

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

## 17. Pension Liabilities

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

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

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

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

	2021	2020
Current service cost	<b>₱6,855,450</b>	₱5,534,367
Interest cost on benefit obligation	<b>1,431,738</b>	1,167,944
	<b>₱8,287,188</b>	₱6,702,311

Remeasurement effects recognized under "Other comprehensive income" in the consolidated statements of comprehensive income amounted to ₱2.5 million and ₱1.8 million in 2021 and 2020, respectively.

Net pension liabilities follow:

	2021	2020
Present value of defined benefit obligation	<b>₱62,159,515</b>	₱57,104,922
Fair value of plan assets	<b>27,385,679</b>	27,575,364
	<b>₱34,773,837</b>	₱29,529,558



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

	2021	2020
At January 1	<b>₱57,104,922</b>	₱50,452,184
Current service cost	<b>6,855,450</b>	5,534,367
Interest cost	<b>2,782,931</b>	2,345,023
Benefits paid	<b>(3,654,677)</b>	(1,347,981)
Remeasurement loss due to:		
Experience adjustments	<b>431,840</b>	121,329
Changes in financial assumptions	<b>(1,360,951)</b>	—
At December 31	<b>₱62,159,515</b>	₱57,104,922

Changes in the fair value of plan assets follow:

	2021	2020
At January 1	<b>₱27,575,364</b>	₱24,022,023
Gains (losses) on return on plan assets	<b>(3,044,923)</b>	1,967,989
Interest income included in net interest cost	<b>1,351,193</b>	1,177,079
Contributions to the retirement fund	<b>1,889,099</b>	408,273
Benefits paid	<b>(385,054)</b>	—
At December 31	<b>₱27,385,679</b>	₱27,575,364

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

	2021	2020
At January 1	<b>₱29,529,558</b>	₱26,430,161
Pension expense	<b>8,278,188</b>	6,702,311
Remeasurement loss (gain)	<b>2,115,812</b>	(1,846,660)
Benefits paid	<b>(3,269,623)</b>	(1,347,981)
Contribution to the retirement fund	<b>(1,889,099)</b>	(408,273)
At December 31	<b>₱34,773,836</b>	₱29,529,558

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

	2021	2020
Cash and cash equivalents	<b>₱8,005,290</b>	₱9,304,161
Investments in government securities	<b>19,241,227</b>	17,163,905
Accrued interest income and others	<b>156,989</b>	1,122,075
Total assets	<b>27,403,506</b>	27,590,141
Total liabilities	<b>17,827</b>	14,777
Fair value of plan assets	<b>₱27,385,679</b>	₱27,575,364

The Parent Company expects to contribute to the retirement fund in 2021.



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

	2021	2020
Discount rate	5.07–5.11%	4.90–5.03%
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, 2021 and 2020, assuming all other assumptions were held constant:

	Increase (Decrease)	Present Value Change of Defined Benefit Obligation	
		2021	2020
Discount rate	+100 basis points	(P3,557,134)	(P4,464,702)
	–100 basis points	4,179,977	2,636,008
Future salary increase rate	+100 basis points	4,399,616	3,076,824
	–100 basis points	(3,822,378)	(4,984,213)

The weighted average duration of the benefit payments ranges from 15.20–20.75 years as of December 31, 2021 and 2020. 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	2021	2020
Less than one year	P26,481,733	P3,153,891
One year to less than five years	17,544,580	18,964,571
Five years to less than 10 years	23,616,478	20,071,064
10 years to less than 15 years	23,515,193	23,464,635
15 years to less than 20 years	42,504,527	26,128,155
20 years and above	109,354,523	108,945,479
	<b>P243,017,034</b>	<b>P200,727,795</b>

## 18. Equity

### Capital Stock

There were no changes in the Parent Company's authorized, issued and outstanding common shares as of December 31, 2021 and 2020:

Issued shares	1,569,491,900
Treasury shares	(72,940,097)
<b>Issued and outstanding shares</b>	<b>1,496,551,803</b>

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 P1.80 per share. Gross proceeds from this issuance of new shares amounted to P2.8 billion. As of December 31, 2021, the Parent Company has 808 stockholders including 93 depository participants counted as one stockholder each.



As of December 31, 2021 and 2020, 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 ₱2.7 billion and ₱2.9 billion as of December 31, 2021 and 2020, 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, 2021 and 2020.

#### Appropriation

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

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

On November 25, 2019, the Board of Directors of the Parent Company approved the following: (i) appropriation of retained earnings amounting to ₱1.3 billion for the construction and operation of new generating power plant capacity to supply 39 MW full demand requirements in the mainland of Occidental Mindoro starting May 25, 2022, (ii) appropriation of retained earnings amounting to ₱1.0 billion to invest in SPC Island Power Corporation for the 44.2 MW expansion of Bohol Diesel Power Plant in the years 2020 - 2021, and (iii) confirmation of the 2018 appropriation of retained earnings amounting to ₱500.0 million for 1Bohol Power Project that will serve the long-term power requirements of three distribution utilities in Bohol starting December 26, 2023.

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



### 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
2021				
SPC	April 7, 2021	April 23, 2021	₱598.6	₱0.40
	May 28, 2021	June 14, 2021	897.9	0.60
	December 9, 2021	December 23, 2021	823.1	0.55
SIPC	December 9, 2021	December 15, 2021	350.0	14.0 (common)
BLCI	June 2, 2021	June 7, 2021	11.3	0.15
	December 1, 2021	December 7, 2021	11.3	0.15
2020				
SPC	May 7, 2020	May 22, 2020	₱598.6	₱0.40
	December 2, 2020	December 21, 2020	598.6	0.40
SIPC	December 2, 2020	December 16, 2020	300.0	12.0 (common)
BLCI	May 27, 2020	June 1, 2020	20.0	0.27
	November 4, 2020	November 15, 2020	37.5	0.50
SECI	October 2, 2020	October 15, 2020	18.9	1.00
SLCI	October 2, 2020	October 15, 2020	23.0	0.73
2019				
SPC	April 4, 2019	April 23, 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

### Non-controlling Interest

As of December 31, 2021 and 2020, 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:

	2021	2020
<b>Statements of financial position:</b>		
Current assets	₱338,629,153	₱380,301,333
Noncurrent assets	307,090,467	329,255,355
Current liabilities	162,772,885	191,018,587
Noncurrent liabilities	268,259,416	292,864,687
Equity	214,687,319	225,673,414
<b>Statements of comprehensive income:</b>		
Revenue	973,658,521	946,537,844
Costs and expenses	976,175,652	917,031,890
Net income	11,425,389	36,559,618
Total comprehensive income	11,513,905	36,559,618
Net income attributable to non-controlling interest	5,294,526	16,941,727
Total comprehensive income attributable to non-controlling interest	5,335,543	16,941,727
Accumulated non-controlling interest	99,486,102	104,577,060



As of December 31, 2021 and 2020, total non-controlling interest amounted to ₱136.4 million and ₱139.8 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, 2021 and 2020.

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, 2021 and 2020, the Group's core capital amounted as follows:

	2021	2020
Capital stock	<b>₱1,569,491,900</b>	₱1,569,491,900
Additional paid-in capital	<b>86,810,752</b>	86,810,752
Retained earnings	<b>7,754,370,912</b>	8,883,372,533
Treasury stock	<b>(131,008,174)</b>	(131,008,174)
	<b>₱9,279,665,390</b>	₱10,408,667,011

#### **19. Cost of Operations**

	2021	2020	2019
Purchased power (see Notes 5 and 24)	<b>₱908,258,790</b>	₱852,689,877	₱1,071,712,398
Fuel, lubricants and chemicals (see Note 8)	<b>758,703,944</b>	316,777,057	686,048,510
Personnel costs (see Note 21)	<b>119,083,444</b>	110,603,428	103,359,488
Depreciation and amortization (see Note 22)	<b>77,780,037</b>	84,936,282	102,962,436
Spares, materials and supplies (see Note 8)	<b>41,023,244</b>	32,483,605	55,402,332
Repairs and maintenance	<b>13,085,748</b>	13,757,277	19,006,609
Others (see Note 24)	<b>34,556,607</b>	33,143,688	70,032,631
	<b>₱1,952,491,814</b>	₱1,444,391,214	₱2,108,524,404

Others in 2019 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**

	2021	2020	2019
Personnel costs (see Note 21)	<b>₱57,820,098</b>	₱51,823,926	₱47,381,181
Business development	<b>21,891,882</b>	24,447,884	56,429,402
Shared expenses	<b>16,799,664</b>	14,962,804	13,900,005
Directors' fees	<b>16,073,792</b>	17,443,813	16,219,664
Professional fees	<b>15,190,694</b>	19,428,941	18,311,593
Insurance	<b>14,468,428</b>	14,713,337	14,710,033
Taxes, licenses and regulatory charges	<b>11,634,226</b>	10,493,090	49,641,828
Provisions (see Notes 7, 8 and 11)	<b>9,829,183</b>	2,905,102	853,062

(Forward)



	2021	2020	2019
Depreciation and amortization (see Note 22)	<b>₱9,194,380</b>	<b>₱9,278,314</b>	<b>₱8,146,756</b>
Communications	<b>3,612,217</b>	<b>4,136,956</b>	<b>3,963,376</b>
Repairs and maintenance	<b>3,591,457</b>	<b>4,372,742</b>	<b>9,082,449</b>
Rentals (see Notes 5, 29 and 30)	<b>3,157,626</b>	<b>3,377,925</b>	<b>1,649,624</b>
Janitorial and security	<b>2,790,972</b>	<b>2,397,475</b>	<b>2,275,277</b>
Power and water	<b>2,773,220</b>	<b>2,870,460</b>	<b>3,285,614</b>
Office supplies	<b>2,188,068</b>	<b>2,432,996</b>	<b>2,786,808</b>
Association dues	<b>2,078,264</b>	<b>1,766,897</b>	<b>1,824,828</b>
Corporate social responsibility	<b>2,017,035</b>	<b>4,901,945</b>	<b>3,024,689</b>
Transportation and travel	<b>1,919,563</b>	<b>3,433,891</b>	<b>10,004,043</b>
Supervision and regulation	<b>750,000</b>	<b>750,000</b>	<b>750,000</b>
Trainings and seminars	<b>362,517</b>	<b>108,637</b>	<b>495,968</b>
Freight and handling	<b>282,170</b>	<b>235,173</b>	<b>4,374,339</b>
Entertainment, amusement and recreation	<b>162,806</b>	<b>362,893</b>	<b>1,818,542</b>
Others	<b>7,155,406</b>	<b>6,792,311</b>	<b>6,455,466</b>
	<b>₱205,743,668</b>	<b>₱203,437,512</b>	<b>₱277,384,547</b>

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

Others include casualty losses amounting to ₱2.1 million recognized as a result of typhoon Odette.

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

	2021	2020	2019
Salaries and wages	<b>₱118,287,194</b>	<b>₱113,208,543</b>	<b>₱105,432,746</b>
Retirement (see Note 17)	<b>8,287,188</b>	<b>6,702,311</b>	<b>4,946,480</b>
Other employee benefits	<b>50,329,160</b>	<b>42,516,500</b>	<b>40,361,443</b>
	<b>₱176,903,542</b>	<b>₱162,427,354</b>	<b>₱150,740,669</b>

## 22. Depreciation and Amortization

	2021	2020	2019
Depreciation of property, plant and equipment (see Notes 11 and 30):			
Cost of operations (see Note 19)	<b>₱77,302,604</b>	<b>₱84,458,849</b>	<b>₱102,485,003</b>
General and administrative (see Note 20)	<b>8,586,129</b>	<b>8,670,063</b>	<b>7,538,505</b>
	<b>85,888,733</b>	<b>93,128,912</b>	<b>110,023,508</b>
Amortization of franchise:			
Cost of operations (see Note 19)	<b>477,433</b>	<b>477,433</b>	<b>477,433</b>
Amortization of software costs:			
General and administrative (see Note 20)	<b>608,251</b>	<b>608,251</b>	<b>608,251</b>
	<b>₱86,974,417</b>	<b>₱94,214,596</b>	<b>₱111,109,192</b>



## 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"><li>▪ Guidelines for the Automatic Adjustment of Generation Rates and System Loss Rates by Distribution Utilities (DU), as Amended (AGRA)</li></ul>
Transmission Charge	<ul style="list-style-type: none"><li>▪ Guidelines for the Adjustment of Transmission Rates by DU (TRAM)</li><li>▪ Rules for Calculation of the Over or Under Recovery in the Implementation of Transmission Rates and the Corresponding System Loss Rates by DU</li></ul>
Inter-class Subsidy	<ul style="list-style-type: none"><li>▪ Guidelines for a "True-Up" Mechanism of the Over or Under Recovery in the Implementation of Inter-class Cross Subsidy Removal by DU</li></ul>
Lifeline Rate/Subsidy	<ul style="list-style-type: none"><li>▪ Guidelines for the Calculation of the Over or Under Recovery in the Implementation of Lifeline Rates by DU</li></ul>

For the years ended December 31, 2021, 2020 and 2019, BLCI's revenue from distribution of power amounted to ₱973.7 million, ₱946.5 million and ₱1,194.1 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.





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## 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 PB 104 located in Tapal Wharf, Ubay, Bohol under firm and non-firm arrangements. The term of this agreement is for a period of five (5) years commencing upon receipt of a final approval, or in the absence thereof, a provisional approval by the ERC of the application filed on February 14, 2019. The ASPA was implemented effective September 26, 2019.

### SIPC

SIPC and NGCP entered into a Connection Agreement on August 28, 2010, in order for SIPC's generation facilities to remain connected to the transmission system of the NGCP and to continue to avail of the transmission services. This agreement is subject to the terms and conditions for the connection of the generation facility to the transmission system pursuant to the revised rules, terms and conditions for the provision of Open Access Transmission Service. Total transmission charges, lodged in "Others" under "Cost of operations" amounted to ₱5.8 million, ₱6.3 million and ₱7.0 million in 2021, 2020 and 2019, 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, 2021, the ASPA is still for approval by ERC.

As of December 31, 2021, SIPC's power supply contract with a distribution utility has already expired and three others 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 KEPCO SPC that was executed on October 12, 2012. The contract period is 10 years with an annual contract quantity of 43,800,000 kWh. KEPCO SPC started its supply to BLCI on July 26, 2013. On June 29, 2015, ERC issued the final approval on the PSC between BLCI and KPSC with modification on the base price particularly on the fuel cost component.

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

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

Total power purchases from ULGEI, KEPCO SPC, NGCP and PEMC/IEMOP, net of discounts, amounted to ₱863.36 million, ₱794.8 million, and ₱1,030.9 million in 2021, 2020 and 2019, respectively, and presented as "Purchased power" under "Cost of operations" in the consolidated statements of comprehensive income (see Note 19).

The outstanding payables to ULGEI, KEPCO SPC, NGCP and PEMC/IEMOP included under "Trade and other payables" (see Note 14), on purchased power amounted to ₱51.08 million and ₱90.9 million as of December 31, 2021 and 2020, respectively.



## 25. Income Tax

	2021	2020	2019
Current	<b>₱77,005,217</b>	₱125,379,407	₱152,142,534
Deferred	<b>4,620,497</b>	(2,126,082)	(3,613,760)
	<b>₱81,625,714</b>	₱123,253,325	₱148,528,774

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, 2021, 2020 and 2019 follows:

	2021	2020	2019
Income before income tax	<b>₱1,279,338,784</b>	₱1,756,599,765	₱1,966,696,191
Provision for income tax computed at 25% and 20% for 2021 and 30% for 2020 and 2019	<b>₱319,592,759</b>	₱526,979,930	₱590,008,857
Adjustments to income tax resulting from:			
Equity in net earnings of associates	<b>(216,962,474)</b>	(364,036,470)	(398,240,914)
Impact of OSD	<b>(13,026,245)</b>	(23,033,087)	(17,555,719)
Interest income already subjected to final tax	<b>(8,608,745)</b>	(15,493,374)	(30,719,030)
Others	<b>630,419</b>	(1,163,674)	5,035,580
	<b>₱81,625,714</b>	₱123,253,325	₱148,528,774

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

	2021	2020
Deferred income tax assets on:		
Asset retirement obligation	<b>₱22,430,472</b>	₱25,642,699
Pension liabilities	<b>6,541,368</b>	8,432,298
Unrealized foreign exchange loss	<b>106</b>	1,286
	<b>28,971,946</b>	34,076,283
Deferred income tax liabilities on:		
Excess of fair value over acquisition cost - property, plant and equipment and inventory	<b>601,838</b>	754,133
Unrealized forex exchange gain	<b>23,684</b>	-
	<b>625,522</b>	754,133
	<b>₱28,346,424</b>	₱33,322,150

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



The Parent Company, SIPC and BLCI availed of the OSD in the computation of their taxable income in 2021, 2020 and 2019.

Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

On February 3, 2021, the House of Representatives and the Senate have ratified the Bicameral Committee's version of the proposed "Corporate Recovery and Tax Incentives for Enterprises Act" or "CREATE Bill". The same was submitted to the Office of the President on February 24, 2021 for his review and was later on signed into law on March 26, 2021.

Provisions under the CREATE Bill include reductions in corporate income tax rate from 30% to 25% for large domestic corporations (i.e., those with total assets of more than ₱100.0 million, excluding the value of the land on which the entity's office, plant and equipment are situated, and taxable income of more than ₱5.0 million) and 20% for small and medium domestic corporations (i.e., those that do not breach the aforementioned threshold during the particular taxable year) with effectivity date of July 1, 2020.

PAS 12, *Income Taxes*, requires current and deferred income taxes to be measured with reference to the tax rates and laws, as enacted or substantively enacted by the end of the reporting period. Accordingly, the Group does not reflect in its financial statements the amounts of income taxes calculated following the provisions of CREATE Bill since the same was not yet enacted or substantively enacted as of December 31, 2020.

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## 26. Segment Information

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

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

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

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

The CODM monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss in the consolidated financial statements.



The Group earned inter-segment revenues amounting to nil in 2021 and 2020 and P0.3 million in 2019, respectively, pertaining to the supply of emergency power by SPC and SIPC to BLCI.

2021						
	Before Eliminations					After Eliminations/ Consolidated
	Generation	Distribution	Others	Total	Eliminations	
Revenue	P1,495,725,744	P973,658,521	P-	P2,469,384,265	P-	P2,469,384,265
Income before income tax	1,897,868,015	17,604,966	4,889,220	1,920,362,201	(641,023,417)	1,279,338,784
Net income	1,822,421,878	11,425,389	4,889,220	1,838,736,487	(641,023,417)	1,197,713,070
Total assets	7,344,102,008	645,719,620	80,012,500	8,069,834,128	2,282,390,810	10,352,224,938
Property, plant and equipment (see Note 11)	505,488,253	225,009,267	-	730,497,520	1,268,382	731,765,902
Total liabilities	504,637,301	431,032,301	132,434	935,802,036	(5,936,033)	929,866,003
Depreciation and amortization (see Note 22)	61,537,016	25,437,401	-	86,974,417	-	86,974,417
Capital expenditures	27,818,771	42,958,309	-	70,777,080	-	70,777,080
2020						
	Before Eliminations					After Eliminations/ Consolidated
	Generation	Distribution	Others	Total	Eliminations	
Revenue	P1,049,533,098	P946,537,844	P-	P1,996,070,942	P-	P1,996,070,942
Income before income tax	2,199,377,721	51,270,341	26,661,280	2,277,309,342	(520,709,577)	1,756,599,765
Net income	2,090,835,118	36,559,619	26,661,280	2,154,056,017	(520,709,577)	1,633,346,440
Total assets	8,097,928,052	709,556,687	75,102,801	8,882,587,540	2,557,435,766	11,440,023,306
Property, plant and equipment (see Note 11)	538,610,286	209,804,715	-	748,415,001	1,268,382	749,683,383
Total liabilities	409,270,372	483,883,274	111,956	893,265,602	(8,514,120)	884,751,482
Depreciation and amortization (see Note 22)	72,192,334	21,712,199	-	93,904,533	310,063	94,214,596
Capital expenditures	18,457,862	31,006,109	-	49,463,971	-	49,463,971
2019						
	Before Eliminations					After Eliminations/ Consolidated
	Generation	Distribution	Others	Total	Eliminations	
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

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 2021, 2020 and 2019:

2021			
	Generation	Distribution	Total
Revenue from power supply contracts and ancillary services	P799,436,314	P-	P799,436,314
Revenue from market power trading	696,289,430	-	696,289,430
Revenue from distribution services (see Note 23)	-	973,658,521	973,658,521
Total revenue	1,495,725,744	973,658,521	2,469,384,265
Revenue from management services presented as "Service income" (see Note 5)	40,002,385	-	40,002,385
Total	P1,535,728,129	P973,658,521	P2,509,386,650



	2020		
	Generation	Distribution	Total
Revenue from power supply contracts and ancillary services	₱889,961,519	₱—	₱889,961,519
Revenue from market power trading	159,571,579	—	159,571,579
Revenue from distribution services (see Note 23)	—	946,537,844	946,537,844
Total revenue	1,049,533,098	946,537,844	1,996,070,942
Revenue from management services presented as "Service income" (see Note 5)	120,007,156	—	120,007,156
Total	₱1,169,540,254	₱946,537,844	₱2,116,078,098

	2019		
	Generation	Distribution	Total
Revenue from power supply contracts and ancillary services	₱857,932,460	₱—	₱857,932,460
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 revenue	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	₱1,728,560,345	₱1,194,092,629	₱2,922,652,974

Revenue from the Group's major customers, which account for 32%, 41% and 54% and 48% in 2021, 2020 and 2019, respectively, amounted to ₱787.4 million, ₱816.2 million and ₱1,133.8 million, respectively.

#### Eliminations

Eliminations are part of detailed reconciliations presented below:

#### *Reconciliation of Net Income*

	2021	2020	2019
Segment net income	₱1,838,736,487	₱2,154,056,017	₱2,278,444,502
Equity in net earnings of associates (see Note 10)	867,849,896	1,213,454,900	1,327,469,713
Dividend income from associates (see Note 10)	(1,146,799,813)	(1,381,016,911)	(1,412,024,298)
Dividend income from subsidiaries	(362,073,500)	(353,147,566)	(375,722,500)
Group net income	₱1,197,713,070	₱1,633,346,440	₱1,818,167,417

#### *Reconciliation of Total Assets*

	2021	2020
Segment assets	₱8,071,102,510	₱8,883,855,922
Inter-segment receivables	(14,575,375)	(17,153,460)
Investments in associates and subsidiaries	2,263,175,787	2,540,798,828
Goodwill	32,522,016	32,522,016
Group assets	₱10,352,224,938	₱11,440,023,306



*Reconciliation of Total Liabilities*

	2021	2020
Segment liabilities	<b>₱935,802,036</b>	<b>₱893,265,602</b>
Inter-segment payables	<b>(5,936,033)</b>	<b>(8,514,120)</b>
Group liabilities	<b>₱929,866,003</b>	<b>₱884,751,482</b>

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, 2021, 2020 and 2019:

	2021	2020	2019
For the years ended December 31:			
Earnings per share (see Note 27)	<b>₱0.80</b>	<b>₱1.07</b>	<b>₱1.19</b>
Share in net earnings of associates (see Note 10)	<b>867,849,896</b>	<b>1,213,454,900</b>	<b>1,327,469,713</b>
Return on equity (total comprehensive income divided by average total equity)	<b>11.99%</b>	<b>15.80%</b>	<b>17.93%</b>
Return on assets (total comprehensive income divided by average total assets)	<b>10.99%</b>	<b>14.52%</b>	<b>16.43%</b>
Cash flows:			
Net cash flows from operating activities	<b>300,434,967</b>	<b>629,238,373</b>	<b>663,826,139</b>
Net cash flows from investing activities	<b>1,065,237,033</b>	<b>1,335,891,638</b>	<b>1,302,561,276</b>
Net cash flows used in financing activities	<b>(2,327,504,748)</b>	<b>(1,247,833,991)</b>	<b>(1,675,050,395)</b>
As of December 31:			
Cash and cash equivalents (see Note 6)	<b>₱2,984,110,635</b>	<b>₱3,944,306,886</b>	<b>₱3,227,403,650</b>
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)	<b>7.21</b>	<b>9.71</b>	<b>7.82</b>
Debt ratio (total liabilities divided by total assets)	<b>0.09</b>	<b>0.08</b>	<b>0.08</b>
Debt-to-equity ratio (total liabilities divided by total equity)	<b>0.10</b>	<b>0.08</b>	<b>0.09</b>
Solvency ratio (total comprehensive income before depreciation and amortization divided by total liabilities)	<b>1.38</b>	<b>1.96</b>	<b>2.06</b>



## 27. Earnings Per Share

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

	2021	2020	2019
Net income attributable to equity holders of the Parent	<b>₱1,190,653,672</b>	₱1,603,436,958	₱1,782,279,548
Weighted average number of common shares issued and outstanding	<b>1,496,551,803</b>	1,496,551,803	1,496,551,803
Basic/Diluted earnings per share	<b>₱0.80</b>	₱1.07	₱1.19

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
	<b>1,496,551,803</b>

There are no potentially dilutive common shares issued as of December 31, 2021, 2020 and 2019.

## 28. Financial Risk Management Objectives and Policies

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

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

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

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

### 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, 2021 and 2020, 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:

2021						
	Total	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days
<b>Financial Assets</b>						
At amortized cost:						
Cash and cash equivalents	₱2,984,110,635	₱2,984,110,635	₱-	₱-	₱-	₱-
Trade and other receivables						
NPC	1,015,262	-	-	-	-	1,015,262
Receivable from customers	307,274,236	156,633,651	44,133,687	13,797,096	10,952,451	81,757,351
Dividends receivable	79,999,911	79,999,911	-	-	-	-
Current portion of PSALM deferred adjustments	36,798,477	36,798,477	-	-	-	-
Due from related parties	2,190,509	79,314	15,000	18,450	72,762	2,004,983
Others	62,549,226	32,934,724	4,661,276	3,431,009	2,119,080	19,403,137
	489,827,621	306,446,077	48,809,963	17,246,555	13,144,293	104,180,733
PSALM deferred adjustments (included in "Other noncurrent assets")	72,370,338	-	-	-	-	72,370,338
	3,546,308,594	3,290,556,712	48,809,963	17,246,555	13,144,293	176,551,071
At FVOCI:						
Investment in proprietary club shares	8,000,000	-	-	-	-	8,000,000
	3,554,308,594	3,290,556,712	48,809,963	17,246,555	13,144,293	184,551,071
<b>Financial Liabilities</b>						
Trade and other payables						
Trade	329,057,824	308,846,970	7,172,718	5,308,674	1,980,569	5,748,893
Nontrade	48,837,121	40,412,010	66,544	52,037	-	8,306,530
Accrued expenses	24,945,253	17,357,746	59,338	59,338	356,029	7,112,802
Dividends payable	4,342,484	4,342,484	-	-	-	-
Due to related parties	1,012,353	194,600	-	-	-	817,753
	408,195,035	371,153,810	7,298,600	5,420,049	2,336,598	21,985,978
Customers' deposits	186,776,397	-	-	-	-	186,776,397
Lease liabilities	2,662,317	-	-	-	-	2,662,317
Other noncurrent liability	72,370,338	-	-	-	-	72,370,338
	670,004,087	371,153,810	7,298,600	5,420,049	2,336,598	283,795,030
<b>Net Financial Assets (Liabilities)</b>	<b>₱ 2,884,304,507</b>	<b>₱2,919,402,902</b>	<b>₱41,511,363</b>	<b>₱11,826,506</b>	<b>₱10,807,695</b>	<b>(₱99,243,959)</b>

2020						
	Total	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days
<b>Financial Assets</b>						
At amortized cost:						
Cash and cash equivalents	₱3,944,306,886	₱3,944,306,886	₱-	₱-	₱-	₱-
Trade and other receivables						
Receivable from customers	255,677,034	130,110,054	39,124,107	20,520,943	12,731,595	53,190,335
Current portion of PSALM deferred adjustments	36,798,477	36,798,477	-	-	-	-
Due from related parties	2,005,050	115,049	15,000	31,133	118,198	1,725,670
PSALM	1,015,262	-	-	-	-	1,015,262
Others	42,559,677	7,942,519	1,708,811	1,337,433	1,944,229	29,626,685
	338,055,500	174,966,099	40,847,918	21,889,509	14,794,022	85,557,952
PSALM deferred adjustments (included in "Other noncurrent assets")	109,168,815	-	-	-	-	109,168,815
	4,391,531,201	4,119,272,985	40,847,918	21,889,509	14,794,022	194,726,767
At FVOCI:						
Investment in proprietary club shares	7,400,000	-	-	-	-	7,400,000
	4,398,931,201	4,119,272,985	40,847,918	21,889,509	14,794,022	202,126,767

(Forward)



2020						
	Total	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days
<b>Financial Liabilities</b>						
Trade and other payables						
Trade	P249,841,518	P209,879,700	P3,936,389	P1,234,420	P627,137	P34,163,872
Nontrade	41,295,713	9,750,577	186,627	46,998	63,473	31,248,038
Accrued expenses	41,252,260	39,065,525	-	-	-	2,186,735
Due to related parties	712,203	-	-	215,160	-	497,043
	333,101,694	258,695,802	4,123,016	1,496,578	690,610	68,095,688
Customers' deposits	174,742,186	-	-	-	-	174,742,186
Lease liabilities	6,626,789	-	-	-	-	6,626,789
Other noncurrent liability	109,168,815	-	-	-	-	109,168,815
	623,639,484	258,695,802	4,123,016	1,496,578	690,610	358,633,478
<b>Net Financial Assets (Liabilities)</b>	<b>P3,775,291,717</b>	<b>P3,860,577,183</b>	<b>P36,724,902</b>	<b>P20,392,931</b>	<b>P14,103,412</b>	<b>(P156,506,711)</b>

### Credit Risk

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

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

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

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

2021			
	Maximum exposure	Offset	Exposure to credit risk
At amortized cost:			
Cash and cash equivalents (excluding cash on hand)	P2,983,125,816	(P9,020,940)	P2,974,104,876
Trade and other receivables	489,827,621	(115,381,160)	374,446,461
PSALM deferred adjustments (included in "Other noncurrent assets")	72,370,338	-	72,370,338
	P3,545,323,775	(P124,402,100)	P3,420,921,675

2020			
	Maximum exposure	Offset	Exposure to credit risk
At amortized cost:			
Cash and cash equivalents (excluding cash on hand)	P3,943,238,772	(P9,396,869)	P3,933,841,903
Trade and other receivables	338,055,500	(109,525,237)	228,530,263
PSALM deferred adjustments (included in "Other noncurrent assets")	109,168,815	-	109,168,815
	P4,390,463,087	(P118,922,106)	P4,271,540,981



As of December 31, 2021 and 2020, the Group's significant concentration of credit risk pertains to its trade and other receivables and PSALM deferred adjustments amounting to ₱562.2 million and ₱447.2 million, respectively, and impaired financial assets, determined based on probability of collection, are adequately covered with allowance.

The following are the details of the Group's assessment of credit quality and the related ECLs as at December 31, 2021 and 2020:

#### General Approach

- *Cash and cash equivalents* - As of December 31, 2021 and 2020, the ECL relating to the cash and cash equivalents of the Group is minimal as these are deposited in reputable banks which have good bank standing, and is considered to have low credit risk.
- *Due from NPC/PSALM and other receivables* - As of December 31, 2021 and 2020, 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, 2021 and 2020, the allowance for impairment losses as a result from performing collective and specific impairment test amounted to ₱48.3 million and ₱39.8 million. Management evaluated that the Parent Company's trade receivables are of high grade and of good credit quality.

2021					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱-	₱-	₱39,789,858	₱498,321,064	₱538,110,922
Loss allowance	-	-	(39,789,858)	(8,493,443)	(48,283,301)
Carrying amount	₱-	₱-	₱-	₱489,827,621	₱489,827,621

2020					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱-	₱-	₱37,162,187	₱340,683,171	₱377,845,358
Loss allowance	-	-	(37,162,187)	(2,627,671)	(39,789,858)
Carrying amount	₱-	₱-	₱-	₱338,055,500	₱338,055,500

The Group grades its financial assets as follows:

- *Cash and Cash Equivalents*: These are assessed as high grade since these are deposited in reputable banks which have good bank standing, thus credit risk is minimal.
- *Receivable/Due from NPC/PSALM, NGCP and Distribution Utilities*: These are assessed as high grade since these receivables arose from the contract provisions of the ROMM Agreement, Operation and Maintenance Service Contracts (OMSC), Ancillary Services Procurement Agreements (ASPA), Power Supply Contracts (PSCs), and/or collectible from government institution.



- *Receivable from Customers of BLCI:* Receivables from commercial customers are classified as high grade; receivables from residential customers as standard; and receivables from the government, hospitals and radio stations as substandard. Classification is based on the collection history with these customers.
- *Due from Related Parties:* These are assessed as standard, although recoverability of these receivables is certain, as these are given secondary priority as to settlement by the related parties compared to third party obligations.
- *Other Receivables:* Grading of financial assets is determined individually based on the Group's collection experience with the counterparty.

#### Fair Value of Financial Assets and Financial Liabilities

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models, as appropriate.

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

- *Cash and Cash Equivalents, Trade and Other Receivables and Trade and Other Payable.* The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate their value due to the relatively short-term maturity of these financial instruments.
- *Investment in Proprietary Club Shares.* Market values have been used to determine the fair value of traded proprietary club shares.
- *Noncurrent Receivable (included in "Other Noncurrent Assets") and Other Noncurrent Liability.* The fair values of the noncurrent receivable and noncurrent liability are based on the net present value of cash flows using the prevailing market rate of interest. As of December 31, 2021 and 2020, 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, 2021 and 2020, the Group considers its investment in proprietary club shares measured and carried at fair values of ₱8.0 million and of ₱7.4 million under Level 1 classification, respectively (see Notes 3 and 12). The Group also considers its noncurrent receivable amounting to ₱72.4 million and ₱109.2 million as of December 31, 2021 and 2020 respectively; noncurrent liability amounting to ₱72.4 million and ₱109.2 million as of December 31, 2021 and 2020, respectively; and customers' deposits amounting to ₱186.8 million and ₱174.7 million as of December 31, 2021 and 2020, respectively, under the Level 3 classification.

During the reporting period ended December 31, 2021, 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.



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## 29. Other Matters

### Electricity Power Industry Reform Act (EPIRA) of 2001

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

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

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

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

### Land Lease Agreements (LLAs)

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

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

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

- *LBGTs.* On January 29, 2010, the Parent Company executed the LLA with a term of 10 years from Closing Date, which may be renewed or extended for another period of 10 years or the remaining corporate life of PSALM, whichever is shorter, upon the mutual written agreement of the parties. The rentals which were paid in full on Closing Date amounted to ₱1.2 million.



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

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

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

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

The remaining prepaid rent as of December 31, 2018 amounting to ₱5.3 million was derecognized upon adoption of PFRS 16 effective January 1, 2019 (see Notes 11 and 30).

Rent expense under the LLAs amounted to nil in 2021, 2020 and 2019, 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, 2021 and 2020, respectively, is recorded under "Trade and other receivables" and the noncurrent portion amounting to ₱72.4 million and ₱109.2 million as of December 31, 2021 and 2020, 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, 2021 and 2020.

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

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

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

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

On December 9, 2015, the SC resolved to deny the Motion for Reconsideration. Thus, a Motion For Leave to File and Admit the Attached Urgent Motion for Second Reconsideration and/or Referral to the En Banc was filed by the Parent Company on February 2, 2016. However, on April 6, 2016, the SC issued a Resolution where it resolved among others to deny the said Motion For Leave and noted without action, the attached Urgent Motion for Second Reconsideration and /or Referral to En Banc, in view of the denial of the Motion for Leave. Accordingly, an amount equivalent to ₱1,143.2 million (i.e., amount paid by the Parent Company to PSALM in 2014, net of withholding tax) was recognized as other noncurrent receivable as of December 31, 2016 and 2015.



On October 5, 2016, the SC granted the manifestation/motion of Therma Power Visayas, Inc. (TPVI) dated March 16, 2016 praying for the reinstatement of the notice of award in favor of TPVI dated April 30, 2014. The Parent Company then filed an Urgent Motion For Reconsideration with Alternative Motion to Refer to the En Banc, on November 2, 2016. In a Resolution dated November 28, 2016, the SC denied the same. Another Urgent Motion For Reconsideration was filed by the Parent Company on December 9, 2016. This was followed up by the filing on January 19, 2017 of a Supplemental Motion/Petition for Referral to the En Banc which argued that there was a violation of SPC's substantive right to due process in reinstating the Notice of Award in favor of TPVI and a violation of procedural due process in lifting the Entry of Judgment of September 28, 2015.

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

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

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

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

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

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

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

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

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





### 30. Lease Agreements

The Group has entered into various leases for rooms, office spaces, parking lots, sub transmission line steel post space, and parcels of land which include those with other landowners and those with respect to its LLA with PSALM (see Note 29). Leases of parcels of land generally have lease terms between 1–25 years. Lease terms for the other leased assets generally vary between five months to 4 years. Total rent expense charged to operations amounted to ₱4.6 million, ₱4.0 million and ₱1.6 million in 2021, 2020 and 2019, respectively (see Notes 19 and 20). Some of the lease contracts have expired in 2020 and 2019.

Set out below are the carrying amounts of the Company's right-of-use assets, presented as part of property, plant and equipment, and lease liabilities and the movements during the years ended December 31, 2021 and 2020:

2021				
	Right-of-use Assets			Lease Liabilities
	Land	Office Space	Total	
At January 1	₱6,718,448	₱2,405,921	₱9,124,369	₱6,172,755
Depreciation expense	(1,027,024)	(2,405,921)	(3,432,945)	–
Interest expense	–	–	–	112,059
Payments	–	–	–	(1,877,498)
Pre-termination	(1,075,946)	–	(1,075,946)	(1,744,999)
At December 31	₱4,615,478	₱–	₱4,615,478	₱2,662,317

2020				
	Right-of-use Assets			Lease Liabilities
	Land	Office Space	Total	
At January 1	₱7,289,017	₱6,125,533	₱13,414,550	₱10,487,281
Depreciation expense	(570,569)	(3,719,612)	(4,290,181)	–
Interest expense	–	–	–	502,278
Payments	–	–	–	(4,816,804)
At December 31	₱6,718,448	₱2,405,921	₱9,124,369	₱6,172,755

Set out below are the amounts recognized in the consolidated statements of comprehensive income for the years ended December 31, 2021 and 2020:

	2021	2020
Depreciation expense of -of-use assets	₱3,432,945	₱4,290,181
Interest expense on lease liabilities	112,059	502,278
Rent expense - short-term leases (see Notes 19 and 20)	4,586,277	3,991,397
	₱8,131,281	₱8,783,856

Shown below is the maturity analysis as of December 31, 2021 and 2020 of the undiscounted lease payments:

	2021	2020
One year	₱2,622,317	₱4,911,163
More than 1 years to 2 years	–	408,482
More than 2 years to 3 years	–	408,482
More than 3 years to 4 years	–	449,331
More than 5 years	–	449,331
	₱2,622,317	₱6,226,789



### 31. Subsequent Events

#### Purchase of Power Barge 102 and 103

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

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

As of report release date, PB102 is undergoing stripping and removal of usable spare parts and equipment for preservation and future use of the existing operating plant and power barge. The purchase of PB103 on the other hand is yet to be completed and finalized by both parties pending repairs from minor damage sustained during typhoon Odette in December 2021.

#### Acquisition of 40.5% Interest in STEAG State Power, Inc. (SPI)

On September 20, 2021, the Parent Company was invited by STEAG GmbH (Seller) to participate in the submission of Firm Offer for the acquisition of its 51% interest in STEAG State Power, Inc. (SPI).

SPI owns and operates Mindanao's first coal-fired power plant located at the PHIVIDEC Industrial Estate in Villanueva, Misamis Oriental. The plant was built through a Build-Operate-Transfer scheme with the NPC as the other party to the Power Purchase Agreement with a period of twenty-five (25) years.

On December 10, 2021, the Parent Company and its affiliate Intrepid Holdings, Inc. (IHI), together as Purchasers, were selected as the Preferred Prospective Purchasers with the view to negotiate the Sale and Purchase Agreement (SPA) expeditiously. Negotiations on the SPA commenced on December 13, 2021.

After series of negotiations, the SPA was executed among the parties on February 10, 2022. Subject to the terms and conditions of the SPA, the Seller shall sell its 51% interest in the outstanding capital stock of SPI to the Purchasers, with the Parent Company acquiring 40.5% interest and IHI acquiring 10.5% interest. The Consideration for the transfer of ownership rights over the shares shall be the sum of: (i) the consideration for both the common and redeemable shares of US\$52.0 million (allocated between the Parent Company and IHI at US\$41.3 million and US\$10.7 million, respectively) and (ii) interest accrued at the Locked Box Interest Rate as provided for in the SPA.

The Completion of the sale is subject to certain closing conditions and the final purchase price shall be confirmed after closing. Completion shall be on the tenth (10th) business day after the date on which the conditions are satisfied or waived or at such other date that the parties agree in writing, but no later than June 1, 2022, unless the parties agree to extend such date if Completion does not occur by such date.



The transaction is in line with the objective of the Parent Company to support growth and address the country's need for reliable, affordable and sustainable power supply.

### 32. Notes to the Consolidated Statements of Cash Flows

Changes in liabilities arising from financing activities are as follows:

2021						
	At January 1	Dividend Declaration	Dividend Attributable to NCI	Others	Cash Flows	At December 31
Dividends payable (see Note 18)	P-	P2,319,655,293	P10,426,500	P-	(P2,325,739,309)	P4,342,484
Lease liabilities* (see Note 30)	6,172,755	-	-	(1,744,999)	(1,765,439)	2,662,317
	P6,172,755	P2,319,655,293	P10,426,500	(P1,744,999)	(P2,327,504,748)	P7,004,801

\* Others include the net effect of interest accrual for lease liabilities and payment for the same amount but classified as part of operating activities (see Note 30).

2020						
	At January 1	Dividend Declaration	Dividend Attributable to NCI	Others	Cash Flows	At December 31
Dividends payable (see Note 18)	P-	P1,197,241,441	P46,278,024	P-	(P1,243,519,465)	P-
Lease liabilities* (see Note 30)	10,487,281	-	-	-	(4,314,526)	6,172,755
	P10,487,281	P1,197,241,441	P46,278,024	P-	(P1,247,833,991)	P6,172,755

\* Others include the net effect of interest accrual for lease liabilities and payment for the same amount but classified as part of operating activities (see Note 30).

2019						
	At January 1	Dividend Declaration	Dividend Attributable to NCI	Others	Cash Flows	At December 31
Dividends payable (see Note 18)	P849,987	P1,646,206,983	P25,777,501	P-	(P1,672,834,471)	P-
Lease liabilities* (see Note 30)	3,440,186	-	-	9,263,019	(2,215,924)	10,487,281
	P4,290,173	P1,646,206,983	P25,777,501	P9,263,019	(P1,675,050,395)	P10,487,281

\* Others include the net effect of interest accrual for lease liabilities and payment for the same amount but classified as part of operating activities (see Note 30).

Others in 2021 include the pre-termination of a lease contract during the year. Others in 2019 include additional lease liabilities recognized during the year.



## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and the Stockholders  
SPC Power Corporation  
7<sup>th</sup> 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, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, included in this Form 17-A, and have issued our report thereon dated April 6, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Alvin M. Pinpin

Partner

CPA Certificate No. 94303

Tax Identification No. 198-819-157

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

SEC Partner Accreditation No. 94303-SEC (Group A)

Valid to cover audit of 2020 to 2024 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-070-2020, December 3, 2020, valid until December 2, 2023

PTR No. 8854347, January 3, 2022, Makati City

April 6, 2022



**SPC POWER CORPORATION AND SUBSIDIARIES**

**SCHEDULE A - FINANCIAL ASSETS**

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

DECEMBER 31, 2021

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	-	₱2,984,110,635	₱2,984,110,635	₱34,593,723
Trade and other receivables:				
Power Sector Assets and Liabilities Management Corporation (PSALM)	-	1,015,262	1,015,262	-
Receivable from customers	-	307,274,236	307,274,236	-
Current portion of PSALM deferred adjustments	-	36,798,477	36,798,477	-
Due from related parties	-	2,190,509	2,190,509	-
Dividend Receivable	-	79,999,911	79,999,911	-
Others	-	62,549,226	62,549,226	-
		489,827,621	489,827,621	-
PSALM deferred adjustments (included in "Other noncurrent assets")	-	72,370,338	72,370,338	-
		3,546,308,594	3,546,308,594	₱34,593,723
Financial assets at fair value through other comprehensive income:				
Investment in proprietary club shares	1	8,000,000	8,000,000	-
Total financial assets	-	₱3,554,308,594	₱3,554,308,594	₱34,593,723

See Note 28 of the Consolidated Financial Statements.

**SPC POWER CORPORATION AND SUBSIDIARIES**

**SCHEDULE B - AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES,  
AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)  
DECEMBER 31, 2021**

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Collections	Write Offs	Balance at End of Period	
					Current	Noncurrent
						Total

—Not applicable—

**SPC POWER CORPORATION AND SUBSIDIARIES**

**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED  
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Collections	Write Offs	Balance at End of Period		Total
					Current	Noncurrent	
SPC Electric Company, Inc.	P6,057	P9,865	P-	P-	P15,922	-	P15,922
Bohol Light Company, Inc.	614,609	168,857	(559,859)	-	223,607	-	223,607
SPC Island Power Corporation	125,766	324,573	(311,490)	-	138,849	-	138,849
SPC Malaya Power Corporation	1,668,168	8,015	-	-	1,676,183	-	1,676,183
SPC Light Company, Inc.	6,947	9,165	-	-	16,112	-	16,112
Cebu Naga Power Plant Corporation	159,155	17,807	-	-	176,962	-	176,962
	P2,580,702	P538,282	(P871,349)	P-	P2,247,635	-	P2,247,635

**SPC POWER CORPORATION AND SUBSIDIARIES**

**SCHEDULE D - LONG-TERM DEBT**

**DECEMBER 31, 2021**

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



**SPC POWER CORPORATION AND SUBSIDIARIES**

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

**DECEMBER 31, 2021**

<u>Name of Related Party</u>	<u>Balance at Beginning of Period</u>	<u>Balance at End of Period</u>
- Not applicable -		

**SPC POWER CORPORATION AND SUBSIDIARIES**

**SCHEDULE F - GUARANTEES OF SECURITIES OF OTHER ISSUERS**

**DECEMBER 31, 2021**

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

SPC POWER CORPORATION AND SUBSIDIARIES

SCHEDULE G - CAPITAL STOCK

DECEMBER 31, 2021

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown under Related Consolidated Statement of Financial Position Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Affiliates	Directors and Officers	Others
Capital stock	2,000,000,000	1,496,551,803	-	21,850,269	1,276,385,905	198,315,629

See Note 18 of the Consolidated Financial Statements.

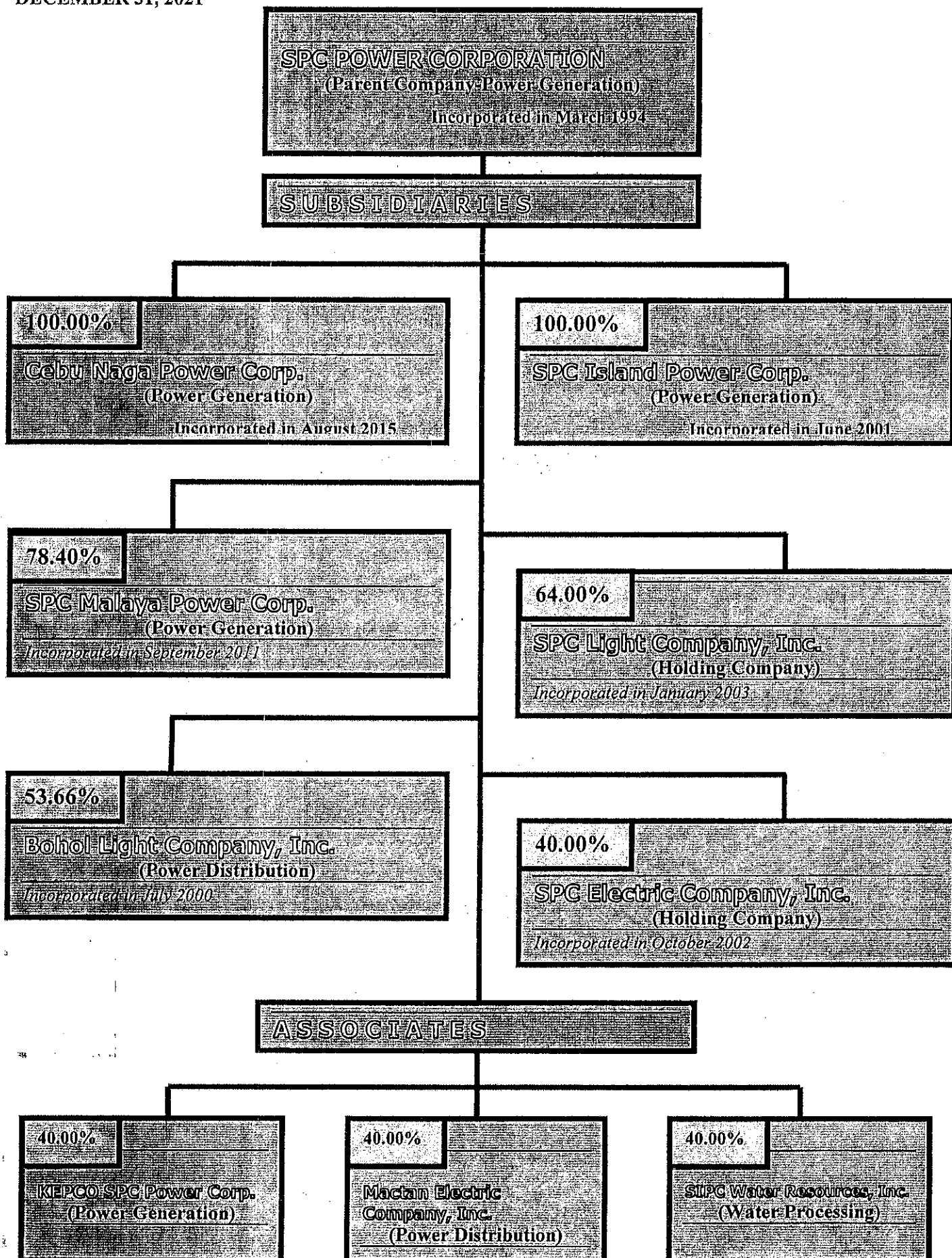
**SPC POWER CORPORATION**  
**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR**  
**DIVIDEND DECLARATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

Items	Amount
<b>Unappropriated Retained Earnings, Beginning</b>	<b>₱3,789,122,453</b>
<b>Adjustments</b>	
Deferred income tax assets that reduced the amount of provision for income tax	—
<b>Unappropriated Retained Earnings, as Adjusted, Beginning</b>	<b>3,789,122,453</b>
<b>Net Income Based on the Face of Audited Financial Statements</b>	<b>1,575,394,285</b>
<b>Less: Non-actual/Unrealized Income Net of Tax</b>	
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	—
Deferred income tax assets that increased the amount of provision for income tax	—
<b>Add: Non-actual Losses</b>	
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 – lease liabilities	112,059
Interest expense - asset retirement obligation	—
<b>Net Income Actual/Realized</b>	<b>1,575,506,344</b>
<b>Add (Less)</b>	
Dividend declarations during the period	(2,319,655,295)
Appropriations of Retained Earnings during the period	—
Reversals of appropriations	—
Effects of prior period adjustments	—
Treasury shares	(131,008,174)
<b>TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION</b>	<b>₱2,913,965,328</b>

# SPC POWER CORPORATION AND SUBSIDIARIES

## MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

DECEMBER 31, 2021

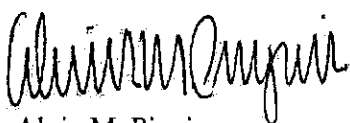


## INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and the Stockholders  
SPC Power Corporation  
7<sup>th</sup> 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, 2021 and 2020, and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated April 6, 2022. 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 (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Alvin M. Pinpin

Partner

CPA Certificate No. 94303

Tax Identification No. 198-819-157

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

SEC Partner Accreditation No. 94303-SEC (Group A)

Valid to cover audit of 2020 to 2024 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-070-2020, December 3, 2020, valid until December 2, 2023

PTR No. 8854347, January 3, 2022, Makati City

April 6, 2022



# SPC POWER CORPORATION

## FINANCIAL SOUNDNESS INDICATORS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021

Ratio	Formula	2021	2020
Current Ratio	Total Current Assets divided by Total Current Liabilities  <div> <div>Total Current Assets</div> <div>Divide by: Total Current Liabilities</div> <div>Current Ratio</div> <div> <div>₱3,940,064,966</div> <div>546,223,539</div> <div>7.21</div> </div> </div>	7.21	9.71
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> <div>Total Current Assets</div> <div>Less: Materials and Supplies</div> <div>Prepayments and Other Current Assets</div> <div>Quick Assets</div> <div>Divide by: Total Current Liabilities</div> <div>Acid Test Ratio</div> <div> <div>₱3,940,064,966</div> <div>389,819,368</div> <div>76,307,324</div> <div>3,473,938,274</div> <div>546,223,539</div> <div>6.36</div> </div> </div>	6.36	8.84
Solvency Ratio	Total Comprehensive Income before Depreciation and Amortization divided by Total Liabilities  <div> <div>Total Comprehensive Income</div> <div>Add: Depreciation and Amortization</div> <div>Divide by: Total Liabilities</div> <div>Solvency Ratio</div> <div> <div>₱1,197,168,904</div> <div>86,974,417</div> <div>1,284,143,321</div> <div>929,866,003</div> <div>1.38</div> </div> </div>	1.38	1.96
Debt-to-Equity Ratio	Total Liabilities divided by Total Equity  <div> <div>Total Liabilities</div> <div>Divide by: Total Equity</div> <div>Debt-to-Equity Ratio</div> <div> <div>₱929,866,003</div> <div>9,422,358,935</div> <div>0.10</div> </div> </div>	0.10	0.08
Asset-to-Equity Ratio	Total Assets divided by Equity Attributable to Parent  <div> <div>Total Assets</div> <div>Divide by: Equity Attributable to Parent</div> <div>Asset-to-Equity Ratio</div> <div> <div>₱10,352,224,938</div> <div>9,285,919,050</div> <div>1.11</div> </div> </div>	1.11	1.10

Ratio	Formula	2021	2020
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 ₱1,197,713,070 Add: Provision for Income Tax 81,625,714 Interest Expense 4,470,615 <hr/> 1,283,809,399 Less: Interest Income 34,593,723 EBIT 1,249,215,676 Add: Depreciation and Amortization 86,974,417 EBITDA 1,336,190,093 Divide by: Interest Expense 4,470,615 Interest Expense Coverage Ratio 298.88	298.88	387.89
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 ₱1,197,168,904 Total Equity CY 9,422,358,935 Total Equity PY 10,555,271,824 Average Total Equity 9,988,815,380 Return on Equity 11.99%	11.99%	15.80%
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 ₱1,197,168,904 Total Assets CY 10,352,224,938 Total Assets PY 11,440,023,306 Average Total Assets 10,896,124,122 Return on Assets 10.99%	10.99%	14.52%
Net Profit Margin	Net Income Attributable to Parent divided by Revenue  Net Income Attributable to Parent ₱1,190,653,672 Divide by: Revenue 2,469,384,265 Net Income Margin 48.22%	48.22%	80.33%



for  
**AUDITED FINANCIAL STATEMENTS**

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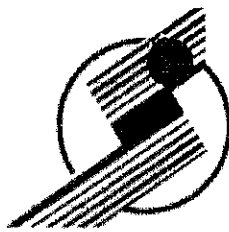
COMPANY INFORMATION		
Company's Email Address <b>www.spcpowergroup.com</b>	Company's Telephone Number <b>(032) 232 0377</b>	Mobile Number <b>N/A</b>
No. of Stockholders <b>808</b>	Annual Meeting (Month / Day) <b>05/31</b>	Fiscal Year (Month / Day) <b>12/31</b>

CONTACT PERSON INFORMATION			
The designated contact person <u>MUST</u> be an Officer of the Corporation			
Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Jaime M. Balisacan	jmbalisacan@spcpower.com	(032) 232 0377	(0917) 323 1461

<b>CONTACT PERSON'S ADDRESS</b>
7 <sup>th</sup> Floor, Cebu Holdings Center, Archbishop Reyes Avenue, Cebu Business park, Cebu City

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





# SPC Power Corporation

## 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, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the 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**

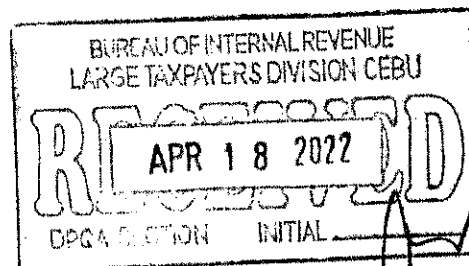
Chairman of the Board

  
**DENNIS T. VILLAREAL**

Chief Executive Officer/President

  
**JAIME M. BALISACAN**

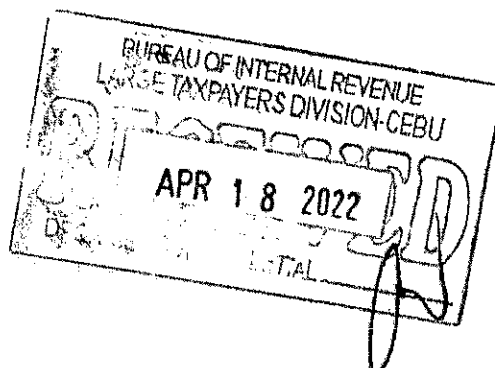
Treasurer/Senior Vice President – Finance and Administration



Signed this 6th day of April 2022.

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders  
SPC Power Corporation  
7<sup>th</sup> 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, 2021 and 2020, 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, 2021, 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, 2021 and 2020, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2021, 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 27 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of SPC Power Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

SYCIP GORRES VELAYO & CO.



Alvin M. Pinpin

Partner

CPA Certificate No. 94303

Tax Identification No. 198-819-157

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

SEC Partner Accreditation No. 94303-SEC (Group A)

Valid to cover audit of 2020 to 2024 financial statements of SEC covered institutions

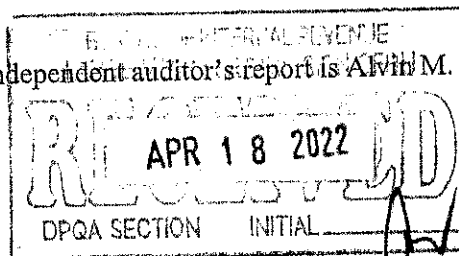
SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-070-2020, December 3, 2020, valid until December 2, 2023

PTR No. 8854347, January 3, 2022, Makati City

April 6, 2022



# SPC POWER CORPORATION

## PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 6)	P2,624,510,564	P3,430,227,581
Trade and other receivables (Note 7)	199,048,237	76,123,926
Materials and supplies (Note 8)	80,187,197	70,323,977
Prepayments and other current assets (Note 9)	19,919,705	13,765,721
<b>Total Current Assets</b>	<b>2,923,665,703</b>	<b>3,590,441,205</b>
<b>Noncurrent Assets</b>		
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)	399,897,935	418,667,864
Other noncurrent assets (Notes 13 and 25)	33,934,498	23,256,042
<b>Total Noncurrent Assets</b>	<b>3,627,475,630</b>	<b>3,635,567,103</b>
<b>TOTAL ASSETS</b>	<b>P6,551,141,333</b>	<b>P7,226,008,308</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Note 14)	P158,822,953	P85,170,098
Income tax payable	6,878,630	11,983,890
Lease liabilities (Note 23)	2,662,317	4,427,756
<b>Total Current Liabilities</b>	<b>168,363,900</b>	<b>101,581,744</b>
<b>Noncurrent Liability</b>		
Pension liability (Note 21)	8,490,874	1,336,800
<b>Total Liabilities</b>	<b>176,854,774</b>	<b>102,918,544</b>
<b>Equity</b>		
Capital stock - P1 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	1,800,000,000	1,800,000,000
Unappropriated	3,044,861,443	3,789,122,453
Other comprehensive income:		
Remeasurement of employee benefits (Note 21)	(2,219,362)	2,922,833
Net unrealized valuation gains on financial asset at fair value through other comprehensive income (FVOCI) (Note 13)	6,350,000	5,750,000
Treasury stock at cost - 72,940,097 shares (Note 15)	(131,008,174)	(131,008,174)
<b>Total Equity</b>	<b>6,374,286,559</b>	<b>7,123,089,764</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P6,551,141,333</b>	<b>P7,226,008,308</b>

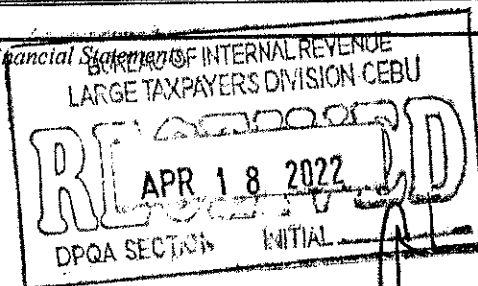
See accompanying Notes to Parent Company Financial Statements.



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

	Years Ended December 31		
	2021	2020	2019
<b>REVENUE</b>			
Operating fees (Note 25)	₱519,107,948	₱330,169,979	₱282,322,488
<b>COST OF SERVICES</b>			
Plant operations (Notes 16 and 25)	(353,744,937)	(179,619,355)	(217,400,298)
<b>GROSS PROFIT</b>	<b>165,363,011</b>	<b>150,550,624</b>	<b>64,922,190</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b> (Note 17)	<b>(147,217,973)</b>	<b>(135,997,743)</b>	<b>(190,299,252)</b>
<b>OTHER INCOME (CHARGES)</b>			
Dividend income (Notes 5, 10 and 11)	1,505,777,276	1,720,729,579	1,782,586,723
Service income (Note 5)	40,002,385	120,007,156	123,643,736
Interest income (Note 6)	31,621,618	47,362,989	89,347,432
Interest expense (Notes 23 and 24)	(112,059)	(370,931)	(680,963)
Others - net (Notes 4, 5, 12 and 25)	7,641,528	(6,007,028)	(116,782)
	<b>1,584,930,748</b>	<b>1,881,721,765</b>	<b>1,994,780,146</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>1,603,075,786</b>	<b>1,896,274,646</b>	<b>1,869,403,084</b>
<b>PROVISION FOR CURRENT INCOME TAX</b> (Note 20)	<b>27,681,501</b>	<b>48,877,047</b>	<b>35,474,763</b>
<b>NET INCOME</b>	<b>1,575,394,285</b>	<b>1,847,397,599</b>	<b>1,833,928,321</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurement gain (loss) on employee benefits, net of tax effect (Note 21)	(5,142,195)	1,967,989	(2,337,709)
Unrealized valuation gain on financial asset at FVOCI (Note 13)	600,000	100,000	800,000
	<b>(4,542,195)</b>	<b>2,067,989</b>	<b>(1,537,709)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱1,570,852,090</b>	<b>₱1,849,465,588</b>	<b>₱1,832,390,612</b>
<b>EARNINGS PER SHARE (BASIC/DILUTED)</b> (Note 15)	<b>₱1.05</b>	<b>₱1.23</b>	<b>₱1.23</b>

See accompanying Notes to Parent Company Financial Statements



# SPC POWER CORPORATION

## PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

	Other Comprehensive Income (Loss)						
	Retained Earnings (Note 15)			Net Unrealized Valuation Gains			Total
	Capital Stock (Note 15)	Additional Paid-in Capital	Unappropriated	Remeasurement of Employee Benefits (Note 21)	Assets at FVOCI (Note 13)	Treasury Stock at Cost (Note 15)	
At January 1, 2021	₱1,569,491,900	₱86,810,752	₱1,800,000,000	₱3,789,122,453	₱5,750,000	₱131,008,174	₱7,123,089,764
Total comprehensive income	-	-	-	1,575,394,285	600,000	-	1,570,852,090
Cash dividends (Note 15)	-	-	-	(2,319,655,295)	-	-	(2,319,655,295)
At December 31, 2021	₱1,569,491,900	₱86,810,752	₱1,800,000,000	₱3,044,861,443	₱6,350,000	₱131,008,174	₱6,374,286,559
At January 1, 2020	₱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
Total comprehensive income	-	-	-	1,847,397,599	100,000	-	1,849,465,588
Reversal of appropriation (Note 15)	-	-	(1,000,000,000)	1,000,000,000	-	-	-
Cash dividends (Note 15)	-	-	-	(1,197,241,442)	-	-	(1,197,241,442)
At December 31, 2020	₱1,569,491,900	₱86,810,752	₱1,800,000,000	₱3,789,122,453	₱5,750,000	₱131,008,174	₱7,123,089,764
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)
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

See accompanying Notes to Parent Company Financial Statements.

