

17. 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 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 "Plant operations" and "General and administrative" in the consolidated statements of comprehensive income follow:

	2019	2018
Current service cost	₱3,926,513	₱3,708,435
Interest cost on benefit obligation	1,019,967	1,082,822
	₱4,946,480	₱4,791,257

Remeasurement effects recognized under "Other comprehensive income" in the consolidated statements of comprehensive income amounted to ₱6.0 million and ₱4.2 million in 2019 and 2018, respectively.

Net pension asset follows:

	2019	2018
Fair value of plan assets	₱—	₱18,803,054
Present value of defined benefit obligation	—	17,395,127
	₱—	₱1,407,927

Net pension liabilities follow:

	2019	2018
Present value of defined benefit obligation	₱50,452,184	₱18,472,143
Fair value of plan assets	24,022,023	—
	₱26,430,161	₱18,472,143



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

	2019	2018
At January 1	₱35,867,270	₱32,646,992
Current service cost	3,926,513	3,708,435
Interest cost	2,091,741	1,797,580
Benefits paid	(374,359)	(2,285,737)
Remeasurement loss due to:		
Experience adjustments	4,365,867	—
Changes in demographic assumptions	1,801,557	—
Changes in financial assumptions	2,773,595	—
At December 31	₱50,452,184	₱35,867,270

Changes in the fair value of plan assets follow:

	2019	2018
At January 1	₱18,803,054	₱12,539,614
Contributions to the retirement fund	1,306,670	1,336,585
Interest income included in net interest cost	1,071,774	714,758
Benefits paid	(134,772)	—
Gains on return on plan assets	2,975,297	4,212,097
At December 31	₱24,022,023	₱18,803,054

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

	2019	2018
At January 1	₱17,064,216	₱20,107,378
Pension expense	4,946,480	4,791,257
Remeasurement (gain) loss	5,965,722	(4,212,097)
Benefits paid	(239,587)	(2,285,737)
Contribution to the retirement fund	(1,306,670)	(1,336,585)
At December 31	₱26,430,161	₱17,064,216

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

	2019	2018
Cash and cash equivalents	₱2,615,810	₱2,531,315
Investments in government securities	18,975,270	13,840,069
Investment in bonds	1,500,000	1,500,000
Investment in listed preferred shares	761,250	760,743
Accrued interest income and others	191,236	193,329
Total assets	24,043,566	18,825,456
Total liabilities	21,543	22,402
Fair value of plan assets	₱24,022,023	₱18,803,054

The Parent Company does not expect to contribute to the retirement fund in 2020.



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

	2019	2018
Discount rate	4.90–5.03%	5.70–6.06%
Future salary increase	5.00–6.00%	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, 2019 and 2018, assuming all other assumptions were held constant:

	Increase (Decrease)	Present Value Change of Defined Benefit Obligation	
		2019	2018
Discount rate	+100 basis points	(P3,058,767)	(P11,185,737)
	–100 basis points	3,589,071	3,503,090
Future salary increase rate	+100 basis points	3,733,831	3,407,105
	–100 basis points	(3,249,560)	(1,668,806)

The weighted average duration of the benefit payments ranges from 15.57 to 20.75 years and 11.50 to 20.06 years as of December 31, 2019 and 2018, 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	2019	2018
Less than one year	P17,789,680	P11,336,977
One year to less than five years	18,263,596	12,410,357
Five years to less than 10 years	19,317,782	15,636,024
10 years to less than 15 years	24,823,145	17,271,390
15 years to less than 20 years	24,470,161	14,784,727
20 years and above	113,705,704	58,900,356
	P218,370,068	P130,339,831

18. Equity

Capital Stock

There were no changes in the Parent Company's authorized, issued and outstanding common shares as of December 31, 2019 and 2018:

Issued shares	1,569,491,900
Treasury shares	72,940,097
Issued and outstanding shares	1,496,551,803



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, 2019, the Parent Company has 775 stockholders including 82 depository participants counted as one stockholder each.

As of December 31, 2019 and 2018, the Parent Company complied 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 ₱3.1 billion and ₱3.2 billion as of December 31, 2019 and 2018, respectively, until actually declared by the associates. It 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, 2019 and 2018.

Upon adoption of PFRS 16 effective January 1, 2019, the Group recognized transition adjustments of ₱0.3 million directly charged to the Group's beginning retained earnings in the consolidated statement of changes in equity (see Note 2).

Appropriation

On November 20, 2017, the Board of Directors (BOD) of the Parent Company approved the following: (i) reversal of retained earnings appropriated on November 24, 2015 amounting to ₱400.0 million due to the full prepayment of the related long-term debt on October 28, 2017 and the reinstatement of the same amount as unappropriated retained earnings; (ii) retention of retained earnings appropriated on March 30, 2016 amounting to ₱850.0 for the construction of a CFBC coal-fired thermal power plant with a capacity of at least 300 MW in the province of Cebu or Visayas within the years 2018-2020; and (iii) appropriation of ₱500.0 million out of the unappropriated retained earnings of the Parent Company for the construction of two run-of-river hydro-electric power plant projects in Palawan with a capacity of 15.8 MW to commence within the years 2018-2019.

On November 28, 2018, the BOD of the Parent Company approved the following: (i) reversal of ₱850.0 million appropriation 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 ₱500.0 million appropriation 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 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 and (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. The BOD further confirmed 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.

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
2019				
SPC	April 4, 2019	April 12, 2019	₱598.6	₱0.40
	November 25, 2019	December 10, 2019	1,047.6	0.70
SIPC	November 25, 2019	December 10, 2019	350.0	14.0 (common)
BLCI	July 18, 2019	July 22, 2019	22.5	0.30
	November 20, 2019	November 30, 2019	15.0	0.20
SECI	October 4, 2019	October 7, 2019	14.0	0.74
2018				
SPC	May 28, 2018	June 11, 2018	₱598.6	₱0.40
	November 28, 2018	December 12, 2018	598.6	0.40
SIPC	November 28, 2018	December 12, 2018	350.0	14.0 (common)
SLCI	April 3, 2018	December 20, 2018	40.0	1.27
BLCI	April 12, 2018	April 16, 2018	30.0	0.40
	December 10, 2018	December 14, 2018	10.0	0.13
SECI	April 3, 2018	December 20, 2018	14.0	0.74
2017				
SPC	May 30, 2017	June 14, 2017	598.6	0.40
	November 20, 2017	December 6, 2017	598.6	0.40
SIPC	November 20, 2017	December 6, 2017	700.0	28.0 (common)
SLCI	November 20, 2017	December 6, 2017	5.0	0.1586
BLCI	August 8, 2017	August 15, 2017	15.0	0.20
	December 6, 2017	December 15, 2017	22.5	0.30
SECI	November 20, 2017	December 6, 2017	20.0	1.0574
SMPC	November 20, 2017	December 6, 2017	3.65	14.60

As of December 31, 2019 and 2018, outstanding dividends payable amounted to nil and ₱0.8 million, respectively (see Note 31).

On May 7, 2020, the BOD of the Parent Company approved the declaration of cash dividends equivalent to ₱0.40 per share, or for a total of ₱598.6 million, to all stockholders of records as of May 22, 2020 payable on May 29, 2020.



Non-controlling Interest

As of December 31, 2019 and 2018, the Group has 53.66% direct and indirect ownership interest in BLCI which is primarily engaged in the business of 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:

	2019	2018
Statements of financial position:		
Current assets	₱414,327,928	₱362,673,926
Noncurrent assets	355,715,993	386,003,738
Current liabilities	218,810,018	211,876,511
Noncurrent liabilities	304,620,107	321,050,473
Equity	246,613,796	215,750,680
Statements of comprehensive income:		
Revenue	1,194,092,629	1,083,337,673
Costs and expenses	1,122,654,544	1,039,172,158
Net income	69,375,176	46,903,901
Total comprehensive income	68,831,653	46,903,901
Net income attributable to non-controlling interest	32,148,457	21,735,268
Total comprehensive income attributable to non-controlling interest	31,896,588	21,735,268
Accumulated non-controlling interest	114,280,833	99,978,865

Upon adoption of PFRS 16 effective January 1, 2019, the Group recognized transition adjustments of ₱0.2 million directly charged to the Group's beginning non-controlling interests in the consolidated statement of changes in equity (see Note 2).

As of December 31, 2019 and 2018, total non-controlling interest amounted to ₱156.4 million and ₱146.5 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, 2019 and 2018.

The Group considers its total equity attributable to equity holders of the Parent, excluding other comprehensive income, as its core capital and is not subject to any externally imposed capital requirements. As of December 31, 2019 and 2018, the Group's core capital amounted as follows:

	2019	2018
Capital stock	₱1,569,491,900	₱1,569,491,900
Additional paid-in capital	86,810,752	86,810,752
Retained earnings	8,477,177,016	8,341,355,868
Treasury stock	(131,008,174)	(131,008,174)
	₱10,002,471,494	₱9,866,650,346



19. Plant Operations

	2019	2018	2017
Purchased power (see Notes 5 and 24)	₱1,071,712,398	₱992,017,735	₱824,759,636
Fuel, lubricants and chemicals (see Note 8)	686,048,510	534,664,530	653,021,718
Personnel costs (see Note 21)	103,359,488	89,665,534	91,082,912
Depreciation and amortization (see Note 22)	102,962,436	86,693,131	76,447,813
Spares, materials and supplies (see Note 8)	55,402,332	49,231,712	44,771,908
Repairs and maintenance	19,006,609	26,176,169	15,914,310
Others (see Note 24)	70,032,631	31,048,678	29,572,936
	₱2,108,524,404	₱1,809,497,489	₱1,735,571,233

Others include real property tax on plant machinery and equipment of PDPP from 2010 to 2019 based on new tax declarations per Local Board of Assessment Appeals (LBAA) order received on December 19, 2019.

20. General and Administrative Expenses

	2019	2018	2017
Business development	₱56,429,402	₱37,471,927	₱27,519,729
Taxes, licenses and regulatory charges	49,641,828	10,807,311	8,977,629
Personnel costs (see Note 21)	47,381,181	42,192,202	50,214,568
Professional fees	18,311,593	15,620,611	13,000,590
Directors' fees	16,219,664	16,456,381	15,451,969
Insurance	14,710,033	12,944,046	7,936,556
Shared expenses	13,900,005	13,257,495	13,539,434
Transportation and travel	10,004,043	13,581,231	8,301,520
Repairs and maintenance	9,082,449	7,573,599	3,909,747
Depreciation and amortization (see Note 22)	8,146,756	3,831,121	3,235,371
Freight and handling	4,374,339	473,506	472,026
Communications	3,963,376	4,365,480	3,576,133
Power and water	3,285,614	3,328,988	2,661,134
Corporate social responsibility	3,024,689	9,389,299	1,745,645
Office supplies	2,786,808	2,763,396	2,632,006
Janitorial and security	2,275,277	1,828,939	1,771,602
Association dues	1,824,828	1,874,423	1,857,594
Entertainment, amusement and recreation	1,818,542	2,777,872	1,549,041
Rentals (see Notes 5 and 29)	1,649,624	6,353,282	6,660,922
Provisions (see Notes 7, 8 and 11)	853,062	23,475,982	6,954,697
Supervision and regulation	750,000	750,000	750,000
Trainings and seminars	495,968	575,727	342,595
Brokerage fees	—	152,634	146,063
Others	6,455,466	7,622,449	5,577,215
	₱277,384,547	₱239,467,901	₱188,783,786

Provisions include provision for credit and impairment losses, inventory losses and impairment of machineries and equipment (see Notes 7, 8 and 11).

Taxes, licenses and regulatory charges in 2019 include settlement of previous years' assessments amounting to ₱32.4 million as well as additional property taxes amounting to ₱5.7 million on buildings and structures of PDPP from 2010 to 2019 based on new tax declarations per LBAA order received on December 19, 2019.



21. Personnel Costs

	2019	2018	2017
Salaries and wages	₱105,432,746	₱91,304,401	₱82,455,364
Retirement (see Note 17)	4,946,480	4,791,257	15,121,645
Other employee benefits	40,361,443	35,762,078	43,720,471
	₱150,740,669	₱131,857,736	₱141,297,480

22. Depreciation and Amortization

	2019	2018	2017
Depreciation of property, plant and equipment (see Notes 11 and 30):			
Plant operations (see Note 19)	₱102,485,003	₱86,215,698	₱75,970,380
General and administrative (see Note 20)	7,538,505	2,756,305	2,348,079
	110,023,508	88,972,003	78,318,459
Amortization of franchise:			
Plant 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
Amortization of prepaid rent:			
General and administrative (see Note 20)	—	466,565	279,041
	₱111,109,192	₱90,524,252	₱79,683,184

23. Unbundling of Rates

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 ERC 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
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, 2019, 2018 and 2017, BLCI's revenue from distribution of power amounted to ₱1,194.1 million, ₱1,083.3 million and ₱914.3 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 from the former's 4x7 MW Power Barge (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 "Plant operations" amounted to ₱7.0 million, ₱8.2 million and ₱7.7 million in 2019, 2018 and 2017, 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, 2019, the ASPA is still for approval by ERC.

As of December 31, 2019, SIPC has power supply contracts with five distribution utilities (including three for approval by the ERC) for the supply of peaking power requirements with terms ranging from three to five years from effectivity of the contracts.

BLCI

On August 11, 2015, BLCI entered into a PSC with Unified Leyte Geothermal Energy, Inc. (ULGEI). Contract period is 6 years with an annual contract quantity of 67,452,000 kWh. ULGEI started to supply electricity to BLCI on August 26, 2015.

On March 22, 2013, the ERC provisionally approved the Power Sales Contract (PSC) between BLCI and KSPC that was executed on October 12, 2012. The contract period is 10 years with an annual contract quantity of 43,800,000 kWh. KSPC 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 ULGEI, KSPC, NGCP and PEMC/IEMOP, net of discounts, amounted to ₱1,030.9 million, ₱934.1 million and ₱786.1 million in 2019, 2018 and 2017, respectively, and presented as “Purchased power” under “Plant operations” in the consolidated statements of comprehensive income (see Note 19).

The outstanding payables to ULGEI, KSPC, NGCP and PEMC/IEMOP included under “Trade and other payables” (see Note 14), on purchased power amounted to ₱102.5 million and ₱102.0 million as of December 31, 2019 and 2018, respectively.

25. Income Tax

	2019	2018	2017
Current	₱152,142,534	₱169,473,510	₱157,359,677
Deferred	(3,613,760)	5,146,406	368,847
	₱148,528,774	₱174,619,916	₱157,728,524

The reconciliation between the amounts of provision for income tax computed at the statutory tax rate to provision for income tax in the consolidated statements of comprehensive income for the years ended December 31, 2019, 2018 and 2017 follows:

	2019	2018	2017
Income before income tax	₱1,966,696,191	₱2,068,825,887	₱1,831,852,935
Provision for income tax computed at 30%	₱590,008,857	₱620,647,766	₱549,555,881
Adjustments to income tax resulting from:			
Equity in net earnings of associates	(398,240,914)	(379,623,624)	(341,228,796)
Impact of OSD	(17,555,719)	(41,880,062)	(44,729,860)
Interest income already subjected to final tax	(30,719,030)	(14,690,438)	(1,934,497)
Others	5,035,580	(9,833,726)	(3,934,204)
	₱148,528,774	₱174,619,916	₱157,728,524



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

	2019	2018
Deferred income tax assets on:		
Asset retirement obligation	₱24,429,119	₱23,643,002
Pension liability	7,584,352	5,526,274
Unrealized foreign exchange loss	13,629	-
	32,027,100	29,169,276
Deferred income tax liability on		
Excess of fair value over acquisition cost - property, plant and equipment and inventory	831,032	917,444
Unrealized foreign exchange gain	-	902,463
	831,032	1,819,907
Net deferred income tax assets	₱31,196,068	₱27,349,369

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 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, SIPC and BLCI availed of the OSD in the computation of their taxable income in 2019, 2018 and 2017.

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 ₱0.3 million, ₱0.2 million and nil in 2019, 2018 and 2017, respectively, pertaining to the supply of emergency power by SPC and SIPC to BLCI.



2019						
	Before Adjustments and Eliminations				Adjustments and	After
	Generation	Distribution	Others	Total	Eliminations	Eliminations/ Consolidated
Revenue	P1,605,251,205	P1,194,092,629	P-	P2,799,343,834	(P334,596)	P2,799,009,238
Income before income tax	2,330,456,150	90,883,395	9,633,731	2,430,973,276	(464,277,085)	1,966,696,191
Net income	2,203,435,595	69,375,176	9,633,731	2,282,444,502	(464,277,085)	1,818,167,417
Total assets	7,521,218,442	770,043,921	90,366,170	8,381,628,533	2,714,073,870	11,095,702,403
Property, plant and equipment (see Note 11)	591,736,507	200,437,564	-	792,174,071	1,578,445	793,752,516
Total liabilities	428,101,098	523,430,125	111,014	951,642,237	(18,339,846)	933,302,391
Depreciation and amortization (see Note 22)	91,773,451	19,335,741	-	111,109,192	-	111,109,192
Capital expenditures	89,332,323	23,579,176	-	112,911,499	-	112,911,499
2018						
	Before Adjustments and Eliminations				Adjustments and	After
	Generation	Distribution	Others	Total	Eliminations	Eliminations/ Consolidated
Revenue	P1,302,816,658	P1,083,337,673	P-	P2,386,154,331	(P239,820)	P2,385,914,511
Income before income tax	2,519,248,156	62,441,041	34,212,476	2,615,901,673	(547,075,786)	2,068,825,887
Net income	2,360,165,380	46,903,901	34,212,476	2,441,281,757	(547,075,786)	1,894,205,971
Total assets	7,630,481,671	748,677,664	94,739,820	8,473,899,155	2,470,685,844	10,944,584,999
Property, plant and equipment (see Note 11)	586,522,811	194,678,910	-	781,201,721	-	781,201,721
Total liabilities	740,203,678	532,926,984	118,395	1,273,249,057	(353,334,838)	919,914,219
Depreciation and amortization (see Note 22)	72,320,861	18,203,391	-	90,524,252	-	90,524,252
Capital expenditures	69,062,876	59,485,858	-	128,548,734	-	128,548,734
2017						
	Before Adjustments and Eliminations				Adjustments and	After
	Generation	Distribution	Others	Total	Eliminations	Eliminations/ Consolidated
Revenue	P1,435,832,793	P914,288,398	P-	P2,350,121,191	P-	P2,350,121,191
Income before income tax	2,372,999,117	69,518,729	14,428,929	2,456,946,775	(625,093,840)	1,831,852,935
Net income	2,231,381,248	53,408,074	14,428,929	2,299,218,251	(625,093,840)	1,674,124,411
Total assets	7,319,348,133	470,415,127	114,519,457	7,904,282,717	2,967,806,291	10,872,089,008
Property, plant and equipment (see Note 11)	625,426,592	152,919,010	-	778,345,602	-	778,345,602
Total liabilities	1,250,188,474	258,719,204	110,508	1,509,018,186	(1,083,494)	1,507,934,692
Depreciation and amortization (see Note 22)	60,765,167	18,918,017	-	79,683,184	-	79,683,184
Capital expenditures	168,706,281	22,239,927	-	190,946,208	-	190,946,208

In 2018, the Group recognized impairment loss amounting to P14.3 million on its machineries and equipment as a result of determining the disposal group's fair value less cost to sell (see note 11).

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 2019, 2018 and 2017:

2019			
	Generation	Distribution	Total
Revenue from power supply contracts and ancillary services	P857,932,460	P-	P857,932,460
Revenue from market power trading	746,984,149	-	746,984,149
Revenue from distribution services (see Note 23)	-	1,194,092,629	1,194,092,629
Total operating fees	1,604,916,609	1,194,092,629	2,799,009,238
Revenue from management services presented as "Service income" (see Note 5)	123,643,736	-	123,643,736
Total	P1,728,560,345	P1,194,092,629	P2,922,652,974



	2018		
	Generation	Distribution	Total
Revenue from power supply contracts and ancillary services	₱1,029,282,839	₱–	₱1,029,282,839
Revenue from market power trading	273,293,999	–	273,293,999
Revenue from distribution services (see Note 23)	–	1,083,337,673	1,083,337,673
Total operating fees	1,302,576,838	1,083,337,673	2,385,914,511
Revenue from management services presented as “Service income” (see Note 5)	120,007,156	–	120,007,156
Total	₱1,422,583,994	₱1,083,337,673	₱2,505,921,667

	2017		
	Generation	Distribution	Total
Revenue from power supply contracts and ancillary services	₱1,143,508,549	₱–	₱1,143,508,549
Revenue from market power trading	292,324,244	–	292,324,244
Revenue from distribution services (see Note 23)	–	914,288,398	914,288,398
Total operating fees	1,435,832,793	914,288,398	2,350,121,191
Revenue from management services presented as “Service income” (see Note 5)	100,006,366	–	100,006,366
Total	₱1,535,839,159	₱914,288,398	₱2,450,127,557

Revenue from the Group’s major external customers, which account for 54%, 48% and 50% in 2019, 2018 and 2017, respectively, amounted to ₱1,505.1 million, ₱1,133.8 million and ₱1,176.9 million, respectively.

Adjustments and Eliminations

Adjustments and eliminations are part of detailed reconciliations presented below:

Reconciliation of Net Income

	2019	2018	2017
Segment net income	₱2,278,444,502	₱2,441,281,757	₱2,299,218,251
Equity in net earnings of associates (see Note 10)	1,327,469,713	1,265,412,079	1,137,429,320
Dividend income from associates (see Note 10)	(1,412,024,298)	(1,409,823,865)	(1,028,339,061)
Dividend income from subsidiaries	(375,722,500)	(402,664,000)	(734,184,099)
Group net income	₱1,818,167,417	₱1,894,205,971	₱1,674,124,411

Reconciliation of Total Assets

	2019	2018
Segment assets	₱8,383,206,978	₱8,473,899,155
Inter-segment receivables	(27,289,252)	(356,705,798)
Investments in associates and subsidiaries	2,707,262,661	2,794,869,626
Goodwill	32,522,016	32,522,016
Group assets	₱11,095,702,403	₱10,944,584,999



Reconciliation of Total Liabilities

	2019	2018
Segment liabilities	₱951,642,237	₱1,273,249,057
Inter-segment payables	(18,339,846)	(353,334,838)
Group liabilities	₱933,302,391	₱919,914,219

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, 2019, 2018 and 2017:

	2019	2018	2017
For the years ended December 31:			
Earnings per share (see Note 27)	₱1.19	₱1.24	₱1.10
Share in net earnings of associates (see Note 10)	1,327,469,713	1,265,412,079	1,137,429,320
Return on equity (total comprehensive income divided by average total equity)	17.93%	19.61%	18.35%
Return on assets (total comprehensive income divided by average total assets)	16.43%	17.43%	15.75%
Cash flows:			
Net cash flows from operating activities	663,826,139	301,093,533	677,925,987
Net cash flows from investing activities	1,302,561,277	2,426,046,583	843,738,524
Net cash flows used in financing activities	(1,675,050,396)	(1,237,727,455)	(1,829,013,293)
As of December 31:			
Cash and cash equivalents (see Note 6)	3,227,403,650	2,937,042,859	1,445,250,136
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)	7.82	7.33	
Debt ratio (total liabilities divided by total assets)	0.08	0.08	
Debt-to-equity ratio (total liabilities divided by total equity)	0.09	0.09	
Solvency ratio (total comprehensive income before depreciation and amortization divided by total liabilities)	2.06	2.16	1.17



27. Earnings Per Share

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

	2019	2018	2017
Net income attributable to equity holders of the Parent	₱1,782,279,548	₱1,854,292,292	₱1,643,265,605
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	₱1.19	₱1.24	₱1.10

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, 2019, 2018 and 2017.

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", due from/due to related parties, dividend payable, 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.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group's policy is to manage its interest cost using the variable-rate debts.

As of December 31, 2019 and 2018, the Group does not have a financial liability that is exposed to interest rate risk.



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:

2019						
	Total	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days
Financial Assets						
At amortized cost:						
Cash and cash equivalents	₱3,227,403,650	₱3,227,403,650	₱-	₱-	₱-	₱-
Trade and other receivables						
PSALM	1,015,262	-	-	-	-	1,015,262
Receivable from customers	346,415,517	224,498,606	32,635,928	16,940,626	16,866,642	55,473,715
Current portion of PSALM deferred adjustments	36,798,477	36,798,477	-	-	-	-
Others	32,994,619	1,327,622	1,572,107	1,406,431	1,283,492	27,404,967
	417,223,875	262,624,705	34,208,035	18,347,057	18,150,134	83,893,944
Due from related parties	1,673,605	139,476	49,571	20,366	21,959	1,442,233
PSALM deferred adjustments (included in "Other noncurrent assets")	145,967,292	-	-	-	-	145,967,292
	3,792,268,422	3,490,167,831	34,257,606	18,367,423	18,172,093	231,303,469
At FVOCI:						
Investment in proprietary club shares	7,300,000	-	-	-	-	7,300,000
	3,799,568,422	3,490,167,831	34,257,606	18,367,423	18,172,093	238,603,469
Financial Liabilities						
Trade and other payables						
Trade	263,978,646	240,273,771	5,362,375	4,536,461	224,099	13,581,940
Accrued expenses	34,604,487	22,649,303	181	-	-	11,955,003
Nontrade	65,990,324	54,526,290	70,671	156,484	88,777	11,148,102
	364,573,457	317,449,364	5,433,227	4,692,945	312,876	36,685,045
Due to related parties	605,080	22,570	43,467	-	42,000	497,043
Customers' deposits	149,096,391	-	-	-	-	149,096,391
Lease liabilities	11,443,592	-	-	-	-	11,443,592
Other noncurrent liability	145,967,292	-	-	-	-	145,967,292
	671,685,812	317,471,934	5,476,694	4,692,945	354,876	343,689,363
Net Financial Assets (Liabilities)	₱3,127,882,610	₱3,172,695,897	₱28,780,912	₱13,674,478	₱17,817,217	(₱105,085,894)

2018						
	Total	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days
Financial Assets						
At amortized cost:						
Cash and cash equivalents	₱2,937,042,859	₱2,937,042,859	₱-	₱-	₱-	₱-
Trade and other receivables						
Receivable from PSALM	2,190,390	-	-	-	-	2,190,390
Receivable from customers	357,596,696	239,570,576	30,208,165	18,991,678	18,519,596	50,306,681
Current portion of PSALM deferred adjustments	36,798,477	36,798,477	-	-	-	-
Others	40,053,862	10,948,621	2,547,077	2,503,727	632,032	23,422,405
	436,639,425	287,317,674	32,755,242	21,495,405	19,151,628	75,919,476
Due from related parties	16,810,651	15,232,502	31,180	38,840	31,877	1,476,252
PSALM deferred adjustments (included in "Other noncurrent assets")	182,765,769	-	-	-	-	182,765,769
	3,573,258,704	3,239,593,035	32,786,422	21,534,245	19,183,505	260,161,497
At FVOCI:						
Investment in proprietary club shares	6,500,000	-	-	-	-	6,500,000
	3,579,758,704	3,239,593,035	32,786,422	21,534,245	19,183,505	266,661,497

(Forward)



	2018				
	Total	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days
Financial Liabilities					
Trade and other payables					
Trade	P258,963,939	P223,562,647	P11,362,210	P4,609,145	P2,251,126
Accrued expenses	33,064,242	20,372,907	380,710	334,210	381,615
Nontrade	95,542,217	63,943,567	1,153	627,980	788,805
	387,570,398	307,879,121	11,744,073	5,571,335	3,421,546
Dividends payable	849,987	849,987	—	—	—
Due to related parties	586,700	22,552	67,106	—	—
Customers' deposits	132,093,513	—	—	—	—
Other noncurrent liability	182,765,769	—	—	—	—
	703,866,367	308,751,660	11,811,179	5,571,335	3,421,546
Net Financial Assets (Liabilities)	P2,875,892,337	P2,930,841,375	P20,975,243	P15,962,910	P15,761,959

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 bad debts 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, due from related parties 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.

	2019		
	Maximum exposure	Offset	Exposure to credit risk
At amortized cost:			
Cash and cash equivalents (excluding cash on hand)	P3,220,366,103	(P9,421,306)	P3,210,944,797
Trade and other receivables	417,223,875	(96,843,836)	320,380,039
Due from related parties	1,673,605	—	1,673,605
PSALM deferred adjustments (included in "Other noncurrent assets")	145,967,292	—	145,967,292
	P3,785,230,875	(P106,265,142)	P3,678,965,733

	2018		
	Maximum exposure	Offset	Exposure to credit risk
At amortized cost:			
Cash and cash equivalents (excluding cash on hand)	P2,928,731,599	(P8,067,264)	P2,920,664,335
Trade and other receivables	436,639,425	(87,000,075)	349,639,350
Due from related parties	16,810,651	—	16,810,651
PSALM deferred adjustments (included in "Other noncurrent assets")	182,765,769	—	182,765,769
	P3,564,947,444	(P95,067,339)	P3,469,880,105



As of December 31, 2019 and 2018, the Group's significant concentration of credit risk pertains to its trade and other receivables and PSALM deferred adjustments amounting to ₱563.2 million and ₱619.4 million, respectively, and impaired financial assets, determined based on probability of collection, are adequately covered with allowance.

Applicable for the years ended December 31, 2019 and 2018

The following are the details of the Group's assessment of credit quality and the related ECLs as at December 31, 2019 and 2018:

General Approach

- *Cash and cash equivalents* - As of December 31, 2019 and 2018, 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, related parties, and other receivables* - As of December 31, 2019 and 2018, 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, 2019 and 2018, the allowance for impairment losses as a result from performing collective and specific impairment test amounted to ₱37.2 million and ₱36.3 million. Management evaluated that the Parent Company's trade receivables are of high grade and of good credit quality.

2019					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱-	₱-	₱34,702,715	₱419,683,347	₱454,386,062
Loss allowance	-	-	(34,702,715)	(2,459,472)	(37,162,187)
Carrying amount	₱-	₱-	₱-	₱417,223,875	₱417,223,875

2018					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱-	₱-	₱32,647,485	₱439,125,937	₱471,773,422
Loss allowance	-	-	(32,647,485)	(3,661,640)	(36,309,125)
Carrying amount	₱-	₱-	₱-	₱435,464,297	₱435,464,297

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, Trade and Other Payables and Due From/To Related Parties.* The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and due from/to related parties 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 listed 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, 2019 and 2018, 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, 2019 and 2018, the Group considers its investment in proprietary club shares measured and carried at fair values of ₱7.3 million and ₱6.5 million under Level 1 classification, respectively (see Notes 2 and 12). The Group also considers its noncurrent receivable amounting to ₱146.0 million and ₱182.8 million as of December 31, 2019 and 2018, respectively, noncurrent liability amounting to ₱146.0 million and ₱182.8 million as of December 31, 2019 and 2018, and customers' deposits amounting to ₱149.1 million and ₱132.1 million as of December 31, 2019 and 2018, respectively, under the Level 3 classification.

During the reporting period ended December 31, 2019, 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 started participating 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) (see Note 29).* 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 2 and 3).

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).

The current portion of the remaining prepaid rent amounting to nil and ₱0.4 million as of December 31, 2019 and 2018, respectively, are presented as part of "Prepayments and other current assets" and the noncurrent portion amounting to nil and ₱5.3 million as of December 31, 2019 and 2018, respectively, are presented as part of "Other noncurrent assets", in the consolidated statements of financial position (see Notes 9 and 12). The remaining prepaid rent as of December 31, 2018 amounting to ₱5.3 million was derecognized upon adoption of PFRS 16 (see Notes 2 and 11).

Rent expense under the LLAs amounted to nil in 2019 and ₱0.2 million in 2018 and 2017, respectively (see Notes 20 and 22).

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 ₱36.8 million as of December 31, 2019 and 2018, respectively, is recorded under "Trade and other receivables" and the noncurrent portion amounting to ₱146.0 million and ₱182.8 million as of December 31, 2019 and 2018, 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, 2019 and 2018.

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.



Events After the Reporting Period

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, which was subsequently extended to April 30, 2020 and further extended to May 15, 2020 for most parts of Luzon. On various dates after March 13, 2020, the respective local governments of Cebu, Bohol and Iloilo implemented similar quarantine measures through issuance of Executive Orders. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Group considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Group cannot determine at this time the impact to its financial position, performance and cash flows. The Group will continue to monitor the situation.

30. Lease Agreements

The Group has entered into various leases for office spaces, parking lots and parcels of land which include those with other landowners and those with respect to its LLA with PSALM (see Note 29). Leases of office spaces and parking lots generally have lease terms between 1 to 4 years, while leases of parcels of land generally have lease terms between 1 to 25 years. Total rent expense charged to operations amounted to ₱1.6 million, ₱6.4 million and ₱6.7 million in 2019, 2018 and 2017, respectively (see Note 20).

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 year ended December 31, 2019:

	Right-of-use assets			Lease liabilities
	Land	Office Space	Total	
As at January 1	₱7,289,017	₱1,263,879	₱8,552,896	₱3,440,186
Additions	—	9,263,019	9,263,019	9,263,019
Depreciation expense	—	(4,401,365)	(4,401,365)	—
Interest expense	—	—	—	827,244
Payments	—	—	—	(3,043,168)
As at December 31	₱7,289,017	₱6,125,533	₱13,414,550	₱10,487,281

Set out below are the amounts recognized in the consolidated statement of comprehensive income for the year ended December 31, 2019:

Depreciation expense of right-of-use assets	₱4,401,365
Interest expense on lease liabilities	827,244
Rent expense - short-term leases (see Note 20)	1,649,624
	<u>₱6,878,233</u>



Shown below is the maturity analysis as of December 31, 2019 of the undiscounted lease payments:

	Amount
1 year	₱5,858,926
more than 1 years to 2 years	3,869,041
more than 2 years to 3 years	408,482
more than 3 years to 4 years	408,482
more than 5 years	898,661
	₱11,443,592

31. Notes to Consolidated Statements of Cash Flows

Changes in liabilities arising from financing activities in 2019 and 2018 are as follows:

2019						
	At January 1	Dividend Declaration	Dividend Attributable to NCI	Others	Cash Flows	At December 31
Dividends payable (see Note 18)	₱849,987	₱1,646,206,983	₱25,777,502	₱-	(₱1,672,834,472)	₱-
Lease liabilities (see Note 30)	3,440,186	-	-	10,090,263	(3,043,168)	10,487,281
	₱4,290,173	₱1,646,206,983	₱25,777,502	₱10,090,263	(₱1,675,877,640)	₱10,487,281

Others in 2019 include interest expense on the Group's lease liabilities and additional lease liabilities recognized during the year.

2018						
	At January 1	Dividend Declaration	Dividend Attributable to NCI	Others	Cash Flows	At December 31
Dividends payable (see Note 18)	₱-	₱1,197,241,442	₱41,336,000	₱-	(₱1,237,727,455)	₱849,987

2017						
	At January 1	Dividend Declaration	Dividend Attributable to NCI	Others	Cash Flows	At December 31
Long-term debt	₱576,228,515	₱-	₱-	₱1,549,263	(₱577,777,778)	₱-
Dividends payable (see Note 18)	22,028,175	1,197,241,440	31,965,900	-	(1,251,235,515)	-
	₱598,256,690	(₱1,197,241,440)	₱31,965,900	₱1,549,263	(₱1,829,013,293)	₱-

The outstanding loan balance as at January 1, 2017 was paid on October 28, 2017. Interest expense from this loan amounted to ₱19.2 million in 2017, including amortization of transaction costs of ₱1.5 million. Others in 2017 pertain to amortization of transaction costs on the Group's long-term debt.

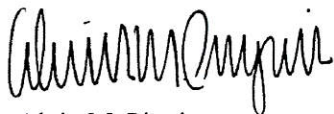


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and the Stockholders
SPC Power Corporation
7th Floor, Cebu Holdings Center
Archbishop Reyes Avenue, Cebu Business Park
Cebu 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, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, included in this Form 17-A, and have issued our report thereon dated May 7, 2020. Our audits were made for the purpose of forming an opinion on the basic 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 financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Alvin M. Pinpin
Partner
CPA Certificate No. 94303
SEC Accreditation No. 0781-AR-3 (Group A),
April 3, 2018, valid until April 2, 2021
Tax Identification No. 198-819-157
BIR Accreditation No. 08-001998-70-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 8125280, January 7, 2020, Makati City

May 7, 2020



SPC POWER CORPORATION AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

DECEMBER 31, 2019

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	—	₱3,227,403,650	₱3,227,403,650	₱102,453,188
Trade and other receivables:				
Power Sector Assets and Liabilities Management Corporation (PSALM)	—	1,015,262	1,015,262	—
Receivable from customers	—	346,415,517	346,415,517	—
Current portion of PSALM deferred adjustments	—	36,798,477	36,798,477	—
Others	—	32,994,619	32,994,619	—
		417,223,875	417,223,875	—
Due from related parties	—	1,673,605	1,673,605	—
PSALM deferred adjustments (included in "Other noncurrent assets")	—	145,967,292	145,967,292	—
		3,792,268,422	3,792,268,422	102,453,188
Financial assets at fair value through other comprehensive income:				
Investment in proprietary club shares	1	7,300,000	7,300,000	—
Total financial assets	—	₱3,799,568,422	₱3,799,568,422	₱102,453,188

See Note 28 of the Consolidated Financial Statements.

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

	Balance at Beginning of Period	Debit	Credit	Balance at End of Period
Accounts Receivable				
Allowance for Doubtful Accounts				
Notes Receivable				
Prepaid Insurance				
Prepaid Rent				
Supplies				
Equipment				
Accumulated Depreciation—Equipment				
Land				
Buildings				
Accumulated Depreciation—Buildings				
Intangible Assets				
Goodwill				
Patents				
Trademarks				
Other Intangible Assets				
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, 2019**

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.	₱12,652	₱6,032	(₱12,652)	₱-	₱6,032	₱-	₱6,032
Bohol Light Company, Inc.	268,990	685,555	(363,517)	-	591,028	-	591,028
SPC Island Power Corporation	351,360,827	1,123,076	(351,360,827)	-	1,123,076	-	1,123,076
SPC Malaya Power Corporation	2,168,147	16,155	(518,147)	-	1,666,155	-	1,666,155
SPC Light Company, Inc.	6,793	6,032	(6,793)	-	6,032	-	6,032
Cebu Naga Power Plant Corporation	122,202	19,550	-	-	141,752	-	141,752
	₱353,939,611	₱1,856,400	(₱352,261,936)	₱-	₱3,534,075	₱-	₱3,534,075

SPC POWER CORPORATION AND SUBSIDIARIES

SCHEDULE D - LONG-TERM DEBT

DECEMBER 31, 2019

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

See Note 31 of the Consolidated Financial Statements.

SPC POWER CORPORATION AND SUBSIDIARIES

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

DECEMBER 31, 2019

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, 2019

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
- Not applicable -				

SPC POWER CORPORATION AND SUBSIDIARIES

SCHEDULE G - CAPITAL STOCK

DECEMBER 31, 2019

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	Number of Shares Held by Related Parties	Directors and Officers	Others
Capital stock	2,000,000,000	1,496,551,803	—	1,281,805,946	18,430,230	196,315,627

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, 2019

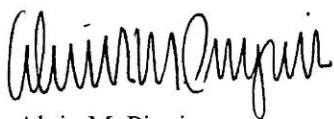
Items	Amount
Unappropriated Retained Earnings, Beginning	₱3,251,244,958
Adjustments	
Deferred income tax assets that reduced the amount of provision for income tax	—
Unappropriated Retained Earnings, as Adjusted, Beginning	3,251,244,958
Net Income Based on the Face of Audited Financial Statements	1,833,928,321
Less: Non-actual/Unrealized Income Net of Tax	
Equity in net income of associate/joint venture	—
Unrealized foreign exchange loss - net (except those attributable to Cash and Cash Equivalents)	—
Unrealized actuarial gain	—
Fair value adjustment (M2M gains)	—
Fair value adjustment of Investment Property resulting to gain	—
Adjustment due to deviation from PFRS/GAAP-gain	—
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	—
Net deferred income tax assets that reduced the amount of provision for income tax	—
Add: Non-actual Losses	
Depreciation on revaluation increment (after tax)	—
Adjustment due to deviation from PFRS/GAAP - loss	—
Loss on fair value adjustment of investment property (after tax)	—
Unrealized actuarial loss	—
Interest expense - asset retirement obligation	—
Net Income Actual/Realized	1,833,928,321
Add (Less)	
Dividend declarations during the period	(1,646,206,983)
Appropriations of Retained Earnings during the period	(2,300,000,000)
Reversals of appropriations	1,000,000,000
Effects of prior period adjustments	—
Treasury shares	(131,008,174)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION	₱2,007,958,122

INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and the Stockholders
SPC Power Corporation
7th Floor, Cebu Holdings Center
Archbishop Reyes Avenue, Cebu Business Park
Cebu 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, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated May 7, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, 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 (PFRS) 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 financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Alvin M. Pinpin

Partner

CPA Certificate No. 94303

SEC Accreditation No. 0781-AR-3 (Group A),

April 3, 2018, valid until April 2, 2021

Tax Identification No. 198-819-157

BIR Accreditation No. 08-001998-70-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 8125280, January 7, 2020, Makati City

May 7, 2020



SPC POWER CORPORATION
FINANCIAL SOUNDNESS INDICATORS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

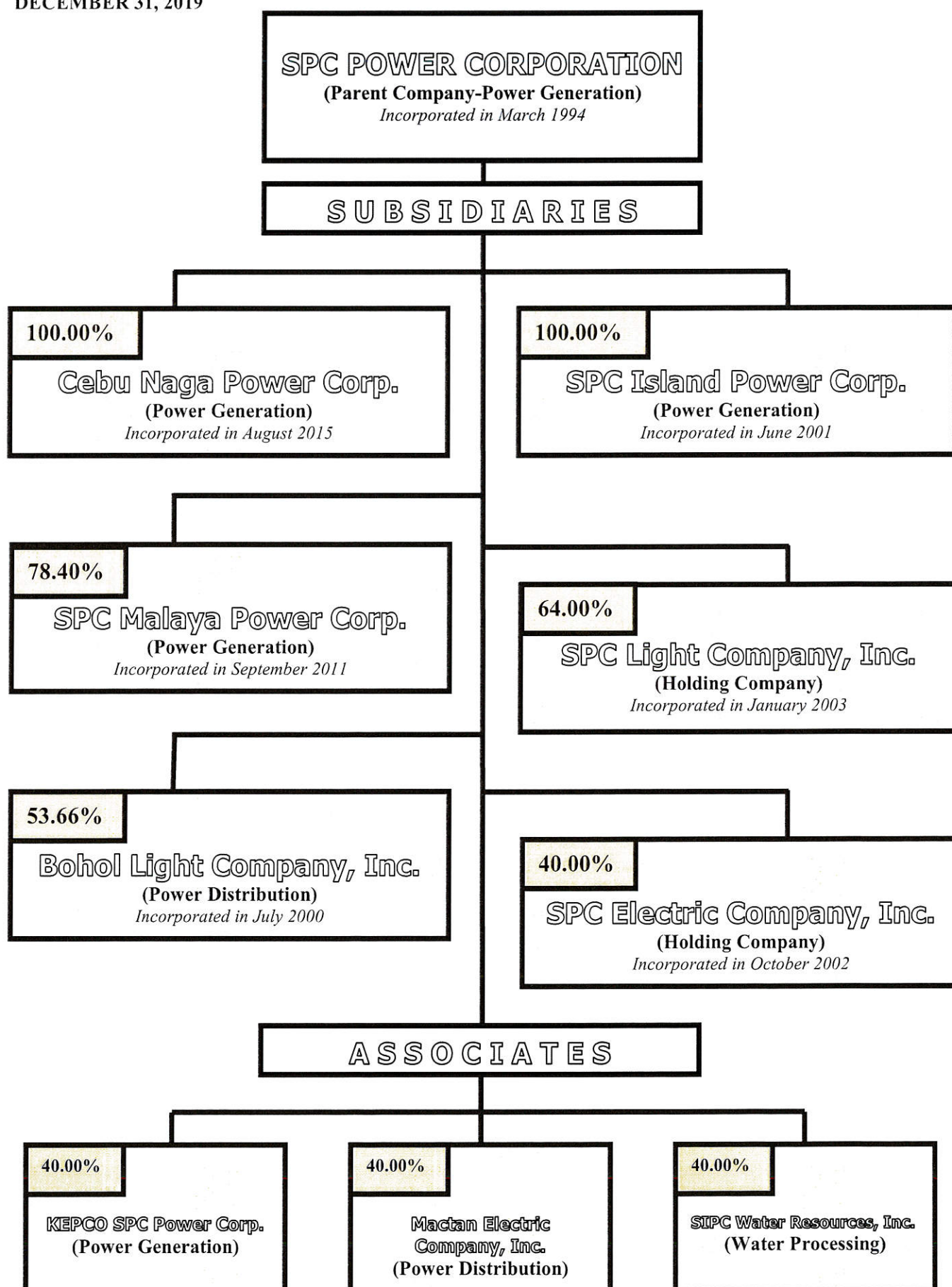
Ratio	Formula	2019	2018
Current Ratio	Total Current Assets including Noncurrent Assets Held for Sale divided by Total Current Liabilities including Liabilities Directly Associated with Noncurrent Assets Held for Sale <div> Total Current Assets ₱4,106,210,017 Divide by: Total Current Liabilities 525,247,517 <hr/> Current Ratio 7.82 </div>	7.82	7.33
Acid Test Ratio	Quick Assets (<i>Total Current Assets less Materials and Supplies and Prepayments and Other Current Assets</i>) divided by Total Current Liabilities <div> Total Current Assets ₱4,106,210,017 Less: Materials and Supplies 378,365,129 Prepayments and Other Current Assets 81,543,758 <hr/> Quick Assets ₱3,646,301,130 Divide by: Total Current Liabilities 525,247,517 <hr/> Acid Test Ratio 6.94 </div>	6.94	6.49
Solvency Ratio	Total Comprehensive Income before Depreciation and Amortization divided by Total Liabilities <div> Total Comprehensive Income ₱1,810,182,253 Add: Depreciation and Amortization 111,109,192 <hr/> <div> 1,921,291,445 Divide by: Total Liabilities 933,302,391 <hr/> Solvency Ratio 2.06 </div> </div>	2.06	2.16
Debt-to-Equity Ratio	Total Liabilities divided by Total Equity <div> Total Liabilities ₱933,302,391 Divide by: Total Equity 10,162,400,012 <hr/> Debt-to-Equity Ratio 0.09 </div>	0.09	0.09
Asset-to-Equity Ratio	Total Assets divided by Equity Attributable to Parent <div> Total Assets ₱11,095,702,403 Divide by: Equity Attributable to Parent 10,006,265,498 <hr/> Asset-to-Equity Ratio 1.11 </div>	1.11	1.11

Ratio	Formula	2019	2018
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 ₱1,818,167,417 Add: Provision for Income Tax 148,528,774 Interest Expense 5,557,408 <hr/> ₱1,972,253,599 Less: Interest Income 102,453,188 <hr/> EBIT ₱1,869,800,411 Add: Depreciation and Amortization 111,109,192 <hr/> EBITDA ₱1,980,909,603 Divide by: Interest Expense 5,557,408 <hr/> Interest Expense Coverage Ratio 356.44	356.44	396.63
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 ₱1,810,182,253 Total Equity CY ₱10,162,400,012 Total Equity PY 10,024,670,780 <hr/> Average Total Equity ₱10,093,535,396 Return on Equity 17.93%	17.93%	19.61%
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 ₱1,810,182,253 Total Assets CY ₱11,095,702,403 Total Assets PY 10,944,584,999 <hr/> Average Total Assets ₱11,020,143,701 Return on Assets 16.43%	16.43%	17.43%
Net Profit Margin	Net Income Attributable to Parent divided by Revenue Net Income Attributable to Parent ₱1,782,279,548 Divide by: Revenue 2,799,009,238 <hr/> Net Income Margin 63.68%	63.68%	77.72%

SPC POWER CORPORATION AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

DECEMBER 31, 2019





Republika ng Pilipinas
Kagawaran ng Pananalapi
Kawanihan ng Rentas Internas

eFPS Payment Details

TIN : 003 - 868 - 048 - 000
Name : SPC POWER CORPORATION
Tax Period : 12/31/2019
Reference Number : 122000035415284
Tax Type : IT - Annual Income Tax Return for Corporation and Partnerships

Payment Transaction Number : 204085872
Date : 04/15/2020
Cash Amount Paid : 14,917,058.00
Bank : 010000 - UCPB

Origin	Bank Code	Amount	Number	Date	Status	Message	CBR BCS No.
Online Confirmation	010000	14,917,058.00	646344	04/16/2020	Authorized	0 - Successful	56631
Batch Confirmation	010000	14,917,058.00	00000000000000646344	04/16/2020	Authorized	0 - Successful	56631
Batch Acknowledgment	010000	14,917,058.00	00000000000000646344	04/16/2020	Authorized	0 - Successful	56631

Payment Transaction Number : 204085790
Date : 04/15/2020
Cash Amount Paid : 14,917,058.00
Bank : 010000 - UCPB

Origin	Bank Code	Amount	Number	Date	Status	Message	CBR BCS No.
Pending Online Confirmation	010000	14,917,058.00	-		Unknown	60 - Details of Payment were redirected to the corresponding Bank. Please verify with your Bank.	0

No Available Batch Confirmation
No Available Batch Acknowledgement

Total Payments (Successful/Unsuccessful): 29,834,116.00
Total Payments (Successful) : 14,917,058.00

Print

Close



SPC Power Corporation

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

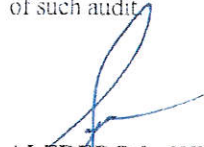
The Management of **SPC POWER CORPORATION** (the Parent Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2019 and 2018, in accordance with the prescribed financial reporting framework 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



JAIME M. BALISACAN

Treasurer/Senior Vice President – Finance and Administration

Signed this 7th day of May 2020.

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
SPC Power Corporation
7th Floor, Cebu Holdings Center
Archbishop Reyes Avenue, Cebu Business Park
Cebu 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, 2019 and 2018, 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, 2019, and notes to the parent company financial statements, including a summary of significant accounting policies.

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, 2019 and 2018, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2019, 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

SEC Accreditation No. 0781-AR-3 (Group A),

April 3, 2018, valid until April 2, 2021

Tax Identification No. 198-819-157

BIR Accreditation No. 08-001998-70-2018,

February 26, 2018, valid until February 25, 2021

PTR No. 8125280, January 7, 2020, Makati City

May 7, 2020



SPC POWER CORPORATION**PARENT COMPANY STATEMENTS OF FINANCIAL POSITION**

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	₱2,743,899,203	₱2,201,388,093
Trade and other receivables (Note 7)	72,112,632	42,802,592
Due from related parties (Note 5)	3,490,565	368,530,669
Materials and supplies (Note 8)	58,028,612	56,484,295
Prepayments and other current assets (Note 9)	38,560,225	48,229,418
Total Current Assets	2,916,091,237	2,717,435,067
Noncurrent Assets Held for Sale (Note 12)	—	18,213,000
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)	449,495,718	411,526,116
Pension asset (Note 21)	—	1,407,927
Other noncurrent assets (Notes 13 and 25)	29,756,313	17,360,713
Total Noncurrent Assets	3,672,895,228	3,623,937,953
TOTAL ASSETS	₱6,588,986,465	₱6,359,586,020
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 14)	₱90,245,459	₱64,979,666
Due to related parties (Note 5)	3,379,738	3,119,068
Income tax payable	14,917,058	4,571,297
Current portion of lease liabilities (Note 23)	5,116,648	—
Total Current Liabilities	113,658,903	72,670,031
Liability Directly Associated with Noncurrent Assets Held for Sale (Note 12)	—	2,234,000
Noncurrent Liabilities		
Pension liability (Note 21)	1,076,310	—
Lease liabilities - net of current portion (Note 23)	3,385,634	—
Total Noncurrent Liabilities	4,461,944	—
Total Liabilities	118,120,847	74,904,031

(Forward)



	December 31	
	2019	2018
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 for future expansion projects	2,800,000,000	1,500,000,000
Unappropriated	2,138,966,296	3,251,244,958
Other comprehensive income:		
Remeasurement of employee benefits (Note 21)	954,844	3,292,553
Net unrealized valuation gains on financial asset at fair value through other comprehensive income (FVOCI) (Note 13)	5,650,000	4,850,000
Treasury stock at cost - 72,940,097 shares (Note 15)	(131,008,174)	(131,008,174)
Total Equity	6,470,865,618	6,284,681,989
TOTAL LIABILITIES AND EQUITY	₱6,588,986,465	₱6,359,586,020

See accompanying Notes to Parent Company Financial Statements.



SPC POWER CORPORATION**PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME**

	Years Ended December 31		
	2019	2018	2017
REVENUE			
Operating fees (Note 25)	₱282,322,488	₱10,356,843	₱—
COST OF SERVICES			
Plant operations (Notes 16 and 25)	(217,400,298)	(36,736,663)	—
GROSS PROFIT (LOSS)	64,922,190	(26,379,820)	—
GENERAL AND ADMINISTRATIVE EXPENSES (Note 17)	(190,299,252)	(163,823,927)	(126,444,744)
OTHER INCOME (CHARGES)			
Dividend income (Notes 5, 10 and 11)	1,782,586,723	1,797,383,787	1,754,761,385
Service income (Note 5)	123,643,736	120,007,156	100,006,366
Interest income (Note 6)	89,347,432	41,191,175	10,617,555
Changes in asset retirement obligation (Note 12)	—	21,284,649	—
Interest expense (Notes 23 and 24)	(680,963)	(881,545)	(20,052,142)
Others - net (Notes 4, 5, 12 and 25)	(116,782)	226,252,709	129,457,050
	1,994,780,146	2,205,237,931	1,974,790,214
INCOME BEFORE INCOME TAX	1,869,403,084	2,015,034,184	1,848,345,470
PROVISION FOR INCOME TAX (Note 20)	35,474,763	64,017,680	41,117,758
NET INCOME	1,833,928,321	1,951,016,504	1,807,227,712
OTHER COMPREHENSIVE INCOME			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurement gain (loss) on employee benefits, net of tax effect (Note 21)	(2,337,709)	4,212,097	(919,544)
Unrealized valuation gain on financial asset at FVOCI (Note 13)	800,000	1,500,000	—
	(1,537,709)	5,712,097	(919,544)
TOTAL COMPREHENSIVE INCOME	₱1,832,390,612	₱1,956,728,601	₱1,806,308,168
EARNINGS PER SHARE (BASIC/DILUTED)			
(Note 15)	₱1.23	₱1.30	₱1.21

See accompanying Notes to Parent Company Financial Statements.



SPC POWER CORPORATION

**PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 and 2017**

	Capital Stock (Note 15)	Additional Paid-in Capital	Other Comprehensive Income (Loss)					Treasury Stock at Cost (Note 15)	Total
			Retained Earnings (Note 15)	Remeasurement of Employee Benefits (Note 21)	Valuation Gains on Financial Assets at FVOCI (Note 13)	Unrealized Losses on AFS Investment (Note 13)	Net Unrealized Valuation		
Balances at January 1, 2019	₱1,569,491,900	₱86,810,752	₱1,500,000,000	₱3,251,244,958	₱4,850,000	—	—	(₱131,008,174)	₱6,284,681,989
Total comprehensive income	—	—	—	1,833,928,321	800,000	—	—	—	1,832,390,612
Appropriation (Note 15)	—	—	2,300,000,000	(2,300,000,000)	—	—	—	—	—
Reversal of appropriation (Note 15)	—	—	(1,000,000,000)	1,000,000,000	—	—	—	—	—
Cash dividends (Note 15)	—	—	—	(1,646,206,983)	—	—	—	—	(1,646,206,983)
Balances at December 31, 2019	₱1,569,491,900	₱86,810,752	₱2,800,000,000	₱2,138,966,296	₱5,650,000	—	—	(₱131,008,174)	₱6,470,865,618
Balances at January 1, 2018	₱1,569,491,900	₱86,810,752	₱1,350,000,000	₱2,647,469,896	₱3,350,000	₱—	₱—	(₱131,008,174)	₱5,525,194,830
Total comprehensive income	—	—	—	1,951,016,504	1,500,000	—	—	—	1,956,728,601
Appropriation (Note 15)	—	—	1,500,000,000	(1,500,000,000)	—	—	—	—	—
Reversal of appropriation (Note 15)	—	—	(1,350,000,000)	1,350,000,000	—	—	—	—	—
Cash dividends (Note 15)	—	—	—	(1,197,241,442)	—	—	—	—	(1,197,241,442)
Balances at December 31, 2018	₱1,569,491,900	₱86,810,752	₱1,500,000,000	₱3,251,244,958	₱4,850,000	—	—	(₱131,008,174)	₱6,284,681,989
Balances at January 1, 2017	₱1,569,491,900	₱86,810,752	₱1,250,000,000	₱2,137,483,625	₱—	(₱350,000)	—	(₱131,008,174)	₱4,912,428,103
Total comprehensive income	—	—	—	1,807,227,712	(919,544)	—	—	—	1,806,308,168
Appropriation (Note 15)	—	—	500,000,000	(500,000,000)	—	—	—	—	—
Reversal of appropriation (Note 15)	—	—	(400,000,000)	400,000,000	—	—	—	—	—
Cash dividends (Note 15)	—	—	—	(1,197,241,441)	—	—	—	—	(1,197,241,441)
Balances at December 31, 2017	₱1,569,491,900	₱86,810,752	₱1,350,000,000	₱2,647,469,896	₱—	(₱350,000)	—	(₱131,008,174)	₱5,521,494,830

See accompanying Notes to Parent Company Financial Statements.



SPC POWER CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱1,869,403,084	₱2,015,034,184	₱1,848,345,470
Adjustments to reconcile income before income tax to net cash flows:			
Dividend income (Notes 5, 10 and 11)	(1,782,586,723)	(1,797,383,787)	(1,754,761,385)
Interest income (Note 6)	(89,347,432)	(41,191,175)	(10,617,555)
Net changes in pension and asset retirement obligation (Note 12)	146,528	(21,025,415)	504,540
Provision for impairment on property, plant and equipment (Note 12)	—	14,266,880	—
Depreciation and amortization (Notes 12 and 19)	36,544,512	13,141,696	1,910,328
Interest expense (Notes 23 and 24)	680,963	881,545	20,052,142
Loss (gain) on disposal of assets (Note 12)	7,257,697	(959,788)	(267,857)
Unrealized foreign exchange loss (gain)	930,797	(1,500,841)	1,033,188
Operating income before working capital changes	43,029,426	181,263,299	106,198,871
Decrease (increase) in:			
Trade and other receivables	(27,731,595)	65,480,334	(33,082,278)
Due from related parties	365,040,104	(365,773,167)	450,026,032
Materials and supplies	(1,544,317)	275,244,672	(255,647,407)
Prepayments and other current assets	9,547,900	72,307,898	(73,368,826)
Increase (decrease) in:			
Trade and other payables	25,265,793	(738,277,002)	324,399,491
Due to related parties	260,670	1,146,128	622,587
Net cash generated from (used in) operations	413,867,981	(508,607,838)	599,149,470
Income taxes paid	(25,129,002)	(69,500,863)	(33,541,943)
Interest paid (Notes 23 and 24)	(680,963)	—	(21,716,866)
Interest received	89,347,432	41,191,175	10,617,555
Net cash flows from (used in) operating activities	477,405,448	(536,917,526)	554,508,216
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash dividends received (Notes 5, 10 and 11)	1,782,586,723	1,797,383,787	1,794,212,627
Additions to property, plant and equipment (Note 12)	(63,247,565)	(56,219,762)	(140,178,285)
Proceeds from disposal of property and equipment (Note 12)	7,142,858	1,593,750	267,857
Decrease (increase) in other noncurrent assets (Notes 13 and 25)	(12,213,959)	1,143,453,081	(835,287)
Net cash flows from investing activities	1,714,268,057	2,886,210,856	1,653,466,912

(Forward)



	Years Ended December 31		
	2019	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends paid (Note 15)	(P1,646,206,983)	(P1,197,241,442)	(P1,200,500,706)
Payments of long-term debt (Note 24)	—	—	(577,777,778)
Payment of principal portion of lease liabilities (Note 24)	(2,024,615)	—	—
Cash flows used in financing activities	(1,648,231,598)	(1,197,241,442)	(1,778,278,484)
NET INCREASE IN CASH AND CASH EQUIVALENTS	543,441,907	1,152,051,888	429,696,644
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(930,797)	1,500,841	(1,033,188)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,201,388,093	1,047,835,364	619,171,908
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	P2,743,899,203	P2,201,388,093	P1,047,835,364

See accompanying Notes to Parent Company Financial Statements.

