

COVER SHEET

AS094002365
S.E.C. Registration Number

S P C P O W E R C O R P O R A T I O N
(f o r m e r l y S A L C O N P O W E R C O R P .)

(Company's Full Name)

7 t h F l o o r C e b u H o l d i n g s C e n t e r
A r c h b i s h o p R e y e s A v e n u e ,
C e b u B u s i n e s s P a r k , C e b u C i t y
(Business Address: No. Street City/ Town / Province)

Mr. Jaime M. Balisacan

8810 44 74 to 77
Company Telephone Number

1 2 3 1
Month Day
Calendar Year

SEC FORM
1 7 - C
FORM TYPE

0 6 2 5
Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number / Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2 (c) THEREUNDER

1. May 6, 2022
Date of Report (Date of earliest event reported)
2. SEC Identification Number AS094-002365 3. BIR Tax Identification No. 003-868-048
4. SPC POWER CORPORATION
Exact name of issuer as specified in its charter
5. Cebu City, Philippines 6. (SEC Use Only
Province, country or other jurisdiction of Industry Classification Code:
Incorporation
7. 7th Floor, Cebu Holdings Center, Cebu City, 6000 Philippines
Archbishop Reyes Avenue, Cebu Business
Park
Address of principal office Postal Code
8. (63 32) 232 0377; (63 2) 8810 44 74 to 77, 8810 44 50, 8810 44 65
Issuer's telephone number, including area code
9. N.A.
Former name of former address, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Section 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares: Issued	1,569,491,900 shares
Treasury Stock	72,940,097 shares
Outstanding	1,496,551,803 shares

11. Indicate the item numbers reported herein: Item No. 9

Item 1. Changes in Control of Issuer - N. A.

- Item 2. Acquisition or Disposition of Assets - N.A.
- Item 3. Changes in Issuer's Certifying Accountant - N.A.
- Item 4. Resignation, Removal or Election of Registrant's Directors or Officers – N.A.
- Item 5. Legal Proceedings - N.A.
- Item 6. Changes in Securities - N.A.
- Item 7. Defaults Upon Senior Securities - N.A.
- Item 8. Change in Fiscal Year – N.A.
- Item 9. Other Events

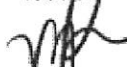
This is with regard to SPC Power Corporation's disclosure dated February 21, 2022, on the "Agreement for the Sale and Purchase of the Shares of STEAG GMBH in STEAG STATE POWER INC." ("SPI") (the "SPA") between SPC Power Corporation ("SPC") and Intrepid Holdings, Inc. ("IHI"), together as Purchasers, and STEAG GMBH ("STEAG") as Seller.

As already disclosed, among the terms and conditions of the SPA, is the satisfaction or waiver of the conditions precedent, which is a pre-requisite for the completion of the transaction. It has been determined however, that securing completely the satisfaction or waiver of the conditions precedent is highly unlikely, thus the Parties have mutually agreed to terminate the SPA.

SIGNATURE

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

SPC Power Corporation
Issuer



MISHELLE ANNE R. RUBIO-AGUINALDO
Asst. Corporate Secretary
Signature and Title

Date : May 6, 2022

Certification

I, Mishelle Anne Rubio-Aguinaldo. Assistant Corporate Secretary of SPC Power Corporation with SEC registration number AS094-002365 with principal office at the 7/F Cebu Holdings Center, Archbishop Reyes Avenue, Cebu Business Park, Cebu City, on oath state:

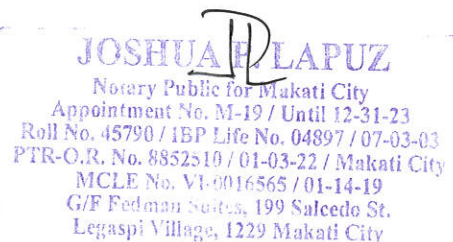
- 1) That on behalf of SPC Power Corporation, I have caused SEC Form 17-C report to be prepared;
- 2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
- 3) That SPC Power Corporation will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and
- 4) That I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of the filing fee.

IN WITNESS WHEREOF, I have hereunto set my hand this 6th day of May, 2022.


Mishelle Anne R. Rubio-Aguinaldo
Affiant

SUBSCRIBED AND SWORN TO before me this MAY 06 2022, at Makati City, Philippines by the affiant who exhibited to me her Philippine Non-Professional Driver's License No. N26-001204 valid until February 2023.

Doc. No. 312;
Page No. 64;
Book No. 33;
Series of 2022.


JOSHUA P. LAPUZ
Notary Public for Makati City
Appointment No. M-19 / Until 12-31-23
Roll No. 45790 / IBP Life No. 04897 / 07-03-03
PTR-O.R. No. 8852510 / 01-03-22 / Makati City
MCLE No. VI-0016565 / 01-14-19
G/F Fedman Suites, 199 Salcedo St.
Legaspi Village, 1229 Makati City

COVER SHEET

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S.E.C. Registration Number

S	P	C		P	O	W	E	R		C	O	R	P	O	R	A	T	I	O	N										
(f	o	r	m	e	r	l	y		S	A	L	C	O	N		P	O	W	E	R		C	O	R	P	.)		

(Company's Full Name)

7	t	h		F	l	o	o	r		C	e	b	u		H	o	l	d	i	n	g	s		C	e	n	t	e	r	
A	r	c	h	b	i	s	h	o	p		R	e	y	e	s		A	v	e	n	u	e	,							
C	e	b	u		B	u	s	i	n	e	s	s		P	a	r	k	,		C	e	b	u		C	i	t	y		

(Business Address: No. Street City/ Town / Province)

Mr. Jaime M. Balisacan

8810 44 74 to 77

Company Telephone Number

1	2	3	1
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Month Day
Calendar Year

SEC FORM

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FORM TYPE

AMENDED

0	6	2	5
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Month Day
Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number / Section

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Total No. of Stockholders

Total Amount of Borrowings

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Domestic Foreign

To be accomplished by SEC Personnel concerned

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File Number

LCU

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Document I.D.

Cashier

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2 (c) THEREUNDER

1. February 18, 2022
Date of Report (Date of earliest event reported)
2. SEC Identification Number AS094-002365 3. BIR Tax Identification No. 003-868-048
4. SPC POWER CORPORATION
Exact name of issuer as specified in its charter
5. Cebu City, Philippines 6. (SEC Use Only
Province, country or other jurisdiction of Industry Classification Code:
Incorporation
7. 7th Floor, Cebu Holdings Center, Cebu City, 6000 Philippines
Archbishop Reyes Avenue, Cebu Business
Park
Address of principal office Postal Code
8. (63 32) 232 0377; (63 2) 8810 44 74 to 77, 8810 44 50, 8810 44 65
Issuer's telephone number, including area code
9. N.A.
Former name of former address, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Section 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Shares: Issued	1,569,491,900 shares
Treasury Stock	72,940,097 shares
Outstanding	1,496,551,803 shares

11. Indicate the item numbers reported herein: Item No. 2

Item 1. Changes in Control of Issuer - N. A.

Item 2. Acquisition or Disposition of Assets

Subject of Disclosure:

The subject of this disclosure is the "Agreement for the Sale and Purchase of the Shares of STEAG GMBH in STEAG STATE POWER INC." ("SPI") (the "SPA") between SPC Power Corporation ("SPC") and Intrepid Holdings, Inc. ("IHI"), together as Purchasers, and STEAG GMBH ("STEAG") as Seller.

Background/Description of the Disclosure:

The SPA was executed on February 10, 2022. Subject to the terms and conditions of the SPA, Seller shall sell its 51% interest in the outstanding capital stock of SPI to the Purchasers, with SPC acquiring 40.5% interest and IHI acquiring 10.5% interest. The closing of the sale shall be subject to conditions precedent.

SPI currently owns and operates the 210MW Coal-fired Thermal Power Plant in Misamis Oriental. The plant was built through a Build-Operate-Transfer scheme, with the National Power Corporation as the other party to the Power Purchase Agreement with a period of twenty-five (25) years.

Date of Approval by Board of Directors

SPC Board approval is on November 4, 2021

Date of Approval By Stockholders

N/A

Date of Approval by Regulatory Agency

To be determined

Rational for the Transaction including the benefits which are expected to be accrued to the issuer as a result of the transaction

As part of the Company's mission to provide quality and reliable power supply, this transaction is an opportunity to support growth and address the country's need for affordable and sustainable power supply. The Company expects to receive stable and consistent profits over the life of the Power Purchase Agreement with Power Sector Assets and Liabilities Management Corp. (PSALM)

Description of the Transaction including the timetable for Implementation and related regulatory requirements, if any

For Description of Transaction, please see above.

Timetable

Completion shall be on the tenth (10th) Business Day after the date on which the Conditions are satisfied or waived or at such other place and on such other date as the Parties may agree in writing, but no later than June 1, 2022, unless the Seller and the Purchasers agree to extend such date if Completion does not occur by such date.

The Conditions that need to be satisfied or waived by the parties are:

1. The approval by the National Power Corporation and / or (as applicable) Power Sector Assets and Liabilities Management Corporation, as co-obligors in the Power Purchase Agreement, of the transaction;
2. The consent of the Board of Investments to or of the transfer of ownership/change in control of SPI; and
3. The consent and/or waiver of pre-emptive rights, as applicable, by the other shareholders in SPI to the transaction; and
4. The approval by lenders.

Identities of the Parties to the Transaction

Name	Nature of Business	Nature of any Material relationship with the Issuer, their directors or any of their affiliates
STEAG GMBH	planning, construction and operation of large power plants and distribution utilities, asset-based power trading and technical services related to energy generation.”	None
Intrepid Holdings Inc.	Holding Company	Affiliate. Common Directors: Mr. Dennis T. Villareal, Mr. Alfredo L. Henares Common Officer: Mr. Dennis T. Villareal is both the President of SPC Power Corporation and IHI.

Terms and Conditions of the Transaction- The Nature and amount of Consideration (e.g. price per share, the aggregate amount)

The Consideration for the transfer of the ownership rights over the Shares shall be the sum of: (i) the consideration for the common shares of Thirty-Three Million Eight Hundred Eighty-Nine Thousand United States Dollars (USD 33,889,000.00); (ii) the consideration for the redeemable shares of Eighteen Million One Hundred Ten Thousand Eight Hundred Eighty-Eight United States Dollars (USD 18,110,888.00); and interest accrued on the aggregate amount at the Locked Box rate.

Locked Box Interest Rate means an amount equal to the interest, accrued on a daily basis, at a rate of four percent (4%) per annum calculated over the period starting from 01 January 2021 until (and including) Completion or 31 March 2022, whichever is earlier.

The Consideration shall be payable at Completion. **(Please See Attachment “A” for allocation, price per share, aggregate amount etc.)**

Basis upon which the amount of consideration or value of the transaction was determined.

The valuation was based on the present value of the expected cash flows of SPI until the expiration of the Power Purchase Agreement and further negotiations between the parties.

The Number of Shares to be Acquired	241,611,045
Ratio/Percentage to total outstanding capital stock	51% of SPI

Terms of Payment

Full payment upon satisfaction of the Conditions precedent and occurrence of Completion Date
Conditions Precedent to Closing of Transaction:

1. The approval by the National Power Corporation and / or (as applicable) Power Sector Assets and Liabilities Management Corporation, as co-obligors in the Power Purchase Agreement, of the transaction;
2. The consent of the Board of Investments to or of the transfer of ownership/change in control of SPI; and
3. The consent and/or waiver of pre-emptive rights, as applicable, by the other shareholders in SPI to the transaction; and
4. The approval by lenders.

Description of the Company subject of the Transaction

Nature and Business:

STEAG State Power Inc. (SPI) (formerly State Power Development Corporation) was incorporated on December 19, 1995. SPI was organized for the purpose of owning, financing, building, operating and maintaining the first coal thermal power plant in Mindanao plant located at the PHIVIDEC Industrial Estate in Villanueva, Misamis Oriental. The 210MW power plant was established through a BOT (Build-Operate-Transfer) partnership with the state-owned National Power Corporation (NPC) over a period of 25 years.

SPI is a world-class energy company and a leader in advance coal-fired power generation technology. Since start of operations in November 2006, the power plant has supplied the additional baseload capacity and has thus far helped stabilize electric supply needed to sustain the island's growth and progress.

SPI's business is to invest in and/or undertake or participate in the development, design, establishment, financing, except financial leasing, construction, building. operation, maintenance and/or transfer or in the rehabilitation, operation, lease and transfer of diesel, gas turbine, coal and/or steam power plants, and other power generating plants of any type and any related facilities, including substations, high voltage lines and interconnection facilities and apparatus and port facilities together with facilities for the loading, unloading, preparation and storage of fuel, the extraction and transportation of fuel, the sale (on a wholesale basis) of the energy generated thereby. and the use of waste and other by-products thereof, all as provided by and/or under contract with the government of the Republic of the Philippines, or any subdivision, instrumentality or agency thereof, or any government owned or controlled corporation, or other entity public or private, engaged in relation to any of the following of the foregoing including in the development, supply, distribution or utilization of energy.

Discussion of Major projects and investments

SPI currently owns and operates the 210MW Coal-fired Thermal Power Plant in Misamis Oriental. The plant was built through a Build-Operate-Transfer scheme, with the National Power Corporation as the other party to the Power Purchase Agreement with a period of twenty-five (25) years.

List of Subsidiaries and Affiliates, with percentage holdings

No subsidiaries existing.

Capital Structure

Authorized Capital Stock

Type of Security	Amount (PHP)	Number of Shares
Common	3,350,000,000.00	335,000,000
Redeemable	1,650,000,000.00	165,000,000
Total	5,000,000,000.00	500,000,000

Subscribed Shares

Type of Security	Amount	Number of Shares
Common	3,087,471,460.00	308,747,146
Redeemable	1,650,000,000.00	165,000,000
Total	4,737,471,460.00	473,747,146

Paid-up Capital

Amount	4,737,471,460.00
Number of Shares	473,747,146

Issued Shares

Type of Security	Amount	Number of Shares
Common	3,087,471,460.00	308,747,146
Redeemable	1,650,000,000.00	165,000,000
Total	4,737,471,460.00	473,747,146

Outstanding Shares

Type of Security	Amount	Number of Shares
Common	3,087,471,460.00	308,747,146
Redeemable	1,650,000,000.00	165,000,000
Total	4,737,471,460.00	473,747,146

Par value

Type of Security	Amount	Number of Subscribed Shares
Common	10.00	308,747,146
Redeemable	10.00	165,000,000
Total		473,747,146

Ownership Structure (including percentage holdings)

Name	Number of Shares	% Ownership
STEAG GMBH	241,611,040	51%
Aboitiz Power Corporation	161,074,026	34%
La Filipina Uy Gongco Corp.	71,062,070	15%

Board of Directors

Name	Regular/Independent
Dr. Ralf Schiele	Chairman
Mr. Dirk Sohns	Regular
Mr. Tobias Benjamin Brandmeyer	Regular
Mr. Peter Wells	Regular
Dr. Carsten Evers	Regular
Mr. Alfonso Uy	Regular
Mr. Felino Bernardo	Regular
Mr. Danel Aboitiz	Regular
Mr. Emmanuel Rubio	Regular

Principal Officers

Name	Position/Designation
Mr. Ralf Schiele	Chairman
Mr. Felino Bernardo	Vice Chairman
Mr. Dirk Sohns	President
Ms. Joy Maria Socorro B. Pamintuan	CFO/Corp Secretary
Mr. Alvin Dequito	Controller

Effect(s) Impact on the Business, Financial conditions and operations of Issuer

The earnings contribution from Steag State Power Inc. shall immediately accrue to the Company based on the terms and conditions under which the transaction has been completed. The equity share in net income of associates shall be reflected in the consolidated financial statements of the Company.

Other Relevant Information:

Please see following attachments:

1. Revised SEC Form 17-C
2. Attachment A_Allocation of Shares and Price
3. Part 1 SPI Audited Financials_2020_PFRS
4. Part 2 SPI Audited Financials_2020_PFRS
5. 2004.03.26_SPI Certificate of filing of Amended Articles of Incorporation
6. Amended Articles of Incorporation and By-Laws
7. General Information Sheet (GIS)_2021_SEC Received


- Item 3. Changes in Issuer's Certifying Accountant - N.A.
- Item 4. Resignation, Removal or Election of Registrant's Directors or Officers – N.A.
- Item 5. Legal Proceedings - N.A.
- Item 6. Changes in Securities - N.A.
- Item 7. Defaults Upon Senior Securities - N.A.
- Item 8. Change in Fiscal Year – N.A.
- Item 9. Other Events – N.A.

SIGNATURE

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

SPC Power Corporation
Issuer

Date : February 18, 2021



MISHELLE ANNE R. RUBIO-AGUINALDO
Asst. Corporate Secretary
Signature and Title

Certification

I, Mishelle Anne Rubio-Aguinaldo, Assistant Corporate Secretary of SPC Power Corporation with SEC registration number AS094-002365 with principal office at the 7/F Cebu Holdings Center, Archbishop Reyes Avenue, Cebu Business Park, Cebu City, on oath state:

- 1) That on behalf of SPC Power Corporation, I have caused SEC Form 17-C report to be prepared;
- 2) That I read and understood its contents which are based on documents at hand;
- 3) That SPC Power Corporation will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and
- 4) That I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of the filing fee.


IN WITNESS WHEREOF, I have hereunto set my hand this 15th day of February, 2022.


Mishelle Anne R. Rubio-Aguinaldo
Affiant

MAKATI CITY

SUBSCRIBED AND SWORN TO before me this FEB 15 2022, at Makati City, Philippines by the affiant who exhibited to me her Philippine Non-Professional Driver's License No. N26-001204 valid until February 2023.

Doc. No. 14 ;
Page No. 4 ;
Book No. 39 ;
Series of 2022.


ATTY. JOSHUA P. LAPUZ
Notary Public Makati City
Until Dec. 31, 2023
Appointment No. M-019-(2022-2023)
PTR No. 8652510 Jan. 9, 2022 / Makati
IBP Lifetime No. 01877 Roll No. 45790
MCLE Compliance No. VI-0016565
G/F Fedman Bldg., 199 Salcedo St.
Legaspi Village, Makati City

**Total Acquisition
Cost in USD
51,999,888**

Allocation in Shares	CS	%	RPS	%	Total
SPC	125,042,595	52%	66,825,000	28%	79%
IHI	32,418,450	13%	17,325,000	7%	21%
	<u>157,461,045</u>	<u>65%</u>	<u>84,150,000</u>	<u>35%</u>	<u>241,611,045</u>

Allocation in USD

SPC	26,911,853	14,382,176	41,294,029
IHI	<u>6,977,147</u>	<u>3,728,712</u>	<u>10,705,859</u>
	<u>33,889,000</u>	<u>18,110,888</u>	<u>51,999,888</u>

Allocation per
share

SPC	0.22	0.22
IHI	0.22	0.22

STEAG State Power Inc.

Financial Statements
December 31, 2020 and 2019

and

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
STEAG State Power Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of STEAG State Power Inc. (the Company), which comprise the balance sheets as at December 31, 2020 and 2019, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended 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 Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

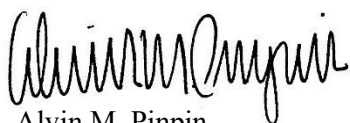
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 29 to the 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 STEAG State Power Inc. 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.

SYCIP GORRES VELAYO & CO.



Alvin M. Pinpin
Partner

CPA Certificate No. 94303

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

April 3, 2018, valid until April 2, 2021

Tax Identification No. 198-819-157

BIR Accreditation No. 08-001998-070-2020,

December 3, 2020, valid until December 2, 2023

PTR No. 8534344, January 4, 2021, Makati City

March 16, 2021



STEAG STATE POWER INC.
BALANCE SHEETS

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash (Note 5)	\$62,474,698	\$20,047,933
Trade and other receivables (Notes 6 and 8)	15,636,985	17,841,536
Due from related parties (Note 14)	–	21,741
Inventories (Note 7)	25,439,011	22,121,277
Prepayments and other current assets (Note 10)	1,671,789	1,329,140
Total Current Assets	105,222,483	61,361,627
Noncurrent Assets		
Operating financial asset - net of current portion (Note 8)	175,810,364	183,817,108
Property and equipment (Note 9)	7,206,890	7,543,020
Other noncurrent assets (Note 10)	4,401,582	5,488,025
Total Noncurrent Assets	187,418,836	196,848,153
TOTAL ASSETS	\$292,641,319	\$258,209,780
LIABILITIES AND EQUITY		
Current Liabilities		
Trade payables (Note 11)	\$2,989,968	\$824,017
Due to related parties (Note 14)	27,936	36,326
Provisions, accrued expenses and other payables (Note 12)	15,745,592	15,487,823
Current portion of long-term borrowings (Note 15)	9,685,538	8,707,413
Income tax payable	4,985,938	2,181,279
Total Current Liabilities	33,434,972	27,236,858
Noncurrent Liabilities		
Borrowings - net of current portion (Note 15)	62,574,764	32,788,960
Deferred tax liabilities - net (Note 13)	22,699,799	22,367,494
Pension liability (Note 24)	2,291,360	933,785
Total Noncurrent Liabilities	87,565,923	56,090,239
Equity (Note 17)		
Share capital - common	57,022,229	57,022,229
Share capital - redeemable	30,863,274	30,863,274
Other comprehensive income (loss)	(317,634)	533,120
Retained earnings	84,072,555	86,464,060
Total Equity	171,640,424	174,882,683
TOTAL LIABILITIES AND EQUITY	\$292,641,319	\$258,209,780

See accompanying Notes to Financial Statements.



STEAG STATE POWER INC.
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2020	2019
REVENUES (Note 18)	\$79,474,674	\$93,077,506
COSTS AND EXPENSES		
Cost of coal and other materials (Note 19)	33,356,925	53,121,679
Salaries, wages and employee benefits (Note 20)	7,712,553	7,475,402
Depreciation and amortization (Notes 9 and 21)	1,576,292	1,547,256
Other operating expenses (Note 22)	6,491,301	6,756,224
	49,137,071	68,900,561
OTHER INCOME (CHARGES)		
Interest expense (Notes 15 and 25)	(2,356,549)	(2,606,952)
Other income - net (Note 23)	1,458,454	8,209,709
	(898,095)	5,602,757
INCOME BEFORE INCOME TAX	29,439,508	29,779,702
PROVISION FOR INCOME TAX (Note 13)	8,831,013	7,527,718
NET INCOME	20,608,495	22,251,984
OTHER COMPREHENSIVE LOSS		
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>		
Actuarial losses on defined benefit plan, net of tax (Note 24)	(850,754)	(562,950)
TOTAL COMPREHENSIVE INCOME	\$19,757,741	\$21,689,034

See accompanying Notes to Financial Statements.



STEAG STATE POWER INC.**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

	Share Capital		Other	Retained	
	Common	Redeemable	Comprehensive Income (Loss)	Earnings Unappropriated	Total
At January 1, 2020	\$57,022,229	\$30,863,274	\$533,120	\$86,464,060	\$174,882,683
Net income	—	—	—	20,608,495	20,608,495
Other comprehensive loss, net of tax (Note 24)	—	—	(850,754)	—	(850,754)
Cash dividends (Note 17)	—	—	—	(23,000,000)	(23,000,000)
At December 31, 2020	\$57,022,229	\$30,863,274	(\$317,634)	\$84,072,555	171,640,424
At January 1, 2019	\$57,022,229	\$30,863,274	\$1,096,070	\$82,212,076	\$171,193,649
Net income	—	—	—	22,251,984	22,251,984
Other comprehensive loss, net of tax (Note 24)	—	—	(562,950)	—	(562,950)
Cash dividends (Note 17)	—	—	—	(18,000,000)	(18,000,000)
At December 31, 2019	\$57,022,229	\$30,863,274	\$533,120	\$86,464,060	\$174,882,683

See accompanying Notes to Financial Statements.



STEAG STATE POWER INC.

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	\$29,439,508	\$29,779,702
Adjustments for:		
Interest expense (Notes 15 and 25)	2,356,549	2,606,952
Depreciation and amortization (Notes 9 and 21)	1,576,292	1,547,256
Net movement of pension liability (Note 24)	142,212	557,562
Reversal of impairment on other noncurrent assets (Notes 10 and 23)	–	(5,591,377)
Unrealized foreign exchange gain	(204,349)	(130,560)
Interest income (Notes 5 and 23)	(25,548)	(39,687)
Gain on sale of property and equipment (Note 23)	(6,870)	(10,043)
Operating income before working capital changes	33,277,794	28,719,805
Decrease (increase) in:		
Trade and other receivables	10,211,295	5,854,675
Due from related parties	21,741	(21,741)
Inventories	(3,317,734)	2,454,875
Prepayments and other current assets	(342,649)	(880,609)
Increase (decrease) in:		
Trade payables	2,165,951	(549,094)
Provisions, accrued expenses and other payables	491,454	(1,730,063)
Due to related parties	(8,390)	25,443
Net cash generated from operations	42,499,462	33,873,291
Income taxes paid	(5,329,440)	(3,806,707)
Interest received	25,548	39,687
Net cash flows from operating activities	37,195,570	30,106,271
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment (Notes 7, 9, and 26)	(1,220,491)	(1,034,082)
Decrease in other noncurrent assets	1,033,942	638,743
Proceeds from sale of property and equipment	39,700	10,043
Net cash flows used in investing activities	(146,849)	(385,296)
CASH FLOWS FROM FINANCING ACTIVITIES		
Availment of:		
Long-term borrowings (Note 15)	40,000,000	–
Short-term borrowings	11,000,000	–
Dividends paid (Note 17)	(23,000,000)	(23,000,000)
Payment for borrowings (Note 15)	(19,820,019)	(7,820,000)
Interest paid	(2,346,952)	(2,482,980)
Payment for financing costs	(529,273)	–
Payment of lease liabilities (Note 27)	(130,061)	(126,835)
Net payment for derivatives premium (Note 16)	–	(134,251)
Net cash flows from (used in) financing activities	5,173,695	(33,564,066)
NET INCREASE (DECREASE) IN CASH	42,222,416	(3,843,091)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	204,349	130,560
CASH AT THE BEGINNING OF THE YEAR	20,047,933	23,760,464
CASH AT END OF YEAR (Note 5)	\$62,474,698	\$20,047,933

See accompanying Notes to Financial Statements.



STEAG STATE POWER INC.

NOTES TO FINANCIAL STATEMENTS

1. Corporate Information

STEAG State Power Inc. (the “Company”) was incorporated and registered originally as State Power Development Corporation with the Philippine Securities and Exchange Commission (SEC) on December 19, 1995 primarily to invest in and/or undertake or participate in the development, design, establishment, financing, construction, building, operation, maintenance and/or transfer or in the rehabilitation, operation, lease and transfer of diesel, gas turbine, coal and/or steam power plants, and other power generating plants of any type and any related facilities, the extraction and transportation of fuel, the sale (on a wholesale basis) of the energy generated thereby, and the use of waste and other by-products thereof, all as provided by and/or under contract with the Government of the Republic of the Philippines, or any instrumentality or agency thereof, or any government owned or controlled corporation, or other entity, public or private, engaged in the foregoing including the development, supply, distribution, or utilization of energy.

The Company is owned by STEAG GmbH, immediate parent company, Aboitiz Power Corporation and La Filipina Uygongco Corporation with 51%, 34% and 15% interest, respectively. The ultimate parent company of STEAG GmbH is KSBG Kommunale Beteiligungsgesellschaft GmbH & Co KG of Germany.

The Company is a party, through an Accession Undertaking executed by the consortium of SITI and Harbin Power Engineering Company Limited (Harbin) assigning the Company as the Operator, to a build-operate-transfer agreement with the Philippine Government, through the National Power Corporation (NPC), for the development, construction, operation and maintenance of a 200-megawatt coal-fired thermal power plant in Villanueva, Misamis Oriental (Power Project). The related Power Purchase Agreement (PPA) was signed on June 27, 1998. The PPA was amended by the First Amendment Agreement, Second Amendment Agreement and the Third Amendment Agreement dated March 2, 2001, February 4, 2003, and September 2, 2010, respectively. By virtue of an Accession Agreement, the Power Sector Assets and Liabilities Management Corporation (PSALM) became a party to the PPA and jointly and severally liable with NPC for its obligations under the PPA. The term of the PPA is for a period of 25 years (Cooperation Period) commencing on the completion date of the Power Project, unless terminated in accordance with the provisions of the PPA. During the Cooperation Period, the Company shall operate the Power Project in accordance with all environmental and other laws, rules and regulations in force and the provisions of the Republic Act No. 8749, otherwise known as the Clean Air Act of 1999 and shall comply with any new or changes in such laws, rules and regulations. The Company shall likewise sell the electricity generated to NPC at capacity and energy fees as set forth in the PPA.

In addition, NPC shall be responsible for the payment of: (a) all taxes, import duties, charges and other levies including import Value Added Tax (VAT) on the importation of coal and power station equipment; and (b) all real estate taxes and assessments, rates and other charges in respect of the Power Project (Note 18).

The Philippine Government also signed a Performance Undertaking which, among others, affirms and guarantees the obligation of NPC under the PPA.

Units I and II of the Power Project commenced their respective Cooperation Periods on September 16, 2006 and November 15, 2006, respectively. At the end of the Cooperation Period of Unit II, the Company shall transfer, convey and assign the coal-fired thermal power plant to NPC at no cost on an “as is” basis. The Cooperation Period will end on November 14, 2031.



The Company is registered with the BOI as a new operator of a 200-megawatt coal-fired power generating plant under the 1987 Omnibus Investment Code. Under this registration, the Company was entitled to certain tax and nontax incentives, which include an income tax holiday for six (6) years from January 2007, as amended, or actual start of commercial operations, whichever comes first; additional deduction for incremental labor expense; employment of foreign nationals; and unrestricted use of consigned equipment. The tax incentive commenced on November 15, 2006 and expired on November 14, 2012.

On April 18, 2012, the Company entered into a Power Supply Agreement (PSA) with Therma Marine Inc. (TMI) for the sale of up to 14 MW Surplus Capacity (the “Contract Capacity”) subject to the PPA and applicable statutes and rules and regulations. Under the PSA, the Company agrees to sell and TMI agrees to take such volume of Available Energy the latter demands (the “Energy Demand”), within the limits of the Contract Capacity and after the Company has satisfied its obligations under the PPA. The PSA became effective on April 18, 2012, the date of signing of the agreement by the Parties (the Effective Date) and shall remain in force from Effective Date until the last day of the Billing Period of the tenth (10th) year from Effective Date (Contract Term) or unless extended by agreement of the parties or earlier terminated in accordance with the Agreement.

The Company’s registered office address, which is also its principal place of business, is at the 20th Floor Yuchengco Tower, RCBC Plaza, 6819 Ayala Avenue, Makati City. The Company’s power plant is located at the PHIVIDEC Industrial Estate in Villanueva, Misamis Oriental.

The financial statements of the Company as of and for the years ended December 31, 2020 and 2019 were approved and authorized for issue by the Board of Directors (BOD) on March 16, 2021.

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

Basis of Preparation

The accompanying financial statements have been prepared under the historical cost basis. The financial statements are presented in United States dollar (\$), which is the Company’s functional currency. All values are rounded to the nearest dollar except as otherwise indicated.

Statement of Compliance

The financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). The term PFRSs in general includes all applicable PFRSs, Philippine Accounting Standards (PASs) and Philippine Interpretations from the International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial Reporting Standards Council (FRSC).

New Standards, Interpretations and Amendments

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2020. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the financial statements of the Company.

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*



- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments, Interest Rate Benchmark Reform*
- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

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

The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

These amendments did not have an impact on the financial statements of the Company as it did not have any COVID-19-related rent concessions.



Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately. At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Company.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*
- *Annual Improvements to PFRSs 2018-2020 Cycle*
 - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*
 - Amendments to PFRS 9, *Financial Instruments, Fees in the ‘10 per cent’ test for derecognition of financial liabilities*
 - Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*



Effective beginning on or after January 1, 2023

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- PFRS 17, *Insurance Contracts*

Deferred effectivity

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

Current versus Noncurrent Classification

The Company presents assets and liabilities in the parent company balance sheet based on current/noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within 12 months after the balance sheet date; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the balance sheet date.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the balance sheet date; or
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the balance sheet date.

The Company classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities.



2.1 Cash

Cash includes cash on hand and deposits held at call with banks.

2.2 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i. Financial Assets

Classification, Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*.

For a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date.

Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- financial assets measured at amortized cost;
- financial assets measured at FVTPL;
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are reclassified to profit or loss; or
- financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss.

Contractual Cash Flows Characteristics

If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Company assesses whether the cash flows from the financial asset represent SPPI on the principal amount outstanding.

In making this assessment, the Company determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending



arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI on the principal amount outstanding.

Business Model

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

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

Financial Assets at Amortized Cost

A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the effective interest rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest income' in the statement of comprehensive income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in 'Provision for credit and impairment losses' in the statement of comprehensive income.

The Company's financial assets at amortized cost as of December 31, 2020 consist of cash, trade and other receivables, operating financial asset and other receivables presented under "other noncurrent assets". The Company assessed that the contractual cash flows of its debt financial assets are SPPI and are expected to be held to collect all contractual cash flows until their maturity. As a result, the Company concluded these financial assets at amortized cost to be measured at amortized cost.

Financial Assets at FVOCI

A financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the expected credit loss (ECL) model. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Company may transfer the cumulative gain or loss within equity. Dividends on such



investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

The Company does not have any financial asset at FVOCI as of December 31, 2020.

Financial Assets at FVTPL

Financial assets are measured at FVTPL unless these are measured at amortized cost or at FVOCI. Included in this classification are equity investments held for trading and debt instruments with contractual terms that do not represent SPPI. Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the statement of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the statement of comprehensive income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Company may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Company, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL, and the gains or losses from disposal of financial investments.

The Company does not have any financial asset at FVTPL as of December 31, 2020.

Reclassifications of Financial Instruments

The Company reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Company and any previously recognized gains, losses or interest shall not be restated. The Company does not reclassify its financial liabilities.

The Company does not reclassify its financial assets when:

- A financial asset that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;
- A financial asset becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge; and
- There is a change in measurement on credit exposures measured at FVTPL.

ii. Financial Liabilities

Initial Recognition and Measurement

Financial liabilities are measured at amortized cost, except for the following:

- financial liabilities measured at FVTPL;
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the Company retains continuing involvement;
- financial guarantee contracts;
- commitments to provide a loan at a below-market interest rate; and
- contingent consideration recognized by an acquirer in accordance with PFRS 3.

All financial liabilities are recognized initially at fair value and, in the case of borrowings, net of directly attributable transaction costs.



The Company's financial liabilities include trade payables, provisions, accrued expenses and other payables, due to related parties and borrowings.

Trade payables, provisions, accrued expenses and other payables, and due to related parties

Trade payables, provisions, accrued expenses and other payables and due to related parties are recognized in the period in which the related money, goods or services are received or when a legally enforceable claim against the Company is established. These are classified as current liabilities if payment is due within one (1) year or less. If not, they are presented as noncurrent liabilities. These are recognized initially at fair value and subsequently measured at amortized cost using the EIR method.

Borrowings and borrowing costs

Borrowings are recognized initially at fair value, net of transaction costs. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statements of comprehensive income over the period of the borrowings using the EIR method. Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Deferred Financing Costs

Deferred financing costs represent the costs incurred to obtain project financing and are accounted for as a deduction from the related debt. Deferred financing costs are amortized, using the EIR method, over the term of the related loans.

Subsequent Measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial Liabilities at Amortized Cost

This is the category most relevant to the Company. After initial recognition, interest-bearing financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the statements of comprehensive income when the liabilities are derecognized as well as through the EIR amortization.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR.

Amortization of borrowing costs is charged to operations using the EIR method over the duration of the loan. The amortization of borrowing cost is recognized as interest expense in the statements of comprehensive income. Borrowing costs incurred for the construction of any qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed as incurred.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.



Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the statement of comprehensive income.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when and only when:

- the rights to receive cash flows from the asset expires;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Modification of contractual cash flows

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Company recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of comprehensive income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of



a new liability. The difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Impairment of Financial Assets

The Company recognizes an allowance for ECL for all debt instruments not held at FVTPL. No ECL is recognized on equity investments.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are measured in a way that reflects the following:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

Stage 1: 12-month ECL

For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL - not credit-impaired

For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL - credit-impaired

Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted EIR to the amortized cost of the financial asset.

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

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

The Company considers cash in banks to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade', or when the exposure is less than 60 days past due.



Determining the Stage for Impairment

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

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

The simplified approach, where changes in credit risk are not tracked and loss allowances are measured at amounts equal to lifetime ECL, is applied to 'Trade and other receivables' and contract assets.

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

For operating financial asset and other debt financial assets measured at amortized cost, the general approach will be applied, measuring either a 12-month or lifetime expected losses, depending on the extent of the deterioration of their credit quality from origination. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The ECL calculation using general approach is composed of three major components - probability of default (PD), loss given default (LGD), and exposure at default (EAD). The 12-month ECL is computed for Stage 1 accounts, while the lifetime ECL is calculated for Stage 2 and Stage 3 accounts. Accounts with objective evidence of impairment are classified under Stage 3 and shall follow the Company's impairment methodology. On the other hand, Stage 1 and Stage 2 accounts shall use future values derived from the term structures of the PD and LGD. These future values also take into consideration prospective business environment conditions through the inclusion of macroeconomic forecasts.

For debt instruments at FVOCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument.

The Company considers a financial asset in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written-off when there is no reasonable expectation of recovering the contractual cash flows.

Offsetting Financial Assets and Financial Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.



The Company has assessed that it has currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all the counterparties.

Classification of Financial Instruments Between Debt and Equity

A financial instrument is classified as debt if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as income or expense. Distributions to holders of financial instruments classified as equity are charged directly to equity net of any related income tax benefits.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

2.3 Derivative financial instruments and hedging activities

Derivative financial instruments, including embedded derivatives, are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently remeasured at FVTPL, unless designated as effective hedge. Changes in fair value of derivative instruments not accounted as hedges are recognized immediately in the statements of comprehensive income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Company assesses whether embedded derivatives are required to be separated from host contracts when the Company first becomes party to the contract. An embedded derivative is separated from the host financial or non-financial contract and accounted for as a separate derivative if all of the following conditions are met:

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the hybrid or combined instrument is not recognized as at FVTPL.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

Embedded derivatives that are bifurcated from the host contracts are accounted for either as financial assets or financial liabilities at FVTPL.



2.4 Prepayments

Prepayments include items of goods or services purchased by the Company for use in its operations but not fully consumed by the end of the accounting period. When goods or services are initially purchased, the amount is recorded in an asset account. At the end of the period, the Company determines the portion of such expenditures that is applicable to subsequent period and the portion used up during the current period. The used up portion is recognized in profit or loss.

2.5 Inventories

Inventories are stated at the lower of cost and net realizable value (NRV). Cost is determined using moving average for all types of inventories. The cost of inventories comprises freight, duties and taxes, and other costs incurred in bringing the inventories to their present location and condition. It excludes borrowing costs. NRV is the estimated replacement cost as inventories are primarily used for operations and are not held for sale or trading.

Inventories are derecognized either when used or written off. When inventories are used for operations, the carrying amount of those inventories shall be recognized as an expense in the period in which the related revenue is recognized.

Provision for impairment of inventories are set-up, if necessary, based on a review of the movements and current condition of each inventory item. The amount of any write-down of inventories to NRV and all losses of inventories shall be recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in NRV, shall be recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

2.6 Property and equipment

Property and equipment are stated at historical cost less accumulated depreciation and amortization, and impairment loss, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items, which comprises its purchase price, nonrefundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

The costs of construction-in-progress are accumulated in the accounts until the project is completed and is available for intended operational use upon which they are classified to the appropriate property accounts and depreciated accordingly. Construction-in-progress is stated at cost, which includes cost of construction, equipment and other direct costs.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the statements of comprehensive income during the financial period in which they are incurred.



Depreciation of property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives. The annual rates of depreciation for each category are based on the following useful lives of related assets:

Type of Asset	Estimated Useful Life in Years
Site building and improvements	25
Plant improvements	10
Factory and office equipment	3 to 5

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The carrying amount of an item of property and equipment is derecognized on disposal or when no future economic benefits are expected from its disposal. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in other income in the statements of comprehensive income.

Right-of-use assets

The Company recognizes right-of-use (ROU) assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. ROU are subject to impairment.

ROU assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

ROU Assets	Years
Office space	5
Townhouse Building	2

2.7 Intangible assets

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized on a straight-line basis over their estimated useful lives of three (3) to five (5) years. Rights-of-way on transmission lines acquired by the Company are amortized over 25 years at the start of commercial operations. Amortization is included as part of depreciation and amortization in the statements of comprehensive income.

The carrying amount of an intangible asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an intangible asset shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the asset. It shall be recognized in other income in the statements of comprehensive income when the asset is derecognized.



2.8 Impairment of nonfinancial assets

Prepayments and other current assets, property and equipment, intangible assets and other noncurrent assets (excluding other receivables) that have definite useful lives are subject to amortization and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable.

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and value-in-use. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Nonfinancial assets that are impaired are reviewed for possible reversal of the impairment at each reporting date.

2.9 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses. Provisions are derecognized when the obligation is paid, cancelled, or has expired.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be remote.

2.10 Income taxes

Tax expense may be comprised of current and deferred components.

The current tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date where the Company operates and generates taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the reporting date and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses (net operating loss carry over or NOLCO) and unused tax credits (excess minimum corporate income tax or MCIT) to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. The Company reassesses at each balance sheet date the need to recognize a previously unrecognized deferred tax asset.



Value Added Tax (VAT)

Expenses and assets are recognized net of the amount of VAT, except:

- when the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- when receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of other assets or payables in the balance sheet.

When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the balance sheet. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the balance sheet to the extent of the recoverable amount.

Deferred Input VAT

Deferred input VAT represents VAT imposed on the Company's importations and local purchases of capital goods, which, under Philippines tax laws, can only be claimed against the related output tax once the related purchases are completed or closed, or according to another manner prescribed by law.

Excess of Standard over Actual Input VAT

The excess of standard over actual input VAT pertains to the difference between the 7% standard input VAT for sales of goods or services to government or any of its political subdivisions, instrumentalities or agencies including government-owned or controlled corporations (GOCCs) and the 12% actual input VAT per return. As provided for under Republic Act (RA) No. 9337 and its implementing Bureau of Internal Revenue (BIR) Revenue Regulations (RR) No. 16-2005 and Revenue Memorandum No. 62-2005, starting November 2005, should standard input VAT exceed actual input VAT, the excess forms part of the Company's "Other income" in the statement of comprehensive income.

2.11 Share capital

The Company's share capital is composed of common and redeemable shares with par value. The amount of proceeds from the issuance or sale of common and redeemable shares representing the aggregate par value is credited to share capital. Proceeds in excess of the aggregate par value of common and redeemable, if any, are credited to share premium. After initial measurement, share capital and share premium, if any, are carried at historical cost and are classified as equity in the balance sheets. Redeemable shares where the redemption is at the option of the Company and there is no contractual obligation to deliver cash or other assets are also classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.12 Dividend distribution; Retained earnings

Dividend distribution to the Company's shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the BOD and ratified by the Company's shareholders.



Retained earnings include current and prior years' results of operations, dividend declarations, prior period adjustments, effect of changes in accounting policy and other capital adjustments. Appropriated retained earnings are not available for dividend distribution unless the purpose of the appropriation has been served.

2.13 Employee benefits

(a) Retirement plan

The Company has a defined benefit retirement plan which requires contributions to be made to trustee-administered funds. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

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

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on nonroutine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset.

Net interest on the net defined benefit liability or asset is recognized as expense or income in profit and loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods. These are retained in other comprehensive income until full settlement of the obligation.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less the fair value of plan assets out of which the obligations are to be settled. The value of any asset is restricted to the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

(b) Bonus incentives

The Company recognizes a liability and expense for performance-related bonuses based on a formula that takes into consideration the profit attributable to the Company after certain adjustments and the employee's performance. The Company recognizes an accrual where contractually obliged or where there is a past practice that has created a constructive obligation.



2.14 Foreign currency transactions and translation

(a) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates or in which it primarily generates and expends cash (the “functional currency”). The financial statements are presented in US Dollar, which is the functional and presentation currency of the Company.

(b) Transactions and balances

Foreign currency transactions are translated into US Dollar using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of comprehensive income. Nonmonetary accounts denominated in currencies other than the US Dollar particularly common and redeemable share capital are translated using historical exchange rates.

2.15 Revenue and expense recognition

Revenue Recognition

Revenue from Contracts with Customers - Sale of Electricity

The Company is in the business of constructing, operating and maintaining the Power Plant in accordance with its PPA with NPC, manifested by delivery of generated electricity. Revenue is recognized when it satisfies an identified performance obligation by transferring a promised good or service to the customer. A good or service is considered to be transferred when the customer obtains control. Revenue is measured at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company determines, at contract inception, whether it will transfer control of a promised good or service over time. If the Company does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time. The Company has concluded that it is acting as a principal in all its revenue arrangements since it is the primary obligor in the revenue arrangement, has pricing latitude and is also exposed to credit risks.

Revenues from contracts with customers recognized in the statements of comprehensive income are as follows:

- Fixed operating fee representing the revenue received by the Company for operating the Power Project for NPC based on a fixed formula provided in the PPA subject to price indices adjustments;
- Energy fees based on actual delivery of energy generated and made available to NPC and TMI, net of adjustments, as agreed in their respective agreements. The PPA with NPC may include adjustments due to estimated change of reference price that are deferred and only recognized once final rate has been determined and agreed with NPC; and
- Construction revenue which represents a portion of the aggregate of capital recovery, service, infrastructure, and transmission line fees based on determined rate of return, is recognized in accordance with the percentage-of-completion method, measured by reference to the percentage of costs incurred to date to estimated total costs for each contract.

