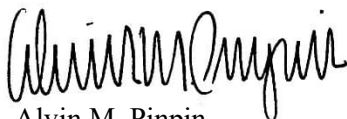
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 26 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of SPC Power Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Alvin M. Pinpin.

SYCIP GORRES VELAYO & CO.



Alvin M. Pinpin

Partner

CPA Certificate No. 94303

Tax Identification No. 198-819-157

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

BIR Accreditation No. 08-001998-070-2023, October 23, 2023, valid until October 22, 2026

PTR No. 10079991, January 6, 2024, Makati City

April 11, 2024



SPC POWER CORPORATION
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	₱3,759,794,015	₱3,587,754,678
Trade and other receivables (Note 7)	183,094,611	125,455,760
Inventories (Note 8)	111,832,064	131,180,641
Prepayments and other current assets (Note 9)	22,149,105	27,334,209
Total Current Assets	4,076,869,795	3,871,725,288
Noncurrent Assets		
Investments in associates (Note 10)	2,852,465,368	2,852,465,368
Investments in subsidiaries (Note 11)	341,177,829	341,177,829
Property, plant and equipment (Note 12)	367,488,888	373,891,495
Other noncurrent assets (Notes 13 and 25)	31,421,496	35,519,149
Total Noncurrent Assets	3,592,553,581	3,603,053,841
TOTAL ASSETS	₱7,669,423,376	₱7,474,779,129
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 14)	₱355,757,777	₱156,070,448
Income tax payable	—	3,718,858
Current portion of lease liabilities (Note 23)	2,200,254	1,828,196
Total Current Liabilities	357,958,031	161,617,502
Noncurrent Liability		
Pension liability (Note 21)	6,616,493	13,640,838
Deferred income tax liability (Note 20)	14,667,949	16,923,976
Lease liabilities - net of current portion (Note 23)	7,359,242	9,559,496
Total Noncurrent Liabilities	28,643,684	40,124,310
Total Liabilities	386,601,715	201,741,812
Equity		
Capital stock - ₱1 par value (Note 15)		
Authorized - 2,000,000,000 shares		
Issued - 1,569,491,900 shares	1,569,491,900	1,569,491,900
Additional paid-in capital	86,810,752	86,810,752
Retained earnings (Note 15):		
Appropriated	—	1,800,000,000
Unappropriated	5,745,686,489	3,941,964,875
Other comprehensive income:		
Remeasurement of retirement benefits obligations (Note 21)	(1,509,306)	(5,572,036)
Net unrealized valuation gains on financial asset at fair value through other comprehensive income (FVOCI) (Note 13)	13,350,000	11,350,000
Treasury stock at cost - 72,940,097 shares (Note 15)	(131,008,174)	(131,008,174)
Total Equity	7,282,821,661	7,273,037,317
TOTAL LIABILITIES AND EQUITY	₱7,669,423,376	₱7,474,779,129

See accompanying Notes to Parent Company Financial Statements.



SPC POWER CORPORATION**PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2023	2022	2021
REVENUE			
Operating fees (Note 25)	₱1,028,440,475	₱720,908,368	₱519,107,948
COST OF SERVICES			
Plant operations (Notes 16 and 25)	814,107,863	629,973,619	353,744,937
GROSS PROFIT	214,332,612	90,934,749	165,363,011
GENERAL AND ADMINISTRATIVE EXPENSES (Note 17)	229,171,867	195,776,658	147,217,973
OTHER INCOME (CHARGES)			
Dividend income (Notes 5, 10 and 11)	205,984,776	1,209,880,065	1,505,777,276
Service income (Note 5)	—	—	40,002,385
Interest income (Note 6)	148,666,114	26,934,920	31,621,618
Interest expense (Notes 23 and 24)	(661,891)	(373,979)	(112,059)
Net foreign exchange gain (loss)	(8,162,250)	93,624,980	7,515,308
Others - net (Note 5)	2,595,059	6,159,117	126,220
	348,421,808	1,336,225,103	1,584,930,748
INCOME BEFORE INCOME TAX	333,582,553	1,231,383,194	1,603,075,786
PROVISION FOR INCOME TAX (Note 20)	30,550,579	34,969,401	27,681,501
NET INCOME	303,031,974	1,196,413,793	1,575,394,285
OTHER COMPREHENSIVE INCOME			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurement gain (loss) on retirement benefits obligations, net of tax effect (Note 21)	4,062,730	(3,352,674)	(5,142,195)
Unrealized valuation gain on financial asset at FVOCI (Note 13)	2,000,000	5,000,000	600,000
	6,062,730	1,647,326	(4,542,195)
TOTAL COMPREHENSIVE INCOME	₱309,094,704	₱1,198,061,119	₱1,570,852,090
EARNINGS PER SHARE (BASIC/DILUTED)			
(Note 15)	₱0.20	₱0.80	₱1.05

See accompanying Notes to Parent Company Financial Statements.



SPC POWER CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

	Other Comprehensive Income (Loss)							
			Retained Earnings (Note 15)		Remeasurement of Retirement Benefits Obligations (Note 21)	Net Unrealized Valuation Gains on Financial Assets at FVOCI (Note 13)	Treasury Stock at Cost (Note 15)	
	Capital Stock (Note 15)	Additional Paid-in Capital	Appropriated	Unappropriated				Total
At January 1, 2023	₱1,569,491,900	₱86,810,752	₱1,800,000,000	₱3,941,964,875	(₱5,572,036)	₱11,350,000	(₱131,008,174)	₱7,273,037,317
Total comprehensive income	—	—	—	303,031,974	4,062,730	2,000,000	—	309,094,704
Reversal of appropriation (Note 15)	—	—	(1,800,000,000)	1,800,000,000	—	—	—	—
Cash dividends (Note 15)	—	—	—	(299,310,360)	—	—	—	(299,310,360)
At December 31, 2023	₱1,569,491,900	₱86,810,752	₱—	₱5,745,686,489	(₱1,509,306)	₱13,350,000	(₱131,008,174)	₱7,282,821,661
At January 1, 2022	₱1,569,491,900	₱86,810,752	₱1,800,000,000	₱3,044,861,443	(₱2,219,362)	₱6,350,000	(₱131,008,174)	₱6,374,286,559
Total comprehensive income	—	—	—	1,196,413,793	(3,352,674)	5,000,000	—	1,198,061,119
Cash dividends (Note 15)	—	—	—	(299,310,361)	—	—	—	(299,310,361)
At December 31, 2022	₱1,569,491,900	₱86,810,752	₱1,800,000,000	₱3,941,964,875	(₱5,572,036)	₱11,350,000	(₱131,008,174)	₱7,273,037,317
At January 1, 2021	₱1,569,491,900	₱86,810,752	₱1,800,000,000	₱3,789,122,453	₱2,922,833	₱5,750,000	(₱131,008,174)	₱7,123,089,764
Reversal of appropriation (Note 15)	—	—	—	1,575,394,285	(5,142,195)	600,000	—	1,570,852,090
Cash dividends (Note 15)	—	—	—	(2,319,655,295)	—	—	—	(2,319,655,295)
At December 31, 2021	₱1,569,491,900	₱86,810,752	₱1,800,000,000	₱3,044,861,443	(₱2,219,362)	₱6,350,000	(₱131,008,174)	₱6,374,286,559

See accompanying Notes to Parent Company Financial Statements.



SPC POWER CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱333,582,553	₱1,231,383,194	₱1,603,075,786
Adjustments for:			
Dividend income (Notes 5, 10 and 11)	(205,984,776)	(1,209,880,065)	(1,505,777,276)
Interest income (Note 6)	(148,666,114)	(26,934,920)	(31,621,618)
Depreciation and amortization (Notes 12 and 19)	46,021,632	40,289,703	41,506,177
Net unrealized foreign exchange gain (loss)	8,401,870	(68,056,643)	(1,474,738)
Net changes in pension liability (Note 21)	(2,961,615)	1,797,290	2,011,879
Interest expense (Notes 23 and 24)	661,891	373,979	112,059
Gain on disposal of assets	—	—	(71,429)
Operating income before working capital changes	31,055,441	(31,027,462)	107,760,840
Decrease (increase) in:			
Trade and other receivables	(57,638,851)	73,592,477	(38,435,651)
Inventories	19,348,577	(50,993,444)	(9,863,220)
Prepayments and other current assets	3,420,103	(7,414,504)	(6,153,984)
Increase (decrease) in trade and other payables	87,664,495	(2,752,505)	73,664,894
Net cash generated from operations	83,849,765	(18,595,438)	126,972,879
Interest received	148,666,114	26,934,920	31,621,618
Income taxes paid	(36,525,464)	(21,205,197)	(32,786,761)
Interest paid (Notes 23 and 24)	(661,891)	(373,979)	(112,059)
Net cash flows from (used in) operating activities	195,328,524	(13,239,694)	125,695,677
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash dividends received (Notes 5, 10 and 11)	205,984,776	1,209,880,065	1,421,288,616
Additions to property, plant and equipment (Note 12)	(39,010,774)	(1,422,842)	(22,140,036)
Cash inflows (outflows) arising from advances to suppliers and contractors (Notes 13 and 25)	5,489,402	2,807,098	(10,686,707)
Proceeds from disposal of property and equipment (Note 12)	—	—	71,429
Net cash flows from investing activities	172,463,404	1,211,264,321	1,388,533,302

(Forward)



	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends paid (Note 15)	(P185,522,525)	(P299,310,361)	(P2,319,655,295)
Payment of principal portion of lease liabilities (Note 24)	(1,828,196)	(3,526,795)	(1,765,439)
Cash flows used in financing activities	(187,350,721)	(302,837,156)	(2,321,420,734)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	180,441,207	895,187,471	(807,191,755)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(8,401,870)	68,056,643	1,474,738
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,587,754,678	2,624,510,564	3,430,227,581
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	P3,759,794,015	P3,587,754,678	P2,624,510,564

See accompanying Notes to Parent Company Financial Statements.



SPC POWER CORPORATION

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

SPC Power Corporation (the Parent Company) was incorporated in the Republic of the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on March 11, 1994.

The Parent Company was formerly a venture company owned by members of the Salcon Consortium which entered into a Rehabilitation, Operation, Maintenance and Management Agreement (ROMM Agreement) with the National Power Corporation (NPC) on March 25, 1994 for the purpose of undertaking the rehabilitation, operation, maintenance and management of the 203.8 megawatt (MW) Naga Power Plant Complex (NPPC) in Colon, Naga, Cebu under the rehabilitate-operate-maintain-and-manage scheme as defined in the ROMM Agreement.

Under the ROMM Agreement, the Parent Company, at its own cost, rehabilitated, operated, maintained and managed the NPPC over the cooperation period of 15 years (Cooperation Period: up to May 29, 2009 for the Land-Based Gas Turbines (LBGTs), and up to March 25, 2012 for the Cebu Thermal Power Plant (CTPP) 1, CTPP 2 and Cebu Diesel Power Plants 1 (CDPP 1), as amended).

In resolutions dated September 28, 2001, the Board of Directors (BOD) and Stockholders amended the primary purposes for which the Parent Company is formed. Together with its subsidiaries and associates, it is engaged in various business activities within the Philippines that include, among others, the development, construction, rehabilitation, maintenance, management and operation of power generating plants, electricity distribution and related facilities in accordance with existing laws.

On April 2, 2002, the Parent Company's common shares were listed in the Philippine Stock Exchange (PSE) with ticker symbol: SPC (see Note 15).

On April 15, 2016, SPC Island Power Corporation (SIPC), a wholly owned subsidiary of the Parent Company, submitted the highest offer to Power Sector Assets and Liabilities Management Corporation (PSALM) in the negotiated sale of the 32-MW Power Barge (PB) 104. On June 16, 2016, the Parent Company executed an Amendment, Accession and Assumption Agreement with PSALM and SIPC. Under the agreement, SIPC assigned all its rights and obligations as Buyer of PB 104 to the Parent Company after PSALM gave its consent pursuant to the provisions of the Asset Purchase Agreement (APA) between SIPC and PSALM. On June 30, 2016, PSALM turned over the PB 104 to the Parent Company.

On January 4, 2017, the SEC approved the Parent Company's amendment to the Articles of Incorporation to engage in the business of selling, brokering, marketing, or aggregating electricity to the end users.

On June 9, 2022, the SEC approved the Parent Company's amendment to the Articles of Incorporation to engage in the business of renewable energy including the exploration, development and utilization of renewable energy resources, such as but not limited to biomass, solar, wind, hydro, geothermal, ocean energy sources or hybrid systems.

On June 19, 2022, the SEC approved the change in the Parent Company's principal office address from 7th Floor, Cebu Holdings Center, Archbishop Reyes Avenue, Cebu Business Park, Cebu City to 7th FL BDO Towers Paseo, 8741, Paseo de Roxas, Makati City, 1209.



The financial statements of the Parent Company were authorized for issue by the BOD on April 11, 2024.

2. **Basis of Preparation, Statement of Compliance and Changes in Accounting Policies and Disclosures**

Basis of Preparation

The Parent Company's financial statements have been prepared on a historical cost basis, except for financial assets at FVOCI which have been measured at fair value, and are presented in Philippine Peso, the Parent Company's functional currency. All amounts are rounded to the nearest Peso except as otherwise indicated.

The Parent Company also prepares and issues consolidated financial statements for the same period as the separate financial statements presented in accordance with Philippine Financial Reporting Standards (PFRSs). These may be obtained at 7th FL BDO Towers Paseo, 8741, Paseo de Roxas, Makati City, 1209.

Statement of Compliance

The Parent Company's financial statements are presented in accordance with the PFRSs.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and revised standards and Philippine Interpretations which were applied starting January 1, 2023. The Parent Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, the adoption did not have any significant impact on the financial statements of the Parent Company.

Effective beginning on or after January 1, 2023

- Amendments to Philippine Accounting Standards (PAS) 1 and PFRS Practice Statement 2, Disclosure of Accounting Policies

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies, and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance.

- Amendments to PAS 8, Definition of Accounting Estimates

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.



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

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

- Amendments to PAS 12, International Tax Reform - Pillar Two Model Rules

The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023.

Meanwhile, the disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after January 1, 2023.

Standard Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, Classification of Liabilities as Current or Noncurrent
- Amendments to PFRS 16, Lease Liability in a Sale and Leaseback
- Amendments to PAS 7 and PFRS 7, Disclosures: Supplier Finance Arrangements

Effective beginning on or after January 1, 2025

- PFRS 17, Insurance Contracts
- Amendments to PAS 21, Lack of exchangeability

Deferred effectivity

- Amendments to PFRS 10, Consolidated Financial Statements, and PAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture



3. Summary of Material Accounting Policies

Cash and Cash Equivalents

Cash consists of cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three (3) months or less from dates of acquisition and that are subject to an insignificant risk of change in value.

Financial Instruments - Classification and Measurement

Classification of Financial Assets. Financial assets are classified in their entirety based on the contractual cash flows characteristics of the financial assets and the Parent Company's business model for managing the financial assets. The Parent Company classifies its financial assets into the following measurement categories:

- Financial assets measured at amortized cost;
- Financial assets measured at FVOCI, where cumulative gains or losses previously recognized are reclassified to profit or loss;
- Financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss.

Contractual Cash Flows Characteristics. If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Parent Company assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding.

In making this assessment, the Parent Company determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business Model. The Parent Company's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Parent Company's business model does not depend on management's intentions for an individual instrument.

The Parent Company's business model refers to how it manages its financial assets in order to generate cash flows. The Parent Company's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Parent Company in determining the business model for a group of financial assets include how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Parent Company's key management personnel, the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed and how managers of the business are compensated.



Financial Assets at Amortized Cost. A financial asset is measured at amortized cost if (a) it is held within a business model for which the objective is to hold financial assets in order to collect contractual cash flows and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in “Interest income” in the statement of comprehensive income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (a) purchased or originated credit-impaired financial assets and (b) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in “Provision for impairment losses” under “General and administrative expenses” in the parent company statements of comprehensive income.

As at December 31, 2023 and 2022, the Parent Company has financial assets at amortized cost consisting of cash and cash equivalents and trade and other receivables (see Notes 5, 6 and 7).

Financial Assets at FVOCI. A financial asset is measured at FVOCI if (a) it is held within a business model for which the objective is achieved by both collecting contractual cash flows and selling financial assets and (b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity.

The Parent Company may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Parent Company may transfer the cumulative gain or loss within equity.

As at December 31, 2023 and 2022, the Parent Company’s financial assets at FVOCI includes proprietary golf club shares recorded as part of “Other noncurrent assets” (see Notes 13 and 22).

Classification of Financial Liabilities. Financial liabilities are measured at amortized cost, except for the following:

- Financial liabilities measured at FVPL;
- Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Parent Company retains continuing involvement;
- Financial guarantee contracts;
- Commitments to provide a loan at a below-market interest rate; and
- Contingent consideration recognized by an acquirer in accordance with PFRS 3.



A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or
- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

The Parent Company's financial liabilities include trade and other payables (see Notes 5 and 14).

Impairment of Financial Assets

The Parent Company uses the single, forward-looking "expected loss" impairment model and recognizes ECL for the following financial assets:

- Debt instruments that are measured at amortized cost and FVOCI;
- Loan commitments; and
- Financial guarantee contracts

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- 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.

Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

- *Stage 1: 12-month ECL.* For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.
- *Stage 2: Lifetime ECL - not credit-impaired.* For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.
- *Stage 3: Lifetime ECL - credit-impaired.* Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.



Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; or
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Parent Company considers a debt investment security to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’, or when the exposure is less than 30 days past due.

Determination of the Stage for Impairment. At each reporting date, the Parent Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Parent Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-month ECL.

Simplified Approach. The simplified approach, where changes in credit risk are not tracked and loss allowances are measured at amounts equal to lifetime ECL, is applied to ‘Trade and other receivables’. The Parent Company has established a provision matrix for commercial and industrial business segments that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Parent Company considers a financial asset to be in default when internal or external information indicates that the Parent Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Parent Company.

Derecognition of Financial Assets and Liabilities

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

- the rights to receive cash flows from the asset have expired;
- the Parent Company retains the right to receive cash flows from the asset.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.



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 Parent 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 Parent 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; and
- 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 parent company statements of financial position on a recurring basis, the Parent 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 Parent Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Inventories

Inventories, which consist of spare parts, fuel and consumables used in the operation, repairs and maintenance of the property, plant and equipment, are stated at the lower of cost and net realizable value (NRV). Cost is determined using the moving average method. NRV is the current replacement cost in the ordinary course of business.

Investments in Associates and Subsidiaries

The Parent Company's investments in associates and subsidiaries are accounted for at cost less any impairment loss, in accordance with PAS 27, *Separate Financial Statements*. An associate is an entity in which the Parent Company has significant influence and which is neither a subsidiary nor a joint venture. A subsidiary is an entity that is controlled by the Parent Company.



Property, Plant and Equipment

Property, plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any allowance for impairment losses.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property, plant and equipment and borrowing costs for long term construction projects when the recognition criteria are met. Cost also includes asset retirement obligation specifically for property, plant and equipment installed/constructed on the leased properties.

Advances to suppliers and contractors to be applied as payment for assets to be classified as property, plant and equipment are presented as noncurrent asset and included as part of “Other noncurrent assets” in the statements of financial position.

Expenditures incurred after the property, plant and equipment have been put into operations, such as repairs and maintenance, are normally charged to income 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, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment.

The carrying amount of the replaced part, regardless of whether the replaced part had been depreciated separately, is derecognized if an entity recognizes in the carrying amount of an item of property, plant and equipment the cost of a replacement for part of the item. If it is not practicable for an entity to determine the carrying amount of the replaced part, it may use the cost of the replacement as an indication of what the cost of the replaced part was at the time it was acquired or constructed. When each major inspection is performed, its cost is recognized in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied.

Depreciation of property, plant and equipment commences once the assets are available for use and is computed on a straight-line basis over the estimated useful lives of the assets or lease term (for right-of-use assets), whichever is shorter, as follows:

Category	No. of Years
Buildings, plant machinery and equipment	3–15
Motor vehicles	5
Furniture and office equipment	5
Partitions and air conditioners	5
Right-of-use assets	2–5

The remaining useful lives and the depreciation method are reviewed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of consumption of future economic benefits from items of property, plant and equipment.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and any allowance for impairment losses are removed from the accounts and any resulting gain or loss is credited to or charged to current operations.

Construction in progress (CIP) represents assets under construction and is stated at cost. This includes cost of construction, equipment and other direct costs. CIP is not depreciated until such time as the relevant assets are completed and available for operational use.



It is the Parent Company's policy to classify right-of-use assets as part of property and equipment. The Parent Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are initially measured at cost less accumulated depreciation. The initial cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Equity

Treasury Shares. These own equity instruments which are reacquired are recognized at cost and deducted from equity. No gain or loss is recognized in the parent company statement of comprehensive income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments.

Retained Earnings. Retained earnings include cumulative balance of periodic net income or loss, dividend contribution and prior period adjustments. Dividends are recognized as liability and deducted from retained earnings when they are declared.

Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Parent Company expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties.

Revenue is recognized when the Parent Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation.

The Parent Company has concluded that it is the principal in its revenue arrangements because it controls the goods or services before these goods or services are transferred to the customer. The following specific recognition criteria must also be met before revenue is recognized:

Operating Fees. Revenue consists of: (i) fees from National Grid Corporation of the Philippines for rendering ancillary services; and (ii) energy fees for electricity sold to the Wholesale Electricity Spot Market (WESM).

The Parent Company has concluded that revenue should be recognized over time since the customer simultaneously receives and consumes the benefit as the seller supplies power. For power generation where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity. The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer. In contracts with fixed capacity payments which are determined at contract inception, the fixed capacity payments for the entire contract period is determined at day 1 and is recognized over time.

Some contracts with customers provide unspecified quantity of energy and includes provisional Energy Regulatory Commission (ERC) rates. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved.



Dividend Income. Dividend income from investments in associates and subsidiaries is recognized when the Parent Company's right to receive payment is established.

Cost and Expense Recognition

Cost and expenses are recognized in the parent company statement of comprehensive income when incurred.

Leases

The Parent Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Parent Company as a lessee. The Parent Company applies a single recognition and measurement approach for all leases, except for short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets. The Parent Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Lease liabilities. At the commencement date of the lease, the Parent Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term.

In calculating the present value of lease payments, the Parent Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

Pension Expense

The Parent Company has a funded, noncontributory defined pension plan covering all regular and permanent employees. The cost of providing benefits is determined using the projected unit credit method. This method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

The net defined benefit liability is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets.

Defined benefit costs comprise the following:

- Service cost;
- Net interest on the net defined benefit liability; and
- Remeasurements of net defined benefit liability.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the parent company-statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability is the change during the period in the net defined benefit liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability. Net interest on the net defined benefit liability is recognized as expense or income in the parent company statement of comprehensive income.



Remeasurements comprising actuarial gains and losses and return on plan assets are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to parent company statement of comprehensive income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Parent Company, nor can they be paid directly to the Parent Company. Fair value of plan assets is based on market price information.

Income Tax

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

The Parent Company records uncertain tax positions on the basis of a two-step process whereby the Parent Company determines whether it is more likely than not that the tax positions will be sustained based on technical merits of the position, and for those tax positions that meet the more likely than not criteria, the Parent Company recognizes the largest amount of tax benefit that is greater than 50% likely to be realized upon ultimate settlement with related tax authority. The Parent Company records any interest and penalties on uncertain tax positions in “Income tax expense (benefit)” account in the parent company statement of comprehensive income.

Related Party Transactions

Transactions with related parties are accounted for based on the nature and substance of the agreement, and financial effects are included in the appropriate asset, liability, income and expense accounts.

Provisions

Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Parent Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Foreign Currency-Denominated Transactions

The Parent Company’s financial statements are presented in Philippine Peso which is the Parent Company’s functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency rate of exchange ruling at the reporting date. All differences are directly charged against or credited to current operations.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.



Earnings per Share

Basic earnings per common share is determined by dividing net income by the weighted average number of common shares outstanding, after retroactive adjustment for any stock dividend and stock splits declared during the year.

Diluted earnings per common share is calculated by dividing the net income for the year attributable to the ordinary equity holders of the Parent Company by the weighted average number of common shares outstanding during the year plus the weighted average number of ordinary shares that would be issued for any outstanding common stock equivalents.

Segment Reporting

For management purposes, the Parent Company is organized into business units based on their services and has only one single operating segment as of December 31, 2021 and 2020. No operating segments have been aggregated to form the Parent Company's single operating segment. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the parent company financial statements.

4. **Significant Accounting Judgments and Estimates**

The Parent Company's financial statements, prepared in compliance with PFRSs, require the Parent Company to make judgments and estimates that affect amounts reported in the parent company financial statements and related notes. In preparing these financial statements, the Parent Company made its best judgments and estimates of certain amounts, giving due consideration to materiality. The Parent Company believes that the following represent a summary of these significant accounting judgments and estimates and the related impact and associated risks in the parent company financial statements.

Judgments

In the process of applying the Parent Company's accounting policies, management has made judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the parent company financial statements.

Revenue Recognition. The Parent Company recognizes revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. The Parent Company determines, at contract inception, whether it will transfer control of a promised good or service over time. If the Parent Company does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The Parent Company's revenue from power generation is to be recognized over time since customers simultaneously receive and consume the benefits as the Parent Company supplies power.

Significant judgments in revenue recognition are as follows:

- *Identifying Performance Obligations.* The Parent 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 customer and the Parent Company's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.



The Parent Company assesses performance obligations as a series of distinct goods and services that are substantially the same and have the same pattern of transfer if i) each distinct good or services in the series are transferred over time and ii) the same method of progress will be used (i.e., units of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation.

For power generation and ancillary services where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity.

The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer since the delivery of energy every month are distinct services which are all recognized over time and have the same measure of progress.

- *Identifying Methods for Measuring Progress of Revenue Recognized Over Time.* The Parent Company determines the appropriate method of measuring progress which is either through the use of input or output methods. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

For power generation and ancillary services, the Parent Company determined that the output method is the best method in measuring progress since actual electricity is supplied to customers. The Parent Company recognizes revenue based on:

- For the variable energy payment, actual kilowatt hours consumed which are billed on a monthly basis.
 - For fixed capacity payments, the Parent Company allocates the transaction price on a straight-line basis over the contract term. The allocated fixed payments are also billed on a monthly basis.
- *Determining Method to Estimate Variable Consideration and Assessing the Constraint.* The Parent Company includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Parent Company considers both the likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the Parent Company will subject to constraint. Factors such as i) highly susceptibility to factors outside the Parent Company's influence, ii) timing of resolution of the uncertainty, and iii) having a large number and broad range of possible considerations amount are considered.

Some contracts with customers provide unspecified quantity of energy, provisional ERC rates, and prompt payment discounts that give rise to variable consideration. In estimating the variable consideration, the Parent Company applies the expected value method in estimating the variable consideration given the large number of customer contracts that have similar characteristics and the range of possible outcomes.



Before including any amount of variable consideration in the transaction price, the Parent Company considers whether the amount of variable consideration is constrained. The Parent Company determined that the estimates of variable consideration are to be fully constrained based on its historical experience (i.e., prompt payment discounts), the range of possible outcomes (i.e., unspecified quantity of energy), and the unpredictability of other factors outside the Parent Company's influence (i.e., provisional ERC rates).

- *Allocation of variable consideration.* Variable consideration may be attributable to the entire contract or to a specific part of the contract. For power generation, power and ancillary services revenue streams which are considered as series of distinct goods or services that are substantially the same and have the same pattern of transfer, the Parent Company allocates the variable amount that is no longer subject to constraint to the satisfied portion (i.e., month) which forms part of the single performance obligation, and forms part of the monthly billing of the Parent Company.

Assessment of Control Over SECI. Control is presumed to exist when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. Management has determined that the Parent Company has the ability to control the operating and financial activities of SECI by virtue of an agreement. The other stockholder (an individual stockholder owning 60% of the outstanding capital stock of SECI and also a major stockholder of the Parent Company) delegates and entrusts all the decisions in the operational and finance functions of SECI to the Parent Company which owns 40% of the outstanding capital stock of SECI.

Estimates and Assumptions

Estimating Expected Credit Losses on Trade and Other Receivables using Simplified Approach. The Parent Company uses the provision matrix to calculate ECLs for these receivables. The Parent Company calculates provision rates based on days past due for a group of various customer or debtor segments that have similar loss patterns (i.e., customer type).

The provision matrix is initially based on the Parent Company's historical observed loss rates. The Parent Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., inflation rates) are expected to increase over the next year which can lead to an increased number of defaults, the historical loss rates are adjusted. At every reporting date, the historical observed loss rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed loss rates, forecast economic conditions and ECLs is a significant estimate which involves qualitative and quantitative thresholds in place. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Parent Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The Parent Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The Parent Company has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.



Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 3 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Parent Company has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

An increase in the Parent Company's allowance for expected credit losses of trade and other receivables will increase the Parent Company's recorded expenses and decrease current assets. As of December 31, 2023 and 2022, allowance for expected credit losses amounted to ₱4.2 million and ₱4.6 million, respectively (see Notes 5 and 7). These receivables, net of allowance for expected credit losses, amounted to ₱64.7 million and ₱53.2 million as of December 31, 2023 and 2022, respectively (see Note 8).

Estimating Useful Lives of Property, Plant and Equipment and Right-of-Use Asset. The Parent Company estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use or lease term, whichever is shorter. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property, plant and equipment is based on collective assessment of internal technical evaluation and experience with similar assets. However, it is possible that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recording expenses for any period would be affected by changes in these factors and circumstances.

The Parent Company recognized depreciation expense amounting to ₱45.4 million, ₱39.7 million and ₱40.9 million in 2023, 2022 and 2021, respectively (see Notes 8 and 19). As of December 31, 2023 and 2022, the aggregate net book values of property, plant and equipment subjected to depreciation amounted to ₱367.5 million and ₱373.9 million, respectively (see Note 12).

Estimating Incremental Borrowing Rate (IBR). The Parent Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Parent Company would have to pay to borrow a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in similar economic environment. The IBR therefore reflects what the Parent Company 'would have to pay', which requires estimation when no observable rates are available. The Parent Company estimates the IBR using observable inputs such as market interest rates when available and is required to make certain entity-specific estimates such as the Parent Company's credit rating.

The carrying amount of the right-of-use assets as of December 31, 2023 and 2022 amounted to ₱8.6 million and ₱11.0 million, respectively. Lease liabilities as of December 31, 2023 and 2022 amounted to ₱9.6 million and ₱11.4 million, respectively (see Note 23).

5. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence.



The Parent Company's policy on material related party transactions is in compliance with the Philippine SEC Memorandum Circular No. 10, Series of 2019, or the *Rules on Material Related Party Transactions for Publicly-Listed Companies*.

The policy covers related party transactions that meet the materiality threshold of 10% of the Parent Company's total assets. It defines the processes, controls and safeguards for the proper handling, including review, approval and disclosure, of such related party transactions in accordance with applicable laws and regulations.

The Parent Company, in the normal course of business, has significant transactions with related parties which principally consist of the following:

- Management services rendered to SIPC where management fee earned by the Parent Company amounted to nil in 2023 and 2022 and ₱0.1 million in 2021 is included as part of "Others - net" in the parent company statements of comprehensive income.
- Extension of noninterest-bearing advances to SIPC for working capital requirements and receivables relating to the purchase of inventories made by the Parent Company on behalf of SIPC. Outstanding receivables related to these transactions amounted to ₱0.7 million and ₱0.3 million as of December 31, 2023 and 2022, respectively.
- Extension of noninterest-bearing advances to Bohol Light Company, Inc. (BLCI) for working capital requirements. Outstanding advances amounted to ₱0.3 million and ₱0.5 million as of December 31, 2023 and 2022, respectively.
- Cash dividends earned from subsidiaries, SIPC, BLCI, SPC Electric Company, Inc.(SECI), and SPC Light Company, Inc. (SLCI) amounted to ₱6.0 million, ₱205.2 million and ₱359.0 million in 2023, 2022 and 2021, respectively (see Note 11).
- Rendering of management and other services to Mactan Electric Company, Inc. (MECO), an associate, amounting to nil in 2023 and 2022 and ₱40.0 million in 2021 are recorded as "Service income" in the parent company statements of comprehensive income. The management and other services agreement has been discontinued in 202.
- Extension of short-term, noninterest-bearing advances to KEPCO SPC Power Corporation (KEPCO SPC), an associate, for the development of the 2x100 MW Circulating Fluidized Bed Combustion (CFBC) Boiler Coal-Fired Power Plant in Naga, Cebu. Outstanding advances to KEPCO SPC amounted to ₱0.8 million as of December 31, 2023 and 2022.
- Cash dividends received from associates (KEPCO SPC and MECO) amounted to ₱200 million, ₱1,004.7 million and ₱1,146.8 million in 2023, 2022 and 2021, respectively (see Note 10).
- Rentals on office spaces from SPEC Properties, Inc. (SPEC) and SII Properties Development Corporation (SPDC) with lease terms ranging from 2–3 years amounted to ₱4.5 million 2023 and ₱4.4 million in 2022 and 2021. Upon adoption of PFRS 16, lease liabilities were recognized on the unpaid rentals until the end of lease term for these office spaces.
- Extension/availment of noninterest-bearing advances to/from related parties for working capital requirements.



The results of these transactions are presented in the appropriate accounts in the parent company financial statements. The amounts of due from/due to related parties and trade and other receivables follow:

2023				
Category	Transaction	Outstanding Balance - Receivable (Payable)	Terms	Conditions
Subsidiaries				
Extension (availment) of advances:				
SIPC**	₱2,427,874	₱675,535	60-day; Noninterest-bearing	Unsecured; No impairment
SIPC***	345,766	(141,970)	60-day; Noninterest-bearing	Unsecured
BLCI**	161,866	332,400	60-day; Noninterest-bearing	Unsecured; No impairment
BLCI***	62,026	(191,277)	60-day; Noninterest-bearing	Unsecured
SMPC**	21,155	32,604	60-day; Noninterest-bearing	Unsecured; No impairment
SECI**	20,668	6,010	60-day; Noninterest-bearing	Unsecured; No impairment
SLCI**	21,009	6,451	60-day; Noninterest-bearing	Unsecured; No impairment
CNPC**	109,111	326,261	60-day; Noninterest-bearing	Unsecured; No impairment
Dividend income (see Note 11):				
BLCI	5,984,999	5,984,999	Due and demandable	Unsecured; No impairment
Associates				
Extension of advances:				
KEPCO SPC	—	763,112	60-day; Noninterest-bearing	Unsecured; No impairment
MECO	—	939	60-day; Noninterest-bearing	Unsecured; No impairment
Dividend income (see Note 10):				
MECO	199,999,778	39,999,955	Due and demandable	Unsecured; No impairment
Affiliates (Companies Under Common Ownership)				
Lease of office space:****				
SPEC	3,651,136	(912,784)	30-day; Noninterest-bearing;	Unsecured
SPDC	801,426	(200,357)	30-day; Noninterest-bearing; 3% annual escalation	Unsecured
Extension (availment) of advances:				
Bohol Water Utilities, Inc. (BWUI)**	148,992	256,035	60-day; Noninterest-bearing	Unsecured; No impairment
SPDC**	162,543	576,063	60-day; Noninterest-bearing	Unsecured; No impairment
Salcon International, Inc. (SII)**	246,450	428,386	60-day; Noninterest-bearing	Unsecured; No impairment
Salcon Philippines, Inc. (SPI)**	81,770	59,895	60-day; Noninterest-bearing	Unsecured; No impairment
Salcon Philippines, Inc. (SPI)***	—	5,600		
SIPC Water Resources, Inc. (SWRI)**	—	223,586	60-day; Noninterest-bearing	Unsecured; No impairment
Western Panay Hydropower Corp. (WPHC)**	127,622	362,765	60-day; Noninterest-bearing	Unsecured; No impairment
SPEC**	159,931	67,883	60-day; Noninterest-bearing	Unsecured; No impairment
KV Holdings, Inc.**	24,745	10,825	60-day; Noninterest-bearing	Unsecured; No impairment
KEPCO Philippines Holdings, Inc.***	—	(497,043)	60-day; Noninterest-bearing	Unsecured

* Under "Trade and other receivables"

** Under "Due from related parties"

*** Under "Due to related parties"

**** Under "Lease liabilities"



2022				
Category	Transaction	Outstanding Balance - Receivable (Payable)	Terms	Conditions
Subsidiaries				
Extension (availment) of advances:				
SIPC**	₱903,532	₱328,523	60-day; Noninterest-bearing	Unsecured; No impairment
SIPC***	1,672,358	(189,179)	60-day; Noninterest-bearing	Unsecured
BLCI**	316,170	468,893	60-day; Noninterest-bearing	Unsecured; No impairment
BLCI***	—	(129,251)	60-day; Noninterest-bearing	Unsecured
SMPC**	19,588	19,588	60-day; Noninterest-bearing	Unsecured; No impairment
SECI**	77,952	12,869	60-day; Noninterest-bearing	Unsecured; No impairment
SLCI**	15,705	12,289	60-day; Noninterest-bearing	Unsecured; No impairment
CNPC**	40,189	217,151	60-day; Noninterest-bearing	Unsecured; No impairment
Dividend income (see Note 11):				
SIPC	189,999,981	—	Due and demandable	Unsecured
BLCI	4,488,749	4,488,749	Due and demandable	Unsecured; No impairment
SECI	5,674,139	—	Due and demandable	Unsecured; No impairment
SLCI	5,043,679	—	Due and demandable	Unsecured; No impairment
Associates				
Extension of advances:				
KEPCO SPC**	—	763,112	60-day; Noninterest-bearing	Unsecured; No impairment
MECO	—	939	60-day; Noninterest-bearing	Unsecured; No impairment
Dividend income (see Note 10):				
KEPCO SPC	964,673,562	—	Due and demandable	Unsecured
MECO	39,999,956	—	Due and demandable	Unsecured; No impairment
Affiliates (Companies Under Common Ownership)				
Lease of office space:****				
SPEC	3,651,136	—	30-day; Noninterest-bearing;	Unsecured
SPDC	778,084	—	30-day; Noninterest-bearing; 3% annual escalation	Unsecured
Extension (availment) of advances:				
Bohol Water Utilities, Inc. (BWUI)**	45,638	107,043	60-day; Noninterest-bearing	Unsecured; No impairment
SPDC**	90,729	507,410	60-day; Noninterest-bearing	Unsecured; No impairment
Salcon International, Inc. (SII)**	42,199	181,935	60-day; Noninterest-bearing	Unsecured; No impairment
Salcon Philippines, Inc. (SPI)**	44,041	171,516	60-day; Noninterest-bearing	Unsecured; No impairment
SIPC Water Resources, Inc. (SWRI)**	—	223,586	60-day; Noninterest-bearing	Unsecured; No impairment
Western Panay Hydropower Corp. (WPHC)**	108,565	235,143	60-day; Noninterest-bearing	Unsecured; No impairment
SPEC**	101,810	304,756	60-day; Noninterest-bearing	Unsecured; No impairment
KV Holdings, Inc.**	30,109	7,789	60-day; Noninterest-bearing	Unsecured; No impairment
KEPCO Philippines Holdings, Inc.***	—	(497,043)	60-day; Noninterest-bearing	Unsecured

* Under "Trade and other receivables"

** Under "Due from related parties"

*** Under "Due to related parties"

**** Under "Lease liabilities"



2021				
Category	Transaction	Outstanding Balance - Receivable (Payable)	Terms	Conditions
Subsidiaries				
Management services:				
SIPC*	₱102,679	₱-	60-day; Noninterest-bearing	Unsecured
Extension (availment) of advances:				
SIPC**	324,572	138,849	60-day; Noninterest-bearing	Unsecured; No impairment
SIPC***	69,090	(22,606)	60-day; Noninterest-bearing	Unsecured
BLCI**	168,856	203,996	60-day; Noninterest-bearing	Unsecured; No impairment
BLCI***	-	(129,251)	60-day; Noninterest-bearing	Unsecured
SMPC**	8,014	26,183	60-day; Noninterest-bearing	Unsecured; No impairment
SECI**	9,864	15,922	60-day; Noninterest-bearing	Unsecured; No impairment
SLCI**	9,164	16,112	60-day; Noninterest-bearing	Unsecured; No impairment
CNPC**	17,807	176,962	60-day; Noninterest-bearing	Unsecured; No impairment
Dividend income (see Note 11):				
SIPC	349,999,965	-	Due and demandable	Unsecured
BLCI	8,977,497	4,488,749	Due and demandable	Unsecured; No impairment
Associates				
Management services:				
MECO	40,002,385	-	60-day; Noninterest-bearing	Unsecured
Extension of advances:				
KEPCO SPC**	-	763,112	60-day; Noninterest-bearing	Unsecured; No impairment
MECO	939	939	60-day; Noninterest-bearing	Unsecured; No impairment
Dividend income (see Note 10):				
KEPCO SPC	1,026,799,946	-	Due and demandable	Unsecured
Affiliates (Companies Under Common Ownership)				
Lease of office space: ****				
SPEC	3,651,136	(2,738,352)	30-day; Noninterest-bearing;	Unsecured
SPDC	765,946	(572,066)	30-day; Noninterest-bearing; 3% annual escalation	Unsecured
Extension (availment) of advances:				
Bohol Water Utilities, Inc. (BWUI)**	146,762	212,695	60-day; Noninterest-bearing	Unsecured; No impairment
SPDC**	94,042	416,681	60-day; Noninterest-bearing	Unsecured; No impairment
SPDC***	294,551	(509,711)	60-day; Noninterest-bearing	Unsecured
Salcon International, Inc. (SII)**	51,184	139,736	60-day; Noninterest-bearing	Unsecured; No impairment
Salcon Philippines, Inc. (SPI)**	45,500	127,475	60-day; Noninterest-bearing	Unsecured; No impairment
SIPC Water Resources, Inc. (SWRI)**	30,041	223,586	60-day; Noninterest-bearing	Unsecured; No impairment
Western Panay Hydropower Corp. (WPHC)**	29,041	126,578	60-day; Noninterest-bearing	Unsecured; No impairment
SPEC**	70,197	202,945	60-day; Noninterest-bearing	Unsecured; No impairment
KV Holdings, Inc.**	8,564	26,111	60-day; Noninterest-bearing	Unsecured; No impairment
KEPCO Philippines Holdings, Inc.***	-	(497,043)	60-day; Noninterest-bearing	Unsecured

* Under "Trade and other receivables"

** Under "Due from related parties"

*** Under "Due to related parties"

**** Under "Lease liabilities"



These transactions with related parties are generally settled in cash.

Compensation and Benefits of Key Management Personnel

The Parent Company considers all senior officers as key management personnel. The compensation of key management personnel follows:

	2023	2022	2021
Short-term benefits	₱45,644,523	₱47,107,848	₱40,318,914
Post-employment benefits	711,839	629,884	512,154
	₱46,356,362	₱47,737,732	₱40,831,068

6. Cash and Cash Equivalents

	2023	2022
Cash on hand	₱246,281	₱290,996
Cash in banks	274,970,130	1,375,044,432
Short-term investments	3,484,577,604	2,212,419,250
	₱3,759,794,015	₱3,587,754,678

Cash in banks earn interest at the respective bank deposit rates of 0.025% to 6%, 0.025% to 2.25% , and 0.025% to 1.75% in 2023, 2022 and 2021, respectively. Short-term investments are made for varying periods of up to three months or less, depending on the immediate cash requirements of the Parent Company, and earn interest at the prevailing short-term investment rates of short-term rates of 5.45% to 6.15%, 0.35% to 3.3%, and 0.125% to 1.6% in 2023, 2022 and 2021, respectively. Total interest income earned amounted to ₱148.7 million, ₱26.9 million and ₱31.6 million in 2023, 2022 and 2021, respectively.

7. Trade and Other Receivables

	2023	2022
Receivable from customers:		
Independent Electricity Market Operator of the Philippines Inc. (IEMOP) (net of allowance for impairment of ₱4.2 million and ₱4.6 million in 2023 and 2022, respectively)	₱64,667,032	₱53,244,481
National Grid Corporation of the Philippines (NGCP)	27,237,039	19,095,712
Dividend receivable (see Note 5)	45,984,954	4,488,749
Interest receivable	17,229,397	5,589,472
Advances to officers and employees	11,336,508	25,509,551
Due from related parties (see Note 5)	4,128,750	3,562,542
Others	12,510,931	13,965,253
	₱183,094,611	₱125,455,760

Receivable from customers arises from generation and sale of energy, and from provision of ancillary services. These receivables are noninterest-bearing and are generally on a term of 30–90 days.



Advances to officers and employees are noninterest-bearing and are subject to liquidation within the next two to twelve months.

Others mainly consist of nontrade receivables from various third parties from sale of sludge materials.

Allowance for impairment losses pertains to trade receivables as a result of performing collective impairment test at reporting date. These relate to debtors who are either in significant financial difficulties, have defaulted on payments or whose accounts are under dispute and legal proceedings.

The following table shows the movement in the allowance for impairment:

	2023	2022
At January 1	₱4,599,036	₱6,892,930
Reversal of allowance	(412,952)	(2,293,894)
At December 31	₱4,186,084	₱4,599,036

8. Inventories

	2023	2022
On hand - at cost:		
Fuel	₱54,184,050	₱62,403,068
Materials and supplies	57,630,895	67,242,960
In transit - at cost	17,119	1,534,613
	₱111,832,064	₱131,180,641

Inventories, carried at cost, include fuel, lubricants, chemicals, spare parts, supplies and other consumables used in the operations, repairs and maintenance of property, plant and equipment.

Cost of inventories used in operations recognized as part of "Cost of services" amounted to ₱734.3 million, ₱553.9 million and ₱283.1 million in 2023, 2022 and 2021, respectively, in the parent company statements of comprehensive income (see Note 16).

9. Prepayments and Other Current Assets

	2023	2022
Prepaid income tax - Creditable EWT	₱13,522,855	₱5,670,539
Prepaid insurance	4,988,260	4,428,583
Prepaid rent	2,530,738	2,505,705
Refundable deposits	1,087,712	1,140,710
Input VAT	19,540	12,874,824
Deferred input tax	—	509,738
Others	—	204,110
	₱22,149,105	₱27,334,209

Others pertain mostly to advances and refundable deposits.



10. Investments in Associates

The Parent Company's associates, corresponding equity ownership and acquisition cost follow:

	Principal Activity	% of Ownership	
KEPCO SPC	Power generation	40.0	₱2,472,464,616
MECO	Power distribution	40.0	380,000,752
			₱2,852,465,368

KEPCO SPC

Summarized financial information of KEPCO SPC as of and for the years ended December 31 follows:

	2023	2022
Statements of financial position:		
Current assets	₱5,025,272,862	₱3,648,061,247
Noncurrent assets	7,431,058,522	8,134,819,864
Current liabilities	1,018,887,600	1,079,104,218
Noncurrent liabilities	177,871,046	169,135,312
Equity	11,259,572,738	10,534,641,581
	2023	2022
Statements of comprehensive income:		
Revenue	₱9,491,824,536	₱10,685,730,574
Gross profit	1,612,378,636	2,954,375,631
Net income	730,593,462	1,895,967,997
Other comprehensive income (loss)	(5,662,304)	6,943,469
Total comprehensive income	724,931,158	1,902,911,466

KEPCO SPC declared and paid cash dividends to the Parent Company amounting to nil, ₱964.7 million and ₱1,026.8 million in 2023, 2022 and 2021, respectively (see Note 5).

MECO

Summarized financial information pertaining to MECO as of and for the years ended December 31 follows:

	2023	2022
Statements of financial position:		
Current assets	₱3,420,169,230	₱3,272,422,195
Noncurrent assets	3,822,420,452	3,737,587,700
Current liabilities	938,870,145	1,056,351,577
Noncurrent liabilities	2,647,655,706	2,506,399,191
Equity	3,656,063,831	3,447,259,127
Revaluation increment on property, plant and equipment, and others	376,509,006	401,016,994

(Forward)



	2023	2022
Statements of comprehensive income:		
Revenue	₱7,206,586,540	₱7,524,368,045
Gross profit	481,187,003	214,305,875
Net income	704,620,130	383,002,350
Other comprehensive income (loss)	(3,984,755)	9,379,733
Total comprehensive income	700,635,375	392,382,083
Income after adjustment of depreciation on appraisal increase and others	737,297,447	417,417,764

MECO declared and paid cash dividends to the Parent Company amounting to ₱200.0 million, ₱40.0 million and ₱120.0 million in 2023, 2022 and 2021, respectively (see Note 5).

Based on management's assessment, there were no indicators of impairment. No impairment loss was recognized in 2023, 2022 and 2021.

11. Investments in Subsidiaries

Details of the Parent Company's investments in subsidiaries as of December 31, 2023 and 2022 are as follows:

	Principal Activity	% of Ownership		Total	Amount
		Direct	Indirect		
SIPC	Power generation	100.00%	—	100.00%	₱274,999,995
BLCI	Power distribution	39.90%	13.76%	53.66%	45,653,125
SLCI	Holding company	40.00%	24.00%	64.00%	12,609,198
SECI	Holding company	40.00%	—	40.00%	7,565,518
CNPC	Power generation	100.00%	—	100.00%	249,995
SMPC	Power generation	40.00%	38.40%	78.40%	99,998
					₱341,177,829

Cash dividends declared by the subsidiaries in the last three years are summarized as follows:

Declared By	Date of Declaration	Record Date	Amount	
			Gross (in millions)	Per Share
2023				
BLCI	November 30, 2023	December 15, 2023	₱5.9	₱0.20
2022				
SIPC	December 12, 2022	December 15, 2022	₱190.0	₱3.80 (common)
BLCI	December 7, 2022	December 22, 2022	11.3	0.15
SLCI	November 16, 2022	November 18, 2022	12.6	0.40
SECI	November 16, 2022	November 18, 2022	14.2	0.75
2021				
SIPC	December 9, 2021	December 15, 2021	₱350.0	₱14.0 (common)
BLCI	June 2, 2021	June 7, 2021	11.3	0.15
	December 1, 2021	December 7, 2021	11.3	0.15

No impairment loss on the Parent Company's investment in subsidiaries was recognized in 2023, 2022 and 2021.



12. Property, Plant and Equipment

2023						
	Buildings, Plant Machinery and Equipment	Motor Vehicles	Furniture and Office Equipment	Partitions and Air Conditioners	Right-of-use Assets (see Note 23)	Total
Cost						
At January 1	₱505,532,832	₱19,282,806	₱12,656,557	₱1,184,635	₱12,252,170	₱550,909,000
Additions	1,230,830	10,855,357	873,616	26,050,971	—	39,010,774
At December 31	506,763,662	30,138,163	13,530,173	27,235,606	12,252,170	589,919,774
Accumulated Depreciation and Amortization						
At January 1	146,477,123	16,775,407	11,498,537	1,041,221	1,225,217	177,017,505
Depreciation and amortization (see Note 19)	36,442,034	2,370,838	610,683	3,539,392	2,450,434	45,413,381
At December 31	182,919,157	19,146,245	12,109,220	4,580,613	3,675,651	222,430,886
Net Book Value	₱323,844,505	₱10,991,918	₱1,420,953	₱22,654,993	₱8,576,519	₱367,488,888
2022						
	Buildings, Plant Machinery and Equipment	Motor Vehicles	Furniture and Office Equipment	Partitions and Air Conditioners	Right-of-use Assets (see Note 23)	Total
Cost						
At January 1	₱504,588,541	₱19,211,465	₱12,249,347	₱1,184,635	₱—	₱537,233,988
Additions	944,291	71,341	407,210	—	12,252,170	13,675,012
At December 31	505,532,832	19,282,806	12,656,557	1,184,635	12,252,170	550,909,000
Accumulated Depreciation and Amortization						
At January 1	110,233,272	15,184,926	10,944,113	973,742	—	137,336,053
Depreciation and amortization (see Note 19)	36,243,851	1,590,481	554,424	67,479	1,225,217	39,681,452
At December 31	146,477,123	16,775,407	11,498,537	1,041,221	1,225,217	177,017,505
Net Book Value	₱359,055,709	₱2,507,399	₱1,158,020	₱143,414	₱11,026,953	₱373,891,495

There are no property, plant and equipment which the Parent Company has restricted title or that are pledged as security for liabilities, nor are there any amounts of contractual commitments for the acquisition of property, plant and equipment as of December 31, 2023 and 2022.

13. Other Noncurrent Assets

	2023	2022
Investment in proprietary club shares	₱15,000,000	₱13,000,000
Project development costs	5,413,176	10,916,681
Software costs (net of accumulated amortization of ₱4.9 million and ₱4.3 million in 2023 and 2022, respectively) (see Note 19)	1,216,504	1,824,755
Advances to suppliers and contractors	2,803,719	2,789,616
Others	6,988,097	6,988,097
	₱31,421,496	₱35,519,149

Project developments costs pertain to due diligence, legal and consultancy services, and other expenditures incurred in relation to the Company's acquisitions as discussed in Note 25.



In 2023, 2022 and 2021, the Parent Company recognized “Unrealized valuation gain on financial asset at FVOCI” amounting to ₱2.0 million, ₱5.0 million and ₱0.6 million, respectively, in the parent company statements of comprehensive income for its investment in proprietary club shares.

The following table shows the movement of software costs:

	2023	2022
Acquisition Cost	₱6,082,514	₱6,082,514
Accumulated Amortization		
At January 1	4,257,759	3,649,508
Amortization (see Notes 17 and 19)	608,251	608,251
At December 31	4,866,010	4,257,759
Net Book Value	₱1,216,504	₱1,824,755

14. Trade and Other Payables

	2023	2022
Trade	₱108,815,952	₱103,823,196
Nontrade	123,145,720	39,244,035
Dividends payable	113,787,835	—
Accrued expenses:		
Withholding taxes and other statutory liabilities	3,153,805	3,743,053
Accrued rent	2,111,138	632,304
Terminal leave pay	—	5,979,755
Others	3,907,437	1,827,033
Due to related parties (see Note 5)	835,890	821,072
	₱355,757,777	₱156,070,448

Trade payables pertain to purchases of goods and services. These are noninterest-bearing and are normally settled on 30–60 days terms.

Nontrade payables include accrual for deferred output tax of ₱35.9 million and ₱25.2 million as of December 31, 2023 and 2022, respectively, and various accounts with nontrade suppliers and contractors.

15. Equity

Capital Stock

There were no changes in the Parent Company’s authorized, issued and outstanding common shares as of December 31, 2023 and 2022:

	2023		2022	
	No. of shares	Amount	No. of shares	Amount
Capital stock - ₱1 par value				
Authorized	2,000,000,000	₱2,000,000,000	2,000,000,000	₱2,000,000,000
Isused and outstanding:				
At January 1 and December 31	1,569,491,900	₱1,569,491,900	1,569,491,900	₱1,569,491,900
Treasury shares	(72,940,097)	(131,008,174)	(72,940,097)	(131,008,174)
	1,496,551,803	₱1,438,483,726	1,496,551,803	₱1,438,483,726



On various dates in 2002 and 2012, the Parent Company registered with SEC its 1,569,491,900 common shares that were offered to the public at an issue price of ₱1.80 per share. Gross proceeds from this issuance of new shares amounted to ₱2.8 billion. As of December 31, 2023, the Parent Company has 757 stockholders including 51 depository participants counted as one stockholder each.

As of December 31, 2023 and 2022, the Parent Company complied with the Minimum Public Ownership requirement of the PSE for listed entities.

Dividends

Cash dividends declared by the Parent Company in the last three years are summarized as follows:

Date of Declaration	Record Date	Payment Date	Amount	
			Gross (in millions)	Per Share
2023				
July 26, 2023	August 9, 2023	August 23, 2023	₱299.3	₱0.20
2022				
May 31, 2022	June 15, 2022	June 24, 2022	₱299.3	₱0.20
2021				
April 7, 2021	April 23, 2021	April 30, 2021	₱598.6	₱0.40
May 28, 2021	June 14, 2021	June 22, 2021	897.9	0.60
December 9, 2021	December 23, 2021	December 27, 2021	823.1	0.55

Retained Earnings

Retained earnings are also restricted for dividend declaration to the extent of the acquisition price of the treasury shares amounting to ₱131.0 million as of December 31, 2023 and 2022.

Appropriation

In 2019, the BOD of the Parent Company approved the following: (i) appropriation of retained earnings amounting to ₱1.3 billion for the construction and operation of new generating power plant capacity to supply 39 MW full demand requirements in the mainland of Occidental Mindoro starting May 25, 2022, (ii) appropriation of retained earnings amounting to ₱1.0 billion to invest in SPC Island Power Corporation for the 44.2 MW expansion of Bohol Diesel Power Plant in the years 2020 - 2021, and (iii) confirmation of the 2018 appropriation of retained earnings amounting to ₱500 million for 1Bohol Power Project that will serve the long-term power requirements of three distribution utilities in Bohol starting December 26, 2023.

On December 2, 2020, the Board of Directors of the Parent Company approved the following: (i) reversal of its 2019 appropriation amounting to ₱1.0 billion as a consequence of change in market conditions. The appropriation was intended for investment in SPC Island Power Corporation for the 44.2 MW expansion of Bohol Diesel Power Plant; (ii) confirmation of the appropriation of retained earnings amounting to ₱1.3 billion for the construction and operation of new generating power plant capacity to supply 39 MW full demand requirements in the mainland of Occidental Mindoro starting May 25, 2022, and (iii) confirmation of the appropriation of retained earnings amounting to ₱500.0 million for 1Bohol Power Project that will serve the long-term power requirements of three distribution utilities in Bohol starting December 26, 2023.



On July, 26, 2023, the Board of Directors of the Parent Company approved the following: (i) reversal of the appropriation of retained earnings amounting to ₱1.3 billion for the construction and operation of new generating power plant capacity to supply 39 MW full demand requirements in the mainland of Occidental Mindoro, and (ii) the reversal of ₱500.0 million appropriation for One Bohol Power Project that will serve the long-term power requirements of the three distribution utilities in Bohol starting December 26, 2023, the contract of which was already awarded to Energy Development Corporation.

Earnings per Share

The following presents information necessary to calculate earnings per share of the Parent Company:

	2023	2022	2021
Net income	₱303,031,974	₱1,196,413,793	₱1,575,394,285
Weighted average number of common shares issued and outstanding	1,496,551,803	1,496,551,803	1,496,551,803
Basic/Diluted earnings per share	₱0.20	₱0.80	₱1.05

There are no potentially dilutive common stocks issued as of December 31, 2023, 2022 and 2021.

Capital Management

The Parent Company considers the following as its core economic capital and is not subject to any externally imposed capital requirements. As of December 31, 2023 and 2022, the Parent Company's core capital amounted as follows:

	2023	2022
Capital stock	₱1,569,491,900	₱1,569,491,900
Additional paid-in capital	86,810,752	86,810,752
Retained earnings	5,745,686,489	5,741,964,875
Treasury stock	(131,008,174)	(131,008,174)
	₱7,270,980,967	₱7,267,259,353

16. Plant Operations

	2023	2022	2021
Fuel, lubricants and chemicals (see Note 8)	₱721,123,427	₱544,406,930	₱270,659,568
Depreciation (see Note 19)	38,892,468	37,469,068	35,131,169
Personnel costs (see Note 18)	23,690,644	21,345,112	20,733,190
Spares, materials and supplies (see Note 8)	13,192,761	9,515,617	12,415,583
Repairs and maintenance	4,771,657	5,132,289	2,636,872
Purchased power	3,900,008	5,603,097	3,846,572
Taxes and licenses	131,116	86,716	528,687
Others (see Note 25)	8,405,782	6,414,790	7,793,296
	₱814,107,863	₱629,973,619	₱353,744,937



17. General and Administrative Expenses

	2023	2022	2021
Personnel costs (see Note 18)	₱64,592,700	₱54,946,611	₱49,368,334
Business development	55,077,424	60,654,276	18,903,369
Shared expenses	26,597,373	15,349,154	16,799,664
Professional fees	16,209,175	12,287,279	10,808,450
Directors' fees	13,619,881	13,663,315	11,648,792
Insurance	8,196,371	7,595,165	7,128,149
Taxes and licenses	7,789,798	3,423,312	4,483,867
Depreciation and amortization (see Note 19)	7,129,164	2,820,635	6,375,008
Rentals (see Notes 5 and 23)	6,282,648	6,627,758	3,157,626
Repairs and maintenance	5,864,686	2,992,568	3,145,072
Transportation and travel	2,886,849	2,434,358	1,234,975
Communications	2,110,575	1,919,259	2,044,361
Association dues	2,103,820	1,399,213	2,078,264
Corporate social responsibility	938,263	1,433,842	1,417,610
Office supplies	819,355	696,931	689,321
Power and water	716,501	645,977	434,387
Freight and handling	117,925	115,820	107,399
Entertainment, amusement and recreation	400,967	95,026	29,035
Provisions for impairment losses (see Note 7)	—	—	3,178,892
Others	7,718,392	6,676,159	4,185,398
	₱229,171,867	₱195,776,658	₱147,217,973

Business development expenses pertains to various studies conducted in the market, including marketing expenses.

18. Personnel Costs

	2023	2022	2021
Salaries and wages	₱53,791,669	₱50,862,194	₱46,015,929
Pension expense (see Note 21)	5,298,277	4,043,958	3,900,978
Other employee benefits	29,193,398	21,385,571	20,184,617
	₱88,283,344	₱76,291,723	₱70,101,524

19. Depreciation and Amortization

	2023	2022	2021
Depreciation of property, plant and equipment			
Plant operations (see Note 16)	₱38,892,468	₱37,469,068	₱35,131,169
General and administrative (see Note 17)	6,520,913	2,212,384	5,766,757
	45,413,381	39,681,452	40,897,926
Amortization of software costs:			
General and administrative (see Note 17)	608,251	608,251	608,251
	₱46,021,632	₱40,289,703	₱41,506,177



20. Income Tax

The Company's provision for current income tax represents regular corporate income tax in 2023 and 2022.

	2023	2022
Current	₱32,806,606	₱18,045,425
Deferred	(2,256,027)	16,923,976
	₱30,550,579	₱34,969,401

On July 7, 2008, R.A. 9504, which amended the provisions of the 1997 Tax Code, became effective. It includes provisions relating to the availment of the OSD. Corporations, except for nonresident foreign corporations, may now elect to claim standard deduction in an amount not exceeding 40% of their gross income. A corporation must signify in its returns its intention to avail of the OSD. If no indication is made, it shall be considered as having availed of the itemized deductions. The availment of the OSD shall be irrevocable for the taxable year for which the return is made. On November 26, 2008, the BIR issued Revenue Regulations 16-2008 for the implementing guidelines of the law. In 2023, 2022 and 2021, the Parent Company availed of the OSD in the computation of its taxable income.

The reconciliation between the amounts of provision for income tax computed at the statutory tax rate to provision for income tax in the parent company statements of comprehensive income for the years ended December 31, 2023, 2022 and 2021 follows:

	2023	2022	2021
Income before income tax	₱333,582,553	₱1,231,383,194	₱1,603,075,786
Provision for income tax computed at 25%	₱83,395,638	₱307,845,799	₱400,768,947
Adjustments to income tax resulting from:			
Nontaxable dividend income	(51,496,194)	(302,470,016)	(376,444,319)
Net unrealized forex gain (loss)	(2,100,467)	—	368,684
Interest income already subjected to final tax	(37,166,529)	(6,733,730)	(7,905,405)
Impact of OSD	35,919,651	36,790,134	15,572,945
Others	1,998,480	(462,786)	(4,679,351)
	₱30,550,579	₱34,969,401	₱27,681,501

The net deferred income tax liability as at December 31 relate to the following:

	2023	2022
Deferred income taxes recognized in net income:		
Deferred income tax assets:		
Lease liability	₱2,389,874	₱2,846,923
Unrealized foreign exchange loss - net	2,100,467	—
	4,490,341	2,846,923
Deferred income tax liabilities:		
Right of use asset	19,158,290	2,756,738
Unrealized foreign exchange gain - net	—	17,014,161
	19,158,290	19,770,899
	₱14,667,949	₱16,923,976



As of December 31, 2023 and 2022, the Company has unrecognized deferred tax asset related to its allowance for impairment of receivables and pension liability amounting to ₱2.7 million and ₱4.6 million, respectively, because management believes that these items may have no possible future deductible benefit when these will be reversed, settled or realized.

21. Pension Plan

Under the existing regulatory framework, Republic Act No. 7641, *The Retirement Pay Law*, requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided, however, that the employees' retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

The Parent Company has a funded, noncontributory defined benefit plan covering all regular and permanent employees. Benefits are based on the employees' final plan salary and years of service. The plan meets the minimum retirement benefit specified under the law.

The following tables summarize the components of pension expense recognized in the parent company statements of comprehensive income and amounts recognized in the parent company statements of financial position.

The components of pension expense recognized under "General and administrative" in the parent company statements of comprehensive income follow (see Note 18):

	2023	2022	2021
Current service cost	₱4,820,498	₱3,613,471	₱3,835,475
Net interest cost on benefit obligation	477,779	430,487	65,503
	₱5,298,277	₱4,043,958	₱3,900,978

Remeasurement income recognized under "Other comprehensive income" in the parent company statements of comprehensive income amounted to ₱4.1 million in 2023, while remeasurement loss amounting to ₱3.4 million and ₱5.1 million were recognized in 2022 and 2021, respectively.

Net pension liabilities follow:

	2023	2022
Present value of defined benefit obligation	₱31,781,226	₱40,854,286
Fair value of plan assets	(25,164,733)	(27,213,448)
	₱6,616,493	₱13,640,838

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

	2023	2022
At January 1	₱40,854,286	₱35,876,553
Current service cost	4,820,498	3,613,472
Interest cost	1,734,539	1,818,941
Benefits paid	(13,284,933)	(454,680)

(Forward)



	2023	2022
Remeasurement loss (gain) due to:		
Experience adjustments	₱1,066,005	₱—
Changes in financial assumptions	(3,583,651)	—
Net acquired/(released) obligation due to transfers	174,482	—
At December 31	₱31,781,226	₱40,854,286

Changes in the fair value of plan assets are as follows:

	2023	2022
At January 1	₱27,213,448	₱27,385,679
Benefits paid	(13,284,933)	(454,680)
Contributions to the retirement fund	8,434,374	2,246,669
Gain (loss) on return on plan assets	1,545,084	(3,352,674)
Interest income included in net interest cost	1,256,760	1,388,454
At December 31	₱25,164,733	₱27,213,448

Changes in the amounts recognized in the parent company statements of financial position for pension liability (asset) follows:

	2023	2022
At January 1	₱13,640,838	₱8,490,874
Contribution to the retirement fund	(8,434,374)	(2,246,669)
Pension expense	5,298,277	4,043,959
Remeasurement loss (gain) on retirement benefit obligation	(4,062,730)	3,352,674
Net acquired/(released) obligation due to transfers	174,482	—
At December 31	₱6,616,493	₱13,640,838

The fair value of plan assets by class as at December 31 follows:

	2023	2022
Cash and cash equivalents	₱4,755,955	₱11,417,171
Investments in government securities	20,503,736	15,718,407
Accrued interest income	—	116,359
Total assets	25,259,691	27,251,937
Total liabilities	94,958	38,489
Fair value of plan assets	₱25,164,733	₱27,213,448

All government securities are equity instruments that have quoted prices in an active market.

The Parent Company expects to contribute to the retirement fund in 2024.

The principal assumptions used in determining pension obligation for the Parent Company's plan as of December 31 are shown below:

	2023	2022
Discount rate	6.12%	5.07%
Future salary increase rate	5.00%	6.00%



The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the present value of the defined benefit obligation of the most recent actuarial valuation report, as of the end of the reporting period, assuming all other assumptions were held constant:

	Increase (Decrease)	Present Value Change of Defined Benefit Obligation	
		2023	2022
Discount rate	+100 basis points	(₱1,323,102)	(₱2,862,035)
	-100 basis points	1,551,764	375,024
Salary increase rate	+100 basis points	1,662,476	510,758
	-100 basis points	(1,442,886)	(3,019,055)

The weighted average duration of the benefit payments is approximately 9.71 years and 15.20 years as of December 31, 2023 and 2022, respectively. The expected benefit payment assumes that all actuarial assumptions will materialize.

Shown below is the maturity analysis of the undiscounted benefit payments as of December 31:

Plan Year	2023	2022
Less than one year	₱18,865,612	₱4,927,589
One year to less than five years	8,543,873	7,245,290
Five years to less than 10 years	9,431,437	10,223,276
10 years to less than 15 years	19,037,568	6,993,693
15 years to less than 20 years	17,624,381	10,673,683
20 years and above	53,519,059	28,600,317

22. Financial Risk Management Objectives and Policies

The Parent Company's principal financial instruments comprise of cash and cash equivalents and trade and other payables. The Parent Company has various other financial assets and liabilities such as trade and other receivables and trade and other payables.

The main risks arising from the Parent Company's financial instruments are liquidity risk and credit risk.

The Parent Company's senior management oversees the management of these risks. The Parent Company's senior management ensures that the Parent Company's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Parent Company's policies and risk appetite.

The BOD reviews and approves policies for managing each of these risks and they are summarized below.

Liquidity Risk

Liquidity risk is the potential of not meeting obligations as they come due because of an inability to liquidate assets or obtain adequate funding. The Parent Company's objective is to maintain a balance between continuity of funding and flexibility. The Parent Company maintains sufficient cash and cash equivalents to finance its operations. Any excess cash is invested in short-term money market



placements. These placements are maintained to meet maturing obligations and pay dividend declarations.

The tables below summarize the maturity profile of the Parent Company's financial assets and liabilities at December 31 based on contractual undiscounted payments:

2023				
	Total	Current	1 to 30 Days	Over 30 Days
Financial Assets				
At amortized cost:				
Cash and cash equivalents	₱3,759,794,015	₱275,216,411	₱3,484,577,604	₱-
Trade and other receivables	183,094,611	112,604,084	8,859,304	61,631,223
	3,942,888,626	387,820,495	3,493,436,908	61,631,223
At FVOCI:				
Investment in proprietary club shares	15,000,000	-	-	15,000,000
	3,957,888,626	387,820,495	3,493,436,908	76,631,223
Financial Liabilities				
Other financial liabilities:				
Trade and other payables*				
Trade	108,815,952	106,023,933	1,811,965	980,054
Non-trade	87,229,395	82,106,124	86,012	5,037,259
Accrued expenses	4,450,791	2,385,805	634,319	1,430,667
	200,496,138	190,515,862	2,532,296	7,447,980
Due to related parties	835,890	203,996	-	631,894
Dividends payable	113,787,836	-	-	113,787,836
Lease liabilities	10,725,316	-	-	10,725,316
	325,845,180	190,719,858	2,532,296	132,593,026
Net Financial Assets	₱3,632,043,446	₱197,100,637	₱3,490,904,612	(₱55,961,803)

*Excluding Statutory Payables

2022				
	Total	Current	1 to 30 Days	Over 30 Days
Financial Assets				
At amortized cost:				
Cash and cash equivalents	₱3,587,754,678	₱1,375,335,428	₱2,212,419,250	₱-
Trade and other receivables	125,455,760	20,740,725	14,323,330	90,391,705
	3,713,210,438	1,396,076,153	2,226,742,580	90,391,705
At FVOCI:				
Investment in proprietary club shares	13,000,000	-	-	13,000,000
	3,726,210,438	3,608,495,403	14,323,330	103,391,705
Financial Liabilities				
Other financial liabilities:				
Trade and other payables*				
Trade	103,823,196	103,497,837	47,677	277,682
Non-trade	6,041,601	1,132,195	74,122	4,835,284
Accrued expenses	6,962,969	253,439	121,898	6,587,632
	116,827,766	104,883,471	243,697	11,700,598
Due to related parties	821,072	189,179	-	631,893
Lease liabilities	13,215,403	-	-	13,215,403
	130,864,241	105,072,650	243,697	25,547,894
Net Financial Assets	₱3,595,346,197	₱3,503,422,753	₱14,079,633	₱77,843,811

*Excluding Statutory Payables

Credit Risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting to a financial loss.

The Parent Company trades only with recognized, creditworthy third parties. It is the Parent Company's policy that all customers who wish to trade on credit terms are subject to credit procedures. In addition, receivable balances are monitored on an ongoing basis with the result that exposure to bad debts is not significant

With respect to the Parent Company's credit risk arising from the financial assets which comprise cash and cash equivalents and trade and other receivables, the Parent Company's exposure to credit risk arises from default of the counterparty.



The Parent Company's credit risk from cash and cash equivalents is mitigated by the Philippine Deposit Insurance Corporation's (PDIC) insurance coverage on the cash in bank.

The Parent Company's maximum exposure equals to the carrying amount of its financial assets, excluding cash on hand, and is offset by the PDIC insurance coverage. The offset relates to balances where there is a legally enforceable right of offset in the event of counterparty default and where, as a result, there is a net exposure for credit risk management purposes. However, as there is no intention to settle these balances on a net basis under normal circumstances, they do not qualify for net presentation for accounting purposes.

2023			
	Maximum exposure	Offset	Exposure to credit risk
At Amortized Cost			
Cash and cash equivalents (excluding cash on hand)	₱3,759,547,734	(₱4,000,000)	₱3,755,547,734
Trade and other receivables	183,094,611	–	183,094,611
At FVOCI			
Investment in proprietary club shares	15,000,000		15,000,000
	₱3,957,642,345	(₱4,000,000)	₱3,953,642,345
2022			
	Maximum exposure	Offset	Exposure to credit risk
At Amortized Cost			
Cash and cash equivalents (excluding cash on hand)	₱3,587,463,681	(₱3,620,954)	₱3,583,842,727
Trade and other receivables	125,455,760	–	125,455,760
At FVOCI			
Investment in proprietary club shares	13,000,000		13,000,000
	₱3,725,919,441	(₱3,620,954)	₱3,722,298,487

As of December 31, 2023 and 2022, the Parent Company's significant concentration of credit risk pertains to its trade and other receivables amounting to ₱183.1 million and ₱125.5 million, respectively, and impaired financial assets, determined based on probability of collection, have been adequately covered with allowance.

The following are the details of the Parent Company's assessment of credit quality and the related ECLs as at December 31, 2023 and 2022:

General Approach

- *Cash and cash equivalents* - As of December 31, 2023 and 2022, the ECL relating to the cash and cash equivalents of the Parent Company is minimal as these are deposited in reputable banks which have good bank standing, and is considered to have low credit risk



- *Due from related parties* - As of December 31, 2023 and 2022, there were no individually impaired accounts. No ECL is recognized for these receivables since there were no history of default payments. This assessment is undertaken each financial year through examining the financial position of the parties and the markets in which the parties operate.

Simplified Approach

- *Trade and Other Receivables* - The Parent Company applied the simplified approach under PFRS 9, using a 'provision matrix'. As of December 31, 2023 and 2022, the allowance for impairment losses as a result from performing collective and specific impairment test amounted to ₱4.2 million and ₱4.6 million, respectively.

Management evaluated that the Parent Company's trade receivables are of high grade and of good credit quality.

2023					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱—	₱—	₱4,186,084	₱183,094,611	₱187,280,695
Loss allowance	—	—	(4,186,084)	—	(4,186,084)
Carrying amount	₱—	₱—	₱—	₱183,094,611	₱183,094,611

2022					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱—	₱—	₱4,599,036	₱125,455,760	₱130,054,796
Loss allowance	—	—	(4,599,036)	—	(4,599,036)
Carrying amount	₱—	₱—	₱—	₱125,455,760	₱125,455,760

The Parent Company grades its financial assets as follows:

- *Cash and Cash Equivalents*. These are assessed as high grade since these are deposited in reputable banks which have good bank standing, thus credit risk is minimal.
- *Receivable from Customers*. These are assessed as high grade since these receivables arose from the contract provisions of the ROMM Agreement, (OMSC), Ancillary Services Procurement Agreements (ASPA), Power Supply Contracts (PSCs), and/or collectible from government institution.
- *Due from Related Parties under "Trade and Other Receivables"*. These are assessed as standard, although recoverability of these receivables is certain, as these are given secondary priority as to settlement by the related parties compared to third party obligations.

Fair Value of Financial Assets and Financial Liabilities

Fair value is defined as 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. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.



The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

- *Cash and Cash Equivalents, Trade and Other Receivables and Trade and Other Payables.* The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate their value due to the relatively short-term maturity of these financial instruments.
- *Investment in Proprietary Club Shares.* Market values have been used to determine the fair value of traded proprietary club shares.

As of December 31, 2023 and 2022, the Parent Company considers its investment in proprietary club shares with fair values of ₱15.0 million and ₱13.0 million under Level 1 classification, respectively (see Notes 3 and 13).

During the reporting period ended December 31, 2023, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

23. Lease Agreements

The Parent Company has entered into various leases for rooms, office spaces, parking lots, sub transmission line steel post space, and parcel of land which include those with respect to its LLA with PSALM (see Note 25). Lease of parcel of land generally has a lease term of 25 years. Lease terms for the other leased assets generally vary between five months to three years.

Set out below are the carrying amounts of the Company's lease liabilities and the movements during the years ended December 31:

	2023	2022
At January 1	₱11,387,692	₱2,662,317
Additions	–	12,252,170
Interest accretion	661,891	373,979
Payments of:		
Principal	(1,828,196)	(3,526,795)
Interest	(661,891)	(373,979)
At December 31	9,559,496	11,387,692
Less current portion	2,200,254	1,828,196
	₱7,359,242	₱9,559,496

Set out below are the amounts recognized in the parent company statements of comprehensive income for the years ended December 31:

	2023	2022	2021
Depreciation expense of right-of-use assets	₱2,450,434	₱1,225,217	₱3,087,673
Interest expense on lease liabilities	661,891	373,979	112,059
Rent expense - short-term leases (see Notes 16 and 17)	6,283,148	7,307,592	4,586,277
	₱9,395,473	₱8,906,788	₱7,786,009



24. Notes to the Parent Company Statements of Cash Flows

Changes in liabilities arising from financing activities in 2023, 2022 and 2021 are as follows:

	January 1, 2023	Dividend Declaration	Additions	Others	Cash Flows	December 31, 2023
Dividends payable (see Note 15)	P-	P299,310,360	P-	P-	(P185,522,525)	P113,787,835
Lease liabilities (see Note 23)	11,387,692	-	-	661,891	(2,490,087)	9,559,496
	P11,387,692	P299,310,360	P-	P661,891	(P188,012,612)	P123,347,331

* The cash outflow presented includes payment of interest amounting to P0.7 million is presented as part of operating activities in the statement of cash flows (see Note 23).

	January 1, 2022	Dividend Declaration	Additions	Others	Cash Flows	December 31, 2022
Dividends payable (see Note 15)	P-	P299,310,361	P-	P-	(P299,310,361)	P-
Lease liabilities (see Note 23)	2,662,317	-	-	12,626,149	(3,900,774)	11,387,692
	P2,662,317	P299,310,361	P-	P12,626,149	(P303,211,135)	P11,387,692

* The cash outflow presented includes payment of interest amounting to P0.4 million is presented as part of operating activities in the statement of cash flows (see Note 23).

	January 1, 2021	Dividend Declaration	Additions	Others	Cash Flows	December 31, 2021
Dividends payable (see Note 15)	P-	P2,319,655,295	P-	P-	(P2,319,655,295)	P-
Lease liabilities (see Note 23)	4,427,756	-	-	112,059	(1,877,498)	2,662,317
	P4,427,756	P2,319,655,295	P-	P112,059	(P2,321,532,793)	P2,662,317

* The cash outflow presented includes payment of interest amounting to P0.1 million is presented as part of operating activities in the statement of cash flows (see Note 23).

25. Other Matters

Electricity Power Industry Reform Act (EPIRA) of 2001

On June 8, 2001, the EPIRA was signed into law and took effect on June 26, 2001. The law provides, among others, for the privatization of the assets of NPC, the creation of PSALM to accept transfers of all assets and assume all outstanding obligations of NPC, and the restructuring of the electric power industry sector as a whole. The law also provides for the mandate and framework to introduce competition in the electricity market and penalize anti-competitive behaviour. The IRR of the EPIRA was approved by the Joint Congressional Power Commission on February 27, 2002.

The EPIRA and its covering IRR provide for significant changes in the power industry including the following: (i) Competition in the retail supply of electricity; (ii) Open access to the transmission and distribution systems; (iii) Establishment of a Wholesale Electricity Spot Market (WESM); (iv) Unbundling of the generation, transmission and distribution rates; and (v) Removal of existing cross-subsidies provided by industrial and commercial users to residential customers.

An important milestone in the Philippine power industry was reached when the WESM began commercial operations on June 23, 2006. In the Visayas region, WESM started operations on December 26, 2010. The establishment of the WESM is one of the preconditions to retail competition and open access required by the EPIRA.

The Parent Company participated in the WESM starting in the last quarter of 2014.



Ancillary Services Procurement Agreement (ASPA)

On May 26, 2015, the Parent Company entered into an ASPA with NGCP that took effect on September 26, 2015 after getting the provisional approval of the ERC. The Parent Company and NGCP executed the ASPA for the supply of dispatchable reserve and reactive power support from its Cebu Diesel Power Plant located in the City of Naga, Cebu for a period of five (5) years under a non-firm arrangement. The ASPA was pre-terminated on July 13, 2018 due to the return of the Cebu Diesel Power Plant to PSALM.

On December 18, 2018, the Parent Company entered into an ASPA with NGCP for the supply of dispatchable reserve and reactive power support from the former's 4x7 MW PB 104 located in Tapal Wharf, Ubay, Bohol under firm and non-firm arrangements. The term of this agreement is for a period of five (5) years commencing upon receipt of a final approval, or in the absence thereof, a provisional approval by the ERC of the application filed on February 14, 2019. The ASPA was implemented effective September 26, 2019.

Land Lease Agreements (LLA)

The Parent Company entered into LLAs with PSALM (as Lessor) in furtherance of and as an ancillary contract to the respective APA with PSALM governing the sale of assets as follows:

- *LBGTs.* On January 29, 2010, the Parent Company executed the LLA with a term of 10 years up to January 28, 2020 which may be renewed or extended for another period of 10 years or the remaining corporate life of PSALM, whichever is shorter, upon the mutual written agreement of the parties. The rentals which were paid in full on March 25, 2009 (the "Closing Date") amounted to ₱1.2 million.
- *153.1 MW Naga Power Plant (consisting of CTPP 1, CTPP 2 and CDPP 1).* On September 25, 2014, the Parent Company executed the LLA with a term of 25 years from Closing Date, which may be renewed or extended for another period of 25 years or the remaining corporate life of PSALM, whichever is shorter, upon the mutual written agreement of the parties. The rentals which were paid in full in 2014 amounted to ₱712.5 million including withholding tax borne by the Parent Company.

Under the LLA, the Parent Company shall use and occupy the leased premises primarily for the operation, management, expansion and maintenance of the power plants, and shall not assign or transfer any of its right under the LLA or sublease all or any part of the leased premises without the prior consent of PSALM.

The LLAs also cover an option to purchase optioned assets within the leased premises that may be offered by the Lessor. The purchase price (on a per square meter basis) shall be equivalent to the highest of the following valuations and/or amounts: (i) the assessment of the Provincial Assessor; (ii) the assessment of the Municipal or City Assessor; and (iii) the zonal valuation of the Bureau of Internal Revenue. The unused rentals corresponding to the area of the optioned assets over which the option was exercised shall be deducted from the purchase price.

The Parent Company, at its own expense, shall be solely responsible for obtaining all the necessary authorizations, licenses and permits for any alterations, additions, facilities, improvements and installations introduced on the leased premises by or for the benefit of the Parent Company.

Pursuant to the provisions of the LLA, within a period of 180 days from the termination of the LLA or expiration of the lease term, the Parent Company is obliged to perform activities to facilitate clean-up, return and surrender of the leased premises.



26. Supplementary Information Required Under Revenue Regulation (RR) 2015-2010

In compliance with the requirements set forth by RR 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year:

VAT

The National Internal Revenue Code of 1997 also provides for the imposition of VAT on sales of goods and services. Accordingly, the Parent Company's sales are subject to output VAT while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12.0%.

- Net Sales/Receipts and Output VAT declared in the Parent Company's VAT returns filed for the period:

	Net Sales/ Receipts	Output VAT
Vatable sales:		
Sale of services	₱860,657,382	₱103,278,886
Sale of goods	4,799,639	575,957
	865,457,021	103,854,843
Zero-rated sales/Sales to Government	793,716	95,246
	₱866,250,737	₱103,950,089

- Input VAT

At January 1	₱5,046,819
Current year's domestic purchases/payments or importations for:	
Goods other than for resale or manufacture	87,122,791
Services lodged under general and administrative expenses and other accounts	8,940,101
Capital goods subject to amortization	-
	101,109,711
Claims for tax credit/refund and other adjustments	(99,983,707)
At December 31	₱1,126,004

Details of the Parent Company's importations are shown below:

Dutiable value	₱2,806,044
Customs duties	26,988
Brokerage charges	55,684
Total landed cost	₱2,888,716

Excise Taxes

The Parent Company did not have local nor imported excisable items.

Other Taxes and Licenses

All other local taxes, local and national, including real estate taxes, license and permit fees were lodged under the Taxes and Licenses account under "Cost of Services" and "General and administrative expenses" in the 2023 parent company statement of comprehensive income:



Details consist of the following:

Local:	
Business tax	₱4,164,251
License and permits fees	213,634
National:	
Deficiency taxes for CY2020	3,481,895
Others	61,134
	<hr/>
	₱7,920,914

Withholding Taxes

Expanded withholding taxes	₱11,227,233
Withholding taxes on compensation and benefits	8,734,534
Final withholding taxes	2,155,717
	<hr/>
	₱22,117,484

Tax Assessments and Cases

The Parent Company does not have pending tax cases outside the administration of the BIR as of December 31, 2023.



Certification

I, Mishelle Anne Rubio-Aguinaldo, Assistant Corporate Secretary of SPC Power Corporation with SEC registration number AG094-002365 with principal office at the 7/F BOO Towers Paseo, 8741 Paseo de Roxas, Makati City, on oath state:

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- 1) That on behalf of SPC Power Corporation, I have caused SEC Form 17-A (Annual Report) report to be prepared;
- 2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
- 3) That we submit the attached report on the Annual Report in compliance with SEC reportorial requirements;
- 4) That SPC Power Corporation will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail: and
- 5) That I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of the filing fee.

The Certification was issued by the undersigned Assistant Corporate Secretary in lieu of the Corporate Secretary since the latter, by reason of his health condition (i.e. diabetic, cancer survivor and had also lost one of his kidneys) and advanced age, has to observe health and safety protocols. Moreover, since the onset pandemic in 2020, it has been a practice that the Assistant Corporate Secretary issue certifications and other reportorial requirements for reasons of practicality, convenience, and accessibility. Rest assured, the Assistant Corporate Secretary is supervised by the Corporate Secretary and has personal knowledge on all corporate matter that she certifies.

IN WITNESS WHEREOF, I have hereunto set my hand this 12th day of April, 2024.

Mishelle Anne R. Rubio-Aguinaldo
Affiant

APR 12 2024

SUBSCRIBED AND SWORN TO before me this _____, at Makati City, Philippines by the affiant who exhibited to me her Philippine Passport No. P7454358B, issued on August 24, 2021 at DFA Manila, valid until August 23, 2031.

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Book No. 13
Series of 2024.

ATTY. JOEL FERRER FLORES
Notary Public for Makati City
Until December 31, 2024
Appointment No. M-115(2023-2024)
Roll Of Attorney No. 77376
MCLE Compliance VIII No.0001393
Jan. 3, 2023 until Apr. 12, 2028
PTR NO.10073945/Jan. 2, 2024/Makati City
IBP No.330740/Jan. 2, 2024/Pasig City
1107 Bataan St., Guadalupe Nuevo, Makati City