

	2019	2018	2017
Office supplies	P1,178,912	P1,161,855	P1,296,573
Entertainment, amusement and recreation	1,054,384	2,271,945	1,147,736
Power and water	774,773	1,224,342	965,634
Provisions (see Notes 7 and 12)	216,047	16,642,302	1,400,000
Freight and handling	167,737	160,611	167,547
Brokerage	—	152,634	146,063
Others	4,490,638	5,262,385	4,228,307
	P190,299,252	P163,823,927	P126,444,744

Taxes and licenses in 2019 include settlement of previous years' assessments amounting to P32.4 million including interest and penalties of P11.1 million.

18. Personnel Costs

	2019	2018	2017
Salaries and wages	P37,166,999	P27,295,465	P21,288,182
Pension (see Note 21)	1,453,199	1,595,819	1,422,180
Other employee benefits	15,224,154	11,484,213	19,157,988
	P53,844,352	P40,375,497	P41,868,350

19. Depreciation and Amortization

	2019	2018	2017
Depreciation of property, plant and equipment			
Plant operations (see Note 16)	P30,304,372	P10,766,277	P—
General and administrative (see Note 17)	5,631,889	1,645,875	1,180,784
	35,936,261	12,412,152	1,180,784
Amortization of land lease			
Rental (see Notes 23 and 25):			
General and administrative (see Note 17)	—	121,293	121,293
Amortization of software costs:			
General and administrative (see Note 17)	608,251	608,251	608,251
	P36,544,512	P13,141,696	P1,910,328

20. Income Tax

	2019	2018	2017
Current	P35,474,763	P57,226,550	P41,372,309
Deferred	—	6,791,130	(254,551)
	P35,474,763	P64,017,680	P41,117,758



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

	2019	2018	2017
Provision for income tax computed at 30%	₱560,820,925	₱604,510,255	₱554,503,641
Adjustments to income tax resulting from:			
Nontaxable dividend income	(534,776,017)	(539,215,136)	(526,428,416)
Impact of OSD	35,592,788	12,363,564	16,119,055
Interest income already subjected to final tax	(26,804,230)	(12,357,353)	(3,185,267)
Others	641,297	(1,233,650)	108,745
	₱35,474,763	₱64,017,680	₱41,117,753

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

In 2019, 2018 and 2017, the Parent Company availed of the OSD in the computation of its taxable income.

21. Pension Plan

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

The Parent Company has a funded, noncontributory defined benefit plan covering all regular and permanent employees. Benefits are based on the employee's final plan salary and years of service. The plan meets the minimum retirement benefit specified under the law.

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



The components of pension expense recognized under "General and administrative" in the parent company statements of comprehensive income follow:

	2019	2018
Current service cost	P1,533,451	P1,450,758
Net interest cost on benefit obligation	(80,252)	145,061
	P1,453,199	P1,595,819

Remeasurement gain (loss) recognized under "Other comprehensive income" in the parent company statements of comprehensive income amounted to (P2.3 million), P4.2 million and (P0.9 million) in 2019, 2018 and 2017, respectively.

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

	2019	2018
At January 1	P17,395,127	P15,084,550
Current service cost	1,533,451	1,450,758
Interest cost	991,522	859,819
Benefits paid	(134,772)	—
Actuarial loss due to:		
Experience adjustments	4,468,498	—
Changes in demographic assumptions	32,735	—
Changes in financial assumptions	811,772	—
At December 31	P25,098,333	P17,395,127

Changes in the fair value of plan assets are as follows:

	2019	2018
At January 1	P18,803,054	P12,539,614
Contributions to the retirement fund	1,306,671	1,336,585
Interest income included in net interest cost	1,071,774	714,758
Gains on return on plan assets	2,975,296	4,212,097
Benefits paid	(134,772)	—
At December 31	P24,022,023	P18,803,054

Changes in the amounts recognized in the parent company statements of financial position for pension liability (asset) follows:

	2019	2018
At January 1	(P1,407,927)	P2,544,936
Pension expense for the year	1,453,199	1,595,819
Remeasurement loss (gain) on employee benefits	2,337,709	(4,212,097)
Contribution to the retirement fund	(1,306,671)	(1,336,585)
At December 31	P1,076,310	(P1,407,927)



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

	2019	2018
Cash and cash equivalents	₱2,615,810	₱2,531,315
Investments in government securities	18,975,270	13,840,069
Investment in bonds	1,500,000	1,500,000
Investment in listed preferred shares	761,250	760,743
Accrued interest income	179,926	182,019
Others	11,310	11,310
Total assets	24,043,566	18,825,456
Total liabilities	21,543	22,402
Fair value of plan assets	₱24,022,023	₱18,803,054

All equity instruments held have quoted prices in active market. The remaining plan assets do not have quoted market prices in active market.

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

The principal assumptions used in determining pension obligation for the Parent Company's plan as of December 31 are shown below:

	2019	2018
Discount rate	4.90%	5.70%
Future salary increase rate	6.00%	6.00%

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

		Present Value Change of Defined Benefit Obligation	
		2019	2018
Discount rate	Increase		
	(Decrease)		
Discount rate	+100 basis points	(₱1,005,088)	(₱489,775)
	-100 basis points	1,151,671	556,391
Salary increase rate	+100 basis points	1,237,000	784,221
	-100 basis points	(1,105,494)	(713,880)

The weighted average duration of the benefit payments is approximately 15.57 years and 11.50 years as of December 31, 2019 and 2018, respectively. The expected benefit payment assumes that all actuarial assumptions will materialize.



Shown below is the maturity analysis of the undiscounted benefit payments as of December 31:

Plan Year	2019	2018
Less than one year	₱11,622,864	₱8,963,955
One year to less than five years	10,357,817	5,705,505
Five years to less than 10 years	8,294,873	4,775,954
10 years to less than 15 years	10,328,051	6,175,769
15 years to less than 20 years	9,320,279	834,890
20 years and above	31,800,387	10,439,634
	₱81,724,271	₱36,895,707

22. Financial Risk Management Objectives and Policies

The Parent Company's principal financial instruments comprise of cash and cash equivalents and trade and other payables. The Parent Company has various other financial assets and liabilities such as trade and other receivables, trade and other payables, due from/due to related parties .

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

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

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

Interest Rate Risk

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

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

Liquidity Risk

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



The tables below summarize the maturity profile of the Parent Company's financial assets and liabilities at December 31 based on contractual undiscounted payments:

	2019			
	Total	Current	1 to 30 Days	Over 30 Days
Financial Assets				
At Amortized Cost:				
Cash and cash equivalents	P2,743,899,203	P2,743,899,203	P-	P-
Trade and other receivables	72,112,632	44,854,465	4,029,699	23,228,468
Due from related parties	3,490,565	829,793	194,597	2,466,175
	2,819,502,400	2,789,583,461	4,224,296	25,694,643
At FVOCI:				
Investment in proprietary club shares	7,300,000	-	-	7,300,000
	2,826,802,400	2,789,583,461	4,224,296	32,994,643
Financial Liabilities				
Other financial liabilities:				
Trade and other payables*				
Trade	43,874,171	36,554,813	292,137	7,027,216
Non-trade	8,930,439	563,967	131	8,366,291
Accrued expenses	12,247,966	5,221,938	70,671	6,955,357
	65,052,576	42,340,723	362,989	22,348,864
Due to related parties	3,379,738	1,756,473	119,622	1,503,643
Lease liabilities	8,985,273	-	-	8,985,273
	77,417,587	44,097,196	482,611	32,837,780
Net Financial Assets (Liabilities)	P2,749,384,813	P2,745,486,265	P3,741,685	P156,863

*Excluding Statutory Payables

	2018			
	Total	Current	1 to 30 Days	Over 30 Days
Financial Assets				
At Amortized Cost:				
Cash and cash equivalents	P2,201,388,093	P2,201,388,093	P-	P-
Trade and other receivables	42,302,592	3,417,392	2,306,935	37,078,215
Due from related parties	368,530,669	363,469,704	268,422	2,792,543
	2,612,221,354	2,570,275,189	2,575,407	39,870,753
At FVOCI:				
Investment in proprietary club shares	6,500,000	-	-	6,500,000
	2,619,221,354	2,570,275,189	2,575,407	46,370,753
Financial Liabilities				
Other financial liabilities:				
Trade and other payables*				
Trade	27,684,826	12,084,745	2,336,766	13,263,315
Non-trade	5,975,683	454,370	1,153	5,519,660
Accrued expenses	9,342,554	906,308	380,710	8,555,036
	43,503,063	13,446,423	2,718,629	27,338,011
Due to related parties	3,119,068	532,271	258,438	2,328,309
	46,622,131	13,978,694	2,977,117	29,666,320
Net Financial Assets (Liabilities)	P2,572,599,223	P2,556,296,495	(P401,710)	P16,704,433

*Excluding Statutory Payables

Credit Risk

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

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



With respect to the Parent Company's credit risk arising from the financial assets which comprise cash and cash equivalents, trade and other receivables and due from related parties, the Parent Company's exposure to credit risk arises from default of the counterparty.

The Parent Company's credit risk from cash and cash equivalents is mitigated by the Philippine Deposit Insurance Corporation's (PDIC) insurance coverage on the cash in bank.

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

2019			
	Maximum exposure	Offset	Exposure to credit risk
At Amortized Cost			
Cash and cash equivalents (excluding cash on hand)	₱2,743,609,969	(₱3,500,000)	₱2,740,109,969
Trade and other receivables	72,112,632	—	72,112,632
Due from related parties	3,490,565	—	3,490,565
	₱2,819,213,166	(₱3,500,000)	₱2,815,713,166
2018			
	Maximum exposure	Offset	Exposure to credit risk
At Amortized Cost			
Cash and cash equivalents (excluding cash on hand)	₱2,201,269,600	(₱3,500,000)	₱2,197,769,600
Trade and other receivables	41,627,464	—	41,627,464
Due from related parties	368,530,669	—	368,530,669
Due from NPC/PSALM	1,175,128	—	1,175,128
	₱2,612,602,861	(₱3,500,000)	₱2,609,102,861

As of December 31, 2019 and 2018, the Parent Company's significant concentration of credit risk pertains to its trade and other receivables amounting to ₱72.1 million and ₱42.8 million, respectively, and impaired financial assets, determined based on probability of collection, have been adequately covered with allowance.

Applicable for the years ended December 31, 2019 and 2018:

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

General Approach

- *Cash and cash equivalents* - As of December 31, 2019 and 2018, the ECL relating to the cash and cash equivalents of the Parent Company is minimal as these are deposited in reputable banks which have good bank standing, and is considered to have low credit risk.
- *Due from related parties* - As of December 31, 2019 and 2018, there were no individually impaired accounts. No ECL is recognized for these receivables since there were no history of default payments. This assessment is undertaken each financial year through examining the financial position of the parties and the markets in which the parties operate.



Simplified Approach

- *Trade and Other Receivables* - The Parent Company applied the simplified approach under PFRS 9, using a 'provision matrix'. As of December 31, 2019 and 2018 the allowance for impairment losses as a result from performing collective and specific impairment test amounted to P4.0 million and P3.8 million. Management evaluated that the Parent Company's trade receivables are of high grade and of good credit quality.

2019					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	P—	P—	P3,700,000	P72,404,101	P76,104,101
Loss allowance	—	—	(3,700,000)	(291,469)	(3,991,469)
Carrying amount	P—	P—	P—	P72,112,632	P72,112,632

2018					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	P—	P—	P3,700,000	P41,702,886	P45,402,886
Loss allowance	—	—	(3,700,000)	(75,422)	(3,775,422)
Carrying amount	P—	P—	P—	P41,627,464	P41,627,464

The Parent Company grades its financial assets as follows:

- *Cash and Cash Equivalents*. These are assessed as high grade since these are deposited in reputable banks which have good bank standing, thus credit risk is minimal.
- *Receivable from Customers*. These are assessed as high grade since these receivables arose from the contract provisions of the ROMM Agreement, (OMSC), Ancillary Services Procurement Agreements (ASPA), Power Supply Contracts (PSCs), and/or collectible from government institution.
- *Advances to Contractors and Suppliers and Others*. Grading of financial assets is determined individually based on the Parent Company's collection experience with the counterparties.
- *Due from Related Parties*. These are assessed as standard, although recoverability of these receivables is certain, as these are given secondary priority as to settlement by the related parties compared to third party obligations.

Fair Value of Financial Assets and Financial Liabilities

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

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

- *Cash and Cash Equivalents, Trade and Other Receivables, Due from/to Related Parties and Trade and Other Payables*. The carrying amounts of cash and cash equivalents, trade and other receivables, due from/to related parties and trade and other payables approximate their value due to the relatively short-term maturity of these financial instruments.



- *Investment in Proprietary Club Shares.* Market values have been used to determine the fair value of listed proprietary club shares.

As of December 31, 2019 and 2018, the Parent Company considers its investment in proprietary club shares with fair values of ₱7.3 million and ₱6.5 million under Level 1 classification, respectively (see Notes 3 and 13).

During the reporting period ended December 31, 2019, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

23. Lease Agreements

The Parent Company has entered into various leases for office spaces, parking lots and parcel of land which include those with respect to its LLA with PSALM (see Note 25). Leases of office spaces and parking lots generally have lease terms of three years, while lease of parcel of land generally has a lease term of 25 years. Total rent expense charged to operations amounted to ₱1.6 million, ₱6.2 million and ₱6.5 million in 2019, 2018 and 2017, respectively (see Note 17).

Set out below are the carrying amounts of the Company's right-of-use assets, presented as part of property, plant and equipment, and lease liabilities and the movements during the year ended December 31, 2019:

	Right-of-use assets			Lease liabilities
	Land	Office Space	Total	
As at January 1	₱131,400	₱1,263,879	₱1,395,279	₱1,263,879
Additions	—	9,263,019	9,263,019	9,263,018
Depreciation expense	(121,292)	(3,719,612)	(3,840,904)	—
Interest expense	—	—	—	680,963
Payments	—	—	—	(2,705,578)
As at December 31	₱10,108	₱6,807,286	₱6,817,394	₱8,502,282

As of December 31, 2019, current and noncurrent portion of lease liabilities amounted to ₱5.1 million and ₱3.4 million, respectively.

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

Depreciation expense of right-of-use assets	₱3,840,904
Interest expense on lease liabilities	680,963
Rent expense - short-term leases (see Note 17)	1,649,624
	<u>₱6,171,491</u>

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

	Amount
1 year	₱5,487,579
more than 1 year to 2 years	3,497,694
	<u>₱8,985,273</u>



24. Notes to Parent Company Statements of Cash Flows

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

	January 1, 2019	Dividend Declaration	Amortization of Transaction Costs	Additions	Cash Flows	December 31, 2019
Dividends payable (see Note 15)	P=	P1,646,206,983	P=	P=	(P1,646,206,983)	P=
Lease liabilities (see Note 23)						
Principal	1,263,879	-	-	9,263,013	(2,024,615)	8,502,282
Interest	-	-	-	680,963	(680,963)	-
	P1,263,879	P1,646,206,983	P=	P9,943,981	(P1,648,912,561)	P8,502,282

2018

	At January 1	Dividend Declaration	Amortization of Transaction Costs	Others	Cash Flows	At December 31
Dividends payable (see Note 15)	P=	P1,197,241,442	P=	P=	(P1,197,241,442)	P=

2017

	At January 1	Dividend Declaration	Amortization of Transaction Costs	Others	Cash Flows	At December 31
Long-term debt	P576,223,515	P=	P=	P1,549,263	(P577,777,773)	P=
Dividends payable (see Note 15)	3,259,265	1,197,241,441	-	-	(1,200,500,706)	-
	P579,482,780	P1,197,241,441	P=	P1,549,263	(P1,778,278,479)	P=

The outstanding loan balance as at January 1, 2017 was paid on October 28, 2017. Interest expense from this loan amounted to P19.2 million in 2017, including amortization of transaction costs of P1.5 million. Others in 2017 pertain to amortization of transaction costs on the long-term debt.

25. Other Matters

Electricity Power Industry Reform Act (EPIRA) of 2001

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

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



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

Ancillary Services Procurement Agreement (ASPA)

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

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

Land Lease Agreements (LLA)

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

- *LBGTs.* On January 29, 2010, the Parent Company executed the LLA with a term of 10 years up to January 28, 2020 which may be renewed or extended for another period of 10 years or the remaining corporate life of PSALM, whichever is shorter, upon the mutual written agreement of the parties. The rentals which were paid in full on March 25, 2009 (the "Closing Date") amounted to ₱1.2 million.
- *153.1 MW Naga Power Plant (consisting of CTPP 1, CTPP 2 and CDP 1)* . On September 25, 2014, the Parent Company executed the LLA with a term of 25 years from Closing Date, which may be renewed or extended for another period of 25 years or the remaining corporate life of PSALM, whichever is shorter, upon the mutual written agreement of the parties. The rentals which were paid in full in 2014 amounted to ₱712.5 million including withholding tax borne by the Parent Company.

Under the LLA, the Parent Company shall use and occupy the leased premises primarily for the operation, management, expansion and maintenance of the power plants, and shall not assign or transfer any of its right under the LLA or sublease all or any part of the leased premises without the prior consent of PSALM.

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



The current portion of the remaining prepaid rent amounting to nil and ₱0.1 million as of December 31, 2019 and 2018, respectively are presented as part of "Prepayments and other current assets" in the parent company statements of financial position and the noncurrent portion amounting to nil and ₱0.1 million as of December 31, 2019 and 2018, respectively are presented as part of "Other noncurrent assets" in the parent company statements of financial position.

Rent expense under the LLAs amounted to nil in 2019 and ₱0.1 million in 2018 and 2017 respectively (see Notes 17 and 19).

The Parent Company, at its own expense, shall be solely responsible for obtaining all the necessary authorizations, licenses and permits for any alterations, additions, facilities, improvements and installations introduced on the leased premises by or for the benefit of the Parent Company.

Pursuant to the provisions of the LLA, within a period of 180 days from the termination of the LLA or expiration of the lease term, the Parent Company is obliged to perform activities to facilitate clean-up, return and surrender of the leased premises (see Notes 3 and 4).

Acquisition and Turnover of the 153.1 MW NPPC

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

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

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

On December 9, 2015, the SC resolved to deny the Motion for Reconsideration. Thus, a Motion For Leave to File and Admit the Attached Urgent Motion for Second Reconsideration and/or Referral to the En Banc was filed by the Parent Company on February 2, 2016. However, on April 6, 2016, the SC issued a Resolution where it resolved among others to deny the said Motion For Leave and noted without action, the attached Urgent Motion for Second Reconsideration and /or Referral to En Banc, in view of the denial of the Motion for Leave. Accordingly, an amount equivalent to ₱1,143.2 million (i.e., amount paid by the Parent Company to PSALM in 2014, net of withholding tax) was recognized as other noncurrent receivable as of December 31, 2016 and 2015. On October 5, 2016, the SC granted the manifestation/motion of Therma Power Visayas, Inc.



(TPVI) dated March 16, 2016 praying for the reinstatement of the notice of award in favor of TPVI dated April 30, 2014. The Parent Company then filed an Urgent Motion For Reconsideration with Alternative Motion to Refer to the En Banc, on November 2, 2016. In a Resolution dated November 23, 2016, the SC denied the same. Another Urgent Motion For Reconsideration was filed by the Parent Company on December 9, 2016. This was followed up by the filing on January 19, 2017 of a Supplemental Motion/Petition for Referral to the En Banc which argued that there was a violation of SPC's substantive right to due process in reinstating the Notice of Award in favor of TPVI and a violation of procedural due process in lifting the Entry of Judgment of September 28, 2015.

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

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

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

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

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

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

Events After the Reporting Period

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



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

26. Supplementary Information Required Under Revenue Regulation (RR) 2015-2010

In compliance with the requirements set forth by RR 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year:

VAT

The National Internal Revenue Code of 1997 also provides for the imposition of VAT on sales of goods and services. Accordingly, the Parent Company's sales are subject to output VAT while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12.0%.

- Net Sales/Receipts and Output VAT declared in the Parent Company's VAT returns filed for the period:

	Net Sales/ Receipts	Output VAT
Vatable sales:		
Sale of services	₱398,636,498	₱47,836,380
Sale of goods	12,841,481	1,540,977
	411,477,979	49,377,357
Zero-rated sales	1,185,490	-
Sale to government	1,614,699	193,764
	₱414,278,168	₱49,571,121

- Input VAT

At January 1	₱39,833,905
Current year's domestic purchases/payments or importations for:	
Goods other than for resale or manufacture	29,151,641
Capital goods subject to amortization	2,375,242
Services lodged under general and administrative expenses and other accounts	6,425,102
	77,785,890
Claims for tax credit/refund and other adjustments	(49,490,387)
At December 31	₱28,295,503

Details of the Parent Company's importations are shown below:

Dutiable value	₱53,911,645
Customs duties	1,816,709
Brokerage charges	387,213
Total landed cost	₱56,115,567



Excise Taxes

The Parent Company did not have local nor imported excisable items.

Other Taxes and Licenses

All other local taxes, local and national, including real estate taxes, license and permit fees were lodged under the Taxes and Licenses account under "Cost of Services" and "General and administrative expenses" in the 2019 parent company statement of comprehensive income:

Details consist of the following:

Local:	
Business tax	P216,353
License and permits fees	272,215
National:	
Documentary stamp taxes	400
Others	32,400,890
	<u>P32,889,863</u>

Withholding Taxes

Details of withholding taxes in 2019 follow:

Withholding taxes on compensation and benefits	P6,368,737
Expanded withholding taxes	5,438,663
Final withholding taxes	12,299,407
	<u>P24,106,807</u>

Tax Assessments and Cases

The Parent Company does not have pending tax cases outside the administration of the BIR as of December 31, 2019.



SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

- | | | |
|---|--|---|
| 1. | For the quarterly period ended | March 31, 2020 |
| 2. | SEC Identification Number | AS094-002365 |
| 3. | BIR Tax Identification No. | 003-868-048 |
| SPC POWER CORPORATION | | |
| 4. | Exact name of issuer as specified in its charter | |
| Metro Manila, Philippines | | |
| 5. | Province, country or other jurisdiction of incorporation or organization | |
| 6. | Industry Classification Code | (SEC Use Only) |
| 7 th Floor, Cebu Holdings Center, Cebu Business Park, Cebu City | | 6000 |
| (Manila Office: 7 th Floor, Citibank Center, 8741 Paseo de Roxas, Makati City) | | |
| 7. | Address of Issuer's principal office | Postal Code |
| (63 32) 232 0375; 232 0477 / (63 2) 810 4474 to 77, 810 4450, 810 4465 | | |
| 8. | Issuer's telephone number, including area code | |
| N.A. | | |
| 9. | 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 (as of March 31, 2020) | 1,496,551,803 shares |
| | Total Debt (as of March 31, 2020) | P864,142,142 |
| 11. | Are any or all of the securities listed on a Stock Exchange? | |
| | Yes [<input checked="" type="checkbox"/>] | No [<input type="checkbox"/>] |

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

Philippine Stock Exchange

common shares

12. Check whether the issuer:

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

Yes [☒] No [☐]

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

Yes [☒] No [☐]

PART I – FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

The consolidated interim financial statements of the Parent Company and its Subsidiaries (the “Group”) are attached herewith as follows:

- a. Consolidated Statements of Financial Position – March 31, 2020 (unaudited) and December 31, 2019 (audited).
- b. Consolidated Statements of Comprehensive Income – Three Months Ended March 31, 2020 and 2019 (unaudited).
- c. Consolidated Statements of Changes in Stockholders’ Equity – Three Months Ended March 31, 2020 and 2019 (unaudited).
- d. Consolidated Statements of Cash Flows – Three Months ended March 31, 2020 and 2019 (unaudited).
- e. Notes to the Consolidated Interim Financial Statements.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

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

Financial Conditions and Results of Operations

Results of Operations

Three Months Ended March 31, 2020 and 2019

The Group’s total comprehensive income grew by a robust 53.5% to ₱492.6 million in the first quarter of 2020, from ₱320.9 million in the same period last year. This was achieved mainly on the back of stellar performance from the investees and power distribution business segment which more than offset the lower income contribution from power generation due to competition. Power generation and distribution operations were held steady in the first quarter of 2020 to meet higher demand albeit on skeleton staffing/work-from-home arrangements for most of support services starting mid-March 2020.

With higher results, earnings per share increased to ₱0.32 in the first quarter of 2020 as compared to ₱0.21 in the previous year.

The combined equity share in the earnings of investee companies accounted for 78.6% of the Group's total comprehensive income in the first quarter of 2020. Power generation and power distribution contributed 16.20% and 5.2%, respectively.

Equity share from the earnings of investee companies almost doubled to P387.3 million in the first quarter of 2020, from P197.2 million in the same months last year. Operation of the investee companies in the first three months of 2020 was benefitted by the combined effects of zero outages of power generating units, higher sales volume, lower operating expenses, and higher other income for engineering services. In contrast, growth was weakened in the same period last year due mainly to lower revenues and higher operating expenses resulting from the scheduled major overhaul of a 100 MW power plant that lasted for 36.5 days.

The distribution business unit likewise increased its contribution to the total comprehensive income to P25.1 million in the first quarter of 2020, up 120.1% and boosted mainly by the increase in the volume of electricity sold. Volume of electricity sold increased by 12.0% to 32,257 MWH in the first quarter of 2020 from 28,803 MWH in the same period last year.

However, the net income contributed by the power generation business segment slowed sharply by 28.8% to P79.9 million in the first three months of 2020, due mainly to low market price brought about by competitive supply environment.

Consolidated revenues decreased by 5.2% to P540.7 million in 2020, from P570.1 million in 2019, due mainly to low market price brought about by competitive supply environment.

Consolidated gross margin also decrease by 9.1% to P140.6 million in the first quarter of 2020, from P154.7 million in the same period last year, due mainly to revenue reduction that cannot be fully offset by lower cost of services.

Consolidated administrative and general expenses went down by 20.0% to P43.1 million in January–March 2020, from P53.8 million in the same three months last year. The decrease was attributed mainly to lower expenses for business development, taxes and licenses, and repairs and maintenance.

Interest income substantially decreased by 59.3% to P12.0 million, from P29.4 million, because of lower effective interest rate and lower amount of excess cash invested in short-term money market placements after the payment of cash dividends in the last quarter of 2019.

Other service income decreased by 28.6% to P18.2 million, from P25.5 million due to lower technical engineering and upgrading services rendered.

Financial Condition

March 31, 2020 Vs. December 31, 2019

Total consolidated assets of the Group expanded further by 3.8% to P11,519.1 million as at end-March 2020 from the last audited balance of P11,095.7 million as at end-December 2019. The increase was attributed mainly to the continued growth in: (i) the carrying value of investments and (ii) the balance of total current assets more particularly on receivables and inventories.

The growth in total assets was accompanied by 7.4% decrease in total liabilities to P864.1 million as at end-March 2020 from P933.3 million as at end-December 2019.

Total stockholders' equity grew by 4.8% to P10,655.0 million as at end-March 2020 from P10,162.4 million as at end-December 2019 due to the additional comprehensive income earned in the first quarter of 2020. Book value per share rose to P7.70 as at end-March 2020 compared to P6.79 as at end-December 2019.

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

Trade and other receivables increased by 16.7% to P486.9 million as at end-March 2020 from P417.2 million as at end-December 2019 due mainly to higher billings in March 2020 compared to the billings made in December 2019.

Investment in associates grew by another 6.5% to P6,336.7 million as at end-March 2020 from P5,949.3 million as at end-December 2019. The increase reflected fresh equity share in the net earnings of associates amounting to P387.3 million in the first quarter of 2020.

Trade and other payables decreased by 19.5% to P391.5 million as at end-March 2020 from P486.0 million as at end-December 2019 due mainly to payment of payables outstanding as of December 31, 2019.

Income tax payable increased by 88.5% to P62.6 million as at end-March 2020, from P33.2 million as at end-2019. The increase was due to provision for income tax in the first quarter of 2020 for payment in May 2020. The income tax payable for the fourth quarter of 2019 remained outstanding as of March 31, 2020 pending actual remittance to the BIR on or before April 15, 2020.

Other noncurrent liabilities decreased by 6.3% to P136.8 million from P146.0 million due mainly to amortization of cost recovery adjustment approved by ERC to be recovered by PSALM through the distribution business segment of the Group over a period of seven years from January 2018. The original amount of P257.6 million was booked as noncurrent liabilities pending remittance to PSALM the amount collected from customers over a period of seven years from January 2018.

Unappropriated retained earnings increased by 8.5% to P6,158.2 million as at end-March 2020 from P5,677.2 million at the beginning of the year. The net increase is reflective of the comprehensive income attributable to equity holders of the Parent Company in the quarter ended March 31, 2020.

Cash Flows

The Group continued to support its liquidity from internally generated cash flows.

In the quarter ended March 31, 2020, cash flows from operating activities resulted into a net cash outflow of P4.0 million, a reversal from the net cash inflow of P197.7 million generated during the same period in 2019. This was due mainly to lower cash profit (after deducting equity share from earnings of associates) generated in 2020, higher payment of payables outstanding as at end-2019, and increase in trade receivables as at end-March 2020.

Apart from additions to property, plant and equipment amounting to ₱7.8 million in the first three months of 2020, there were no other significant cash flows from investing and financing activities during the period.

As at end-March 2020, the balance of cash and cash equivalents stood at ₱3,213.4 million, only 0.4% lower compared to the balance at the beginning of the year.

Key Performance Indicators

The following financial indicators are used, among others, to evaluate the performance of the Group as of March 31, 2020 and December 31, 2019 and for the three months ended March 31, 2020 and 2019:

Key Performance Indicators	2020	2019
A. For Three Months Ended March 31, 2020 and 2019:		
Earnings Per Share	₱0.32	₱0.21
Share In Net Earnings of Associates	₱387,324,158	₱197,170,058
Return on Equity (total comprehensive income divided by average total equity)	4.73%	3.15%
Return on Assets (total comprehensive income divided by average total assets)	4.36%	2.89%
Cash Flows:		
Net cash flows generated from (used in) operating activities	(₱3,956,270)	₱197,659,312
Net cash flows used in investing activities	(₱8,525,357)	(₱22,203,616)
Net cash flows used in financing activities	(₱1,191,273)	(₱849,987)
Solvency ratio (total comprehensive income before depreciation and amortization divided by total liabilities)	0.60	0.39
B. As of March 31, 2020 and December 31, 2019:		
Cash and cash equivalents at end of period	₱3,213,414,426	₱3,227,403,650
Current ratio (total current assets including noncurrent assets held for sale divided by current liabilities including liabilities directly associated with noncurrent assets held for sale)	9.06	7.82
Debt ratio (total liabilities divided by total assets)	0.08	0.08
Debt-to-equity ratio (total liabilities divided by total equity)	0.08	0.09

Further descriptions of the performance indicators are shown below:

Earnings Per Share (EPS)

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

Share in Net Earnings of Associates

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

Return on Equity

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

Return on Assets

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

Cash Flows

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

Current Ratio

Current Ratio = Total current assets including noncurrent assets held for sale divided by total current liabilities including liabilities directly associated with noncurrent assets held for sale. This ratio is a rough indication of the Group's ability to service its current obligations. The higher the current ratio, the greater the Group's ability to pay its current obligations.

Debt Ratio

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

Debt-to-Equity Ratio

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

Solvency Ratio

Solvency Ratio = total comprehensive income before depreciation and amortizations divided by total liabilities. This ratio provides another measurement of how likely the Group will be able to continue meeting its debt obligation. The higher the ratio, the greater the Company's ability to continue meeting its debt obligations.

Any Significant Elements of Income or Loss from Continuing Operations

Please see other operational and financial information below.

Material Off-Balance Sheet Items

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

Material Commitments for Capital Expenditures

As of March 31, 2020, there are no material commitments for capital expenditures other than in the ordinary course of business to improve power generation and distribution facilities. Funding comes from internally generated cash from operations.

Known Trends

Please see other operational and financial information below.

Other Operational & Financial Information

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

The Group considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the quarter ended March 31, 2020. However, the outbreak could have a material impact on its financial results after March 31, 2020. Considering the evolving nature of this outbreak, the Group cannot determine at this time the impact to its financial position,

performance and cash flows. The Group will continue to monitor the situation and implement necessary measures to help prevent the spread of the pandemic while continuing with its operations.

SIGNATURES


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

SPC POWER CORPORATION

Issuer

By:


MARY ANN G. DAUGDAUG
Accountant


JAIME M. BALISACAN
SVP-Finance and Administration

Date: May 26, 2020

Date: May 26, 2020


SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Philippine Pesos)

	Three Months Ended March 31		Increase / (Decrease)	
	2020 (Unaudited)	2019 (Unaudited)	Amount	Percent
REVENUE	540,690,554	570,113,932	(29,423,378)	-5.2%
COST OF SERVICES				
Plant operations	400,054,099	415,451,378	(15,397,279)	-3.7%
GROSS MARGIN	140,636,455	154,662,554	(14,026,099)	-9.1%
GENERAL AND ADM. EXPENSES	(43,060,737)	(53,792,396)	10,731,659	-20.0%
OTHER INCOME (CHARGES):				
Equity in net earnings of associates	387,324,158	197,170,058	190,154,100	96.4%
Interest Income	11,981,298	29,439,598	(17,458,300)	-59.3%
Interest Expense	(151,670)	(21,210)	(130,460)	615.1%
Service Income	18,182,902	25,456,063	(7,273,161)	-28.6%
Foreign exchange gains (losses) - net	171,051	(612,550)	783,601	-127.9%
Others - net	7,629,750	8,063,920	(434,170)	-5.4%
INCOME BEFORE INCOME TAX	522,713,207	360,366,037	162,347,170	45.1%
PROVISION FOR/(BENEFIT FROM) INCOME TAX				
Current	30,112,529	34,181,674	(4,069,145)	-11.9%
Deferred	5,510	5,305,271	(5,299,761)	-99.9%
	30,118,039	39,486,945	(9,368,906)	-23.7%
NET INCOME	492,595,168	320,879,092	171,716,076	53.5%
OTHER COMPREHENSIVE INCOME	0	0	0	0.0%
TOTAL COMPREHENSIVE INCOME	492,595,168	320,879,092	171,716,076	53.5%
ATTRIBUTABLE TO:				
Equity holders of the Parent	480,834,029	315,583,858	165,250,171	52.4%
Non-controlling interests	11,761,139	5,295,234	6,465,905	122.1%
	492,595,168	320,879,092	171,716,076	53.5%
EARNINGS PER SHARE (Note 3):				
Basic/diluted, for income for the period attributable to equity holders of the Parent	0.32	0.21	0.11	52.4%

See accompanying Notes to Consolidated Financial Statements.


Mary Ann G. Daugdaug
Accountant


Jaime M. Ballacan
SVP - Finance & Administration

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Philippine Pesos)

	March 31, 2020 (Unaudited)	Dec. 31, 2019 (Audited)	Incr. / (Decr.)	
			Amount	Percent
ASSETS				
Current Assets				
Cash and cash equivalents	3,213,414,426	3,227,403,650	(13,989,224)	-0.4%
Trade and other receivables - net	486,893,211	417,223,875	69,669,336	16.7%
Due from related parties	1,679,022	1,673,605	5,417	0.3%
Material and supplies	387,498,139	378,365,129	9,133,010	2.4%
Prepayments and other current assets	78,866,332	81,543,758	(2,677,426)	-3.3%
Total Current Assets	4,168,351,130	4,106,210,017	62,141,113	1.5%
Noncurrent Assets				
Investment in associates	6,336,654,630	5,949,330,471	387,324,159	6.5%
Property, plant and equipment - net	776,398,934	793,752,516	(17,353,582)	-2.2%
Deferred income tax assets	31,190,559	31,196,068	(5,509)	0.0%
Other noncurrent assets - net	206,542,068	215,213,331	(8,671,263)	-4.0%
Total Noncurrent Assets	7,350,786,191	6,989,492,386	361,293,805	5.2%
TOTAL ASSETS	11,519,137,321	11,095,702,403	423,434,918	3.8%
LIABILITIES & STOCKHOLDERS' EQUITY				
Current Liabilities				
Trade and other payables	391,511,285	486,047,993	(94,536,708)	-19.5%
Due to related parties	497,043	605,080	(108,037)	-17.9%
Income tax payable	62,649,536	33,237,796	29,411,740	88.5%
Current portion of lease liabilities	5,360,873	5,356,648	4,225	0.1%
Total current liabilities	460,018,737	525,247,517	(65,228,780)	-12.4%
Noncurrent Liabilities				
Customers' deposits	155,501,667	149,096,391	6,405,276	4.3%
Asset retirement obligation	81,430,397	81,430,397	0	0.0%
Lease liabilities - net of current portion	3,842,299	5,130,633	(1,288,334)	-25.1%
Net pension liabilities	26,581,369	26,430,161	151,208	0.6%
Other noncurrent liability	136,767,673	145,967,292	(9,199,619)	-6.3%
Total noncurrent liabilities	404,123,405	408,054,874	(3,931,469)	-1.0%
Total Liabilities	864,142,142	933,302,391	(69,160,249)	-7.4%

(Forward)

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Philippine Pesos)

	March 31, 2020 (Unaudited)	Dec. 31, 2019 (Audited)	Incr. / (Decr.)	
			Amount	Percent
Stockholders' Equity				
Capital stock - P1 par value				
Authorized - 2,000,000,000 shares				
Issued - 1,569,491,900 shares	1,569,491,900	1,569,491,900	0	0.0%
Additional paid-in capital	86,810,752	86,810,752	0	0.0%
Retained earnings (Note 12):				
Unappropriated	6,158,228,165	5,677,177,016	481,051,149	8.5%
Appropriated	2,800,000,000	2,800,000,000	0	0.0%
Other comprehensive income:				
Remeasurement of employee benefits	298,265	298,265	0	0.0%
Net unrealized valuation gains				
on financial asset at FVOCI	5,650,000	5,650,000	0	0.0%
Share in remeasurement of employee				
benefits of associates	(2,154,261)	(2,154,261)	0	0.0%
Treasury stock at cost - 72,940,097 shares	(131,008,174)	(131,008,174)	0	0.0%
Equity attributable to equity holders of Parent	10,487,316,647	10,006,265,498	481,051,149	4.8%
Equity attributable to Non-controlling interests	167,678,532	156,134,514	11,544,018	7.4%
Total Stockholders' Equity	10,654,995,179	10,162,400,012	492,595,167	4.8%
TOTAL LIABILITIES and EQUITY	11,519,137,321	11,095,702,403	423,434,918	3.8%

See accompanying Notes to Consolidated Financial Statements.



Mary Ann G. Daugdaug
Accountant


Jaime M. Ballisacan
SVP - Finance & Administration

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months ended March 31	
	2020	2019
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	522,713,207	360,366,037
Adjustments for:		
Equity in net losses (earnings) of associates	(387,324,158)	(197,170,058)
Depreciation and amortizations	25,614,154	26,940,291
Interest expense	151,670	21,210
Net changes in pension liability	151,208	(1,424,753)
Interest income	(11,981,298)	(29,439,598)
Others -net	(5,685)	6,242,893
Operating income before working capital changes	149,319,098	165,536,022
Decrease (increase) in:		
Trade and other receivables	(72,938,897)	85,375,746
Due from NPC/PSALM		
Due from related parties	(5,418)	(77,526)
Prepayments and other current assets	2,677,425	(12,886,077)
Materials and supplies	(9,133,011)	(15,437,449)
Increase (decrease) in:		
Trade and other payables	(94,451,889)	(54,850,616)
Due to NPC/PSALM		
Due to related parties	(108,045)	(541,888)
Customers' deposits	6,380,723	2,041,561
Net cash generated from operations	(18,260,014)	169,159,773
Income tax paid	(700,788)	(952,307)
Interest paid	(246,328)	(78,172)
Interest received	15,250,860	29,530,018
Net cash flows from operating activities	(3,956,270)	197,659,312
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash dividends received		
Additions to plant, property and equipment	(7,832,721)	(31,726,591)
Proceeds from disposal of plant, property and equipment	107,143	0
Decrease (increase) in:		
Other noncurrent assets	(799,779)	9,522,975
Net cash provided by (used in) investing activities	(8,525,357)	(22,203,616)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities	(1,191,273)	0
Cash dividends paid	0	(849,987)
Net cash provided by (used in) financing activities	(1,191,273)	(849,987)
NET EFFECT OF EXCHANGE RATE CHANGES	(316,324)	1,518,927
NET INCREASE IN CASH AND CASH EQUIVALENTS	(13,989,224)	176,124,636
CASH AND CASH EQUIVALENTS AT BEG. OF PERIOD	3,227,403,650	2,937,042,859
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,213,414,426	3,113,167,495

See accompanying Notes to Financial Statements.


Mary Ann G. Daugdaug
Accountant


Jaime M. Balisacan
SVP - Finance & Administration

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THREE MONTHS ENDED MARCH 31, 2020 AND 2019

	Equity Attributable to Equity Holders of the Parent							Net Unrealized Valuation Gains on Financial Assets at FVOCI	Total	Non-controlling Interest	Total
	Capital Stock	Additional Paid- In Capital	Treasury Stock at Cost	Remeasurement of Employee Benefits	Share of Associates in OCI	Appropriated	Unappropriated				
Balances at January 1, 2020	P1,569,491,900	P86,810,752	(P131,008,174)	P298,266	(P2,154,261)	P2,300,000,000	P5,677,394,136	P5,650,000	P10,006,482,618	P155,317,393	P10,162,400,011
Total comprehensive income	-	-	-	-	-	-	480,334,029	-	480,334,029	11,781,139	492,595,168
Balances at March 31, 2020	P1,569,491,900	P86,810,752	(P131,008,174)	P298,266	(P2,154,261)	P2,300,000,000	P6,158,228,165	P5,650,000	P10,487,316,347	P167,098,532	P10,654,395,179
Balances at January 1, 2019	P1,569,491,900	P86,810,752	(P131,008,174)	P5,779,181	P898,119	P1,500,000,000	P6,341,355,868	P4,850,000	P9,878,177,646	P146,493,134	P10,024,670,780
Total comprehensive income	-	-	-	-	-	-	315,583,858	-	315,583,858	5,298,234	320,879,092
Balances at March 31, 2019	P1,569,491,900	P86,810,752	(P131,008,174)	P5,779,181	P898,119	P1,500,000,000	P7,156,339,726	P4,850,000	P10,193,761,304	P151,798,368	P10,345,549,872

See accompanying Notes to Consolidated Financial Statements.


Mary Ann G. Daugdaug
Accountant


Jaime M. Balisacan
SVP - Finance & Administration

SPC POWER CORPORATION AND SUBSIDIARIES**SELECTED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS****1. General**

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

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

The consolidated interim financial statements of the Group were authorized for issue by the Parent Company's Board of Directors through its Executive Committee on May 28, 2020.

2. Accounting Policies

The Group's consolidated interim financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). Measurements are on historical cost basis, except for financial assets at FVOCI which have been measured at fair value, and are presented in Philippine Peso, the Group's functional and presentation currency.

The accounting policies adopted in the preparation of the interim financial statements are the same as those mentioned in the audited financial statements for the year 2019.

3. Earnings Per Share

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

	Three Months Ended March 31	
	2020	2019
Net income attributable to equity holders of the parent	₱480,834,029	₱315,583,858
Weighted average number of common shares issued and outstanding	1,496,551,803	1,496,551,803
Basic/Diluted earnings per share	₱0.32	₱0.21

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

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

There are no dilutive potential common stocks issued as of March 31, 2020.

4. Seasonal Aspects

The group does not have any seasonal aspect that has a material effect on its financial condition and results of operations.

5. Nature and Amount of Items Affecting Assets, Liabilities, Equity, Net Income, or Cash Flows That Are Unusual Because of Their Nature, Size or Incidence.

Aside from what are already disclosed in the management's discussion and analysis of financial condition and results of operations, there are no other assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence.

6. Nature and Amount of Changes in Estimates of Amounts Reported in Prior Interim Periods of the Current Financial Year or Changes in Estimates of Amounts Reported in Prior Financial Years, if Those Changes Have a Material Effect in the Current Interim Period.

There are no changes in estimates of amounts in the first quarter of 2020.

7. Issuances, Repurchases & Repayments of Debts & Equity Securities.

There are no issuances, repurchases and repayments of debt and equity securities during the three months ended March 31, 2020.

8. Segment Information

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

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

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

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

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

No inter-segment revenues were earned within the Group in the three months ended March 31, 2020 and 2019.

The following tables present revenue and income information and certain asset and liability information regarding the business segments as of March 31, 2020 and 2019:

March 31, 2020						
	Before Eliminations				Adjustments and	After
	Generation	Distribution	Others	Total	Eliminations	Eliminations/ Consolidated
Revenue	P258,643,450	P282,047,104	P—	P540,690,554	P—	P540,690,554
Income before income tax	102,811,178	32,351,987	225,884	135,389,049	387,324,158	522,713,207
Net income	79,896,263	25,148,863	225,884	105,271,010	387,324,158	492,595,168
Total assets	7,532,736,626	783,670,358	90,592,553	8,406,999,537	3,112,137,784	11,519,137,321
Property, plant and equipment	571,591,687	203,228,802	—	774,820,489	1,578,445	776,398,934
Total liabilities	359,723,017	511,907,701	111,514	871,742,232	(7,600,090)	864,142,142
Depreciation and amortization	20,453,312	5,160,842	—	25,614,154	—	25,614,154

March 31, 2019						
	Before Eliminations				Adjustments and	After
	Generation	Distribution	Others	Total	Eliminations	Eliminations/ Consolidated
Revenue	P312,755,613	P257,358,319	P—	P570,113,932	P—	P570,113,932
Income before income tax	147,461,759	15,734,220	—	163,195,979	197,170,058	360,366,037
Net income	112,282,115	11,426,919	—	123,709,034	197,170,058	320,879,092
Total assets	7,383,118,786	749,428,005	94,739,820	8,227,286,611	3,017,351,959	11,244,638,570
Property, plant and equipment	580,264,166	195,763,193	—	776,027,359	—	776,027,359
Total liabilities	380,558,678	522,250,405	118,396	902,927,479	(3,838,781)	899,088,698
Depreciation and amortization	22,349,272	4,591,019	—	26,940,291	—	26,940,291

Adjustments and Eliminations

Adjustments and eliminations are part of detailed reconciliations presented below:

Reconciliation of Net Income

	Three Mos. Ended March 31	
	2020	2019
Segment net income	P105,271,010	P123,709,034
Equity in net earnings of associates	387,324,158	197,170,058
Group net income	P492,595,168	P320,879,092

Reconciliation of Total Assets

	Mar. 31, 2020	Dec. 31, 2019
Segment assets	P8,408,577,982	P8,383,206,978
Inter-segment receivables	(16,549,497)	(27,289,252)
Investments in associates and subsidiaries	3,094,586,820	2,707,262,661
Goodwill	32,522,016	32,522,016
Group assets	P11,519,137,321	P11,095,702,403

Reconciliation of Total Liabilities

	Mar. 31, 2020	Dec. 31, 2019
Segment liabilities	P871,742,232	P951,642,237
Inter-segment payables	(7,600,090)	(18,339,846)
Group liabilities	P864,142,142	P933,302,391

9. Effect of Changes in the Composition of the Issuer During the Interim Period, Including Business Combinations, Acquisition or Disposal of Subsidiaries & Long-term Investments, Restructurings, and Discontinuing Operations.

There are no changes in the composition of the registrant during the interim period.

10. Changes in Contingent Liabilities or Contingent Assets Since the Last Annual Balance Sheet Date.

There are no changes in contingent liabilities or contingent assets since the last annual balance sheet date.

11. Financial Risk Management and Policies

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

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

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

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

Interest Rate Risk

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

As of March 31, 2020 and December 31, 2019, the Group does not have a financial liability that is exposed to interest rate risk.

Liquidity Risk

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

The tables below summarize the maturity profile of the Group's financial assets used to manage liquidity risk and financial liabilities at March 31, 2020 and December 31, 2019 based on contractual undiscounted payments:

March 31, 2020						
	Total	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days
Financial Assets						
At amortized cost:						
Cash and cash equivalents	P3,213,414,426	P3,213,414,426	P—	P—	P—	P—
Trade and other receivables						
PSALM	1,015,262	—	—	—	—	1,015,262
Receivable from customers	414,301,588	212,016,547	112,338,069	18,213,079	13,326,344	58,407,549
Current portion of PSALM deferred adjustments	36,798,477	36,798,477	—	—	—	—
Others	34,777,884	1,061,022	1,587,257	3,820,797	1,144,220	27,164,588
	486,893,211	249,876,046	113,925,326	22,033,876	14,470,564	86,587,399
Due from related parties	1,679,022	47,063	17,169	38,688	94,323	1,481,779
PSALM deferred adjustments (included in "Other noncurrent assets")	136,767,673	—	—	—	—	136,767,673
	3,838,754,332	3,463,337,535	113,942,495	22,072,564	14,564,887	224,836,851
At FVOCI:						
Investment in proprietary club shares	7,300,000	—	—	—	—	7,300,000
	3,846,054,332	3,463,337,535	113,942,495	22,072,564	14,564,887	232,136,851
Financial Liabilities						
Trade and other payables						
Trade	188,441,640	172,686,713	3,902,328	3,494,925	1,582,622	6,775,052
Accrued expenses	32,384,647	19,180,595	264,697	—	2,193,923	10,745,432
Nontrade	68,016,165	52,865,976	55,167	304,320	—	14,790,702
	288,842,452	244,733,284	4,222,192	3,799,245	3,776,545	32,311,186
Due to related parties	497,043	—	—	—	—	497,043
Customers' deposits	155,501,667	—	—	—	—	155,501,667
Lease liabilities	9,559,044	—	—	—	—	9,559,044
Other noncurrent liability	136,767,673	—	—	—	—	136,767,673
	591,167,879	244,733,284	4,222,192	3,799,245	3,776,545	334,636,613
Net Financial Assets (Liabilities)	P3,254,886,453	P3,218,604,251	P109,720,303	P18,273,319	P10,788,342	(P102,499,762)

December 31, 2019						
	Total	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days
Financial Assets						
At amortized cost:						
Cash and cash equivalents	P3,227,403,650	P3,227,403,650	P—	P—	P—	P—
Trade and other receivables						
PSALM	1,015,262	—	—	—	—	1,015,262
Receivable from customers	346,415,517	224,498,606	32,635,928	16,940,626	16,866,642	55,473,715
Current portion of PSALM deferred adjustments	36,798,477	36,798,477	—	—	—	—
Others	32,994,619	1,327,622	1,572,107	1,406,431	1,283,492	27,404,967
	417,223,875	262,624,705	34,208,035	18,347,057	18,150,134	83,893,944
Due from related parties	1,673,605	139,476	49,571	20,366	21,959	1,442,233
PSALM deferred adjustments (included in "Other noncurrent assets")	145,967,292	—	—	—	—	145,967,292
	3,792,268,422	3,490,167,831	34,257,606	18,367,423	18,172,093	231,303,469
At FVOCI:						
Investment in proprietary club shares	7,300,000	—	—	—	—	7,300,000
	3,799,568,422	3,490,167,831	34,257,606	18,367,423	18,172,093	238,603,469
Financial Liabilities						
Trade and other payables						
Trade	263,978,646	240,273,771	5,362,375	4,536,461	224,099	13,581,940
Accrued expenses	34,604,487	22,649,303	181	—	—	11,955,003
Nontrade	65,990,324	54,526,290	70,671	156,484	88,777	11,148,102
	364,573,457	317,449,364	5,433,227	4,692,945	312,876	36,685,045
Due to related parties	605,080	22,570	43,467	—	42,000	497,043
Customers' deposits	149,096,391	—	—	—	—	149,096,391
Lease liabilities	11,443,592	—	—	—	—	11,443,592
Other noncurrent liability	145,967,292	—	—	—	—	145,967,292
	671,685,812	317,471,934	5,476,694	4,692,945	354,876	343,689,363
Net Financial Assets (Liabilities)	P3,127,882,610	P3,172,695,897	P28,780,912	P13,674,478	P17,817,217	(P105,085,894)

Credit Risk

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

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

With respect to credit risk arising from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables, due from related parties and PSALM deferred adjustments included in "Other noncurrent assets", the Group's exposure to credit risk arises from default of the counterparty.

The Group's credit risk from cash and cash equivalents is mitigated by Philippine Deposit Insurance Corporation's (PDIC) insurance coverage on the cash in bank. While the Group does not hold collateral as security, its credit risk from trade and other receivables is mitigated by the customers' deposits which are collected to guarantee any uncollected bills from the customers upon termination of the service contract.

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

March 31, 2020			
	Maximum exposure	Offset	Exposure to credit risk
At amortized cost:			
Cash and cash equivalents (excluding cash on hand)	₱3,212,819,200	(₱9,414,233)	₱3,203,404,967
Trade and other receivables	486,893,211	(96,843,836)	390,049,375
Due from related parties	1,679,022	—	1,679,022
PSALM deferred adjustments (included in "Other noncurrent assets")	136,767,673	—	136,767,673
	₱3,838,159,106	(₱106,258,069)	₱3,731,901,037
December 31, 2019			
	Maximum exposure	Offset	Exposure to credit risk
At amortized cost:			
Cash and cash equivalents (excluding cash on hand)	₱3,220,366,103	(₱9,421,306)	₱3,210,944,797
Trade and other receivables	417,223,875	(96,843,836)	320,380,039
Due from related parties	1,673,605	—	1,673,605
PSALM deferred adjustments (included in "Other noncurrent assets")	145,967,292	—	145,967,292
	₱3,785,230,875	(₱106,265,142)	₱3,678,965,733

As of March 31, 2020 and December 31, 2019, the Group's significant concentration of credit risk pertains to its trade and other receivables and PSALM deferred adjustments amounting to ₱623.7 million and ₱563.2 million, respectively, and impaired financial assets, determined based on probability of collection, are adequately covered with allowance.

Applicable for the first quarter and year ended March 31, 2020 and December 31, 2019.

The following are the details of the Group's assessment of credit quality and the related ECLs as at March 31, 2020 and December 31, 2019:

General Approach

- *Cash and cash equivalents* - As of March 31, 2020 and December 31, 2019, the ECL relating to the cash and cash equivalents of the Group is minimal as these are deposited in reputable banks which have good bank standing, and is considered to have low credit risk.
- *Due from NPC/PSALM, related parties, and other receivables* - As of March 31, 2020 and December 31, 2019, there were no individually impaired accounts. No ECL is recognized for these receivables since there were no history of default payments. This assessment is undertaken each financial year through examining the financial position of the parties and the markets in which the parties operate.

Simplified Approach

- *Trade and other receivables* - The Group applied the simplified approach using a 'provision matrix'. As of March 31, 2020 and December 31, 2019, the allowance for impairment losses as a result from performing collective and specific impairment test amounted to P37.2 million. Management evaluated that the Parent Company's trade receivables are of high grade and of good credit quality.

March 31, 2020					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	P-	P-	P34,702,715	P489,352,683	P524,055,398
Loss allowance	-	-	(34,702,715)	(2,459,472)	(37,162,187)
Carrying amount	P-	P-	P-	P486,893,211	P486,893,211

December 31, 2019					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	P-	P-	P34,702,715	P419,683,347	P454,386,062
Loss allowance	-	-	(34,702,715)	(2,459,472)	(37,162,187)
Carrying amount	P-	P-	P-	P417,223,875	P417,223,875

The Group grades its financial assets as follows:

- *Cash and Cash Equivalents*: These are assessed as high grade since these are deposited in reputable banks which have good bank standing, thus credit risk is minimal.
- *Receivable/Due from NPC/PSALM, NGCP and Distribution Utilities*: These are assessed as high grade since these receivables arose from the contract provisions of the ROMM Agreement, Operation and Maintenance Service Contracts (OMSC), Ancillary Services Procurement Agreements (ASPA), Power Supply Contracts (PSCs), and/or collectible from government institution.
- *Receivable from Customers of BLCI*: Receivables from commercial customers are classified as high grade; receivables from residential customers as standard; and receivables from the government, hospitals and radio stations as substandard. Classification is based on the collection history with these customers.

- *Due from Related Parties:* These are assessed as standard, although recoverability of these receivables is certain, as these are given secondary priority as to settlement by the related parties compared to third party obligations.
- *Other Receivables:* Grading of financial assets is determined individually based on the Group's collection experience with the counterparty.

Fair Value of Financial Assets and Financial Liabilities

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

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

- *Cash and Cash Equivalents, Trade and Other Receivables, Trade and Other Payables and Due From/To Related Parties.* The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and due from/to related parties approximate their value due to the relatively short-term maturity of these financial instruments.
- *Investment in Proprietary Club Shares.* Market values have been used to determine the fair value of listed proprietary club shares.
- *Noncurrent Receivable (included in "Other Noncurrent Assets") and Other Noncurrent Liability.* The fair values of the noncurrent receivable and noncurrent liability are based on the net present value of cash flows using the prevailing market rate of interest. As of March 31, 2020 and December 31, 2019, the carrying values of the noncurrent receivable and noncurrent liability approximate their fair values.
- *Customers' Deposits.* The fair value of customers' deposits approximates the carrying value as (1) bill deposits earn interest at the prevailing market interest rate in accordance with regulatory guidelines and (2) the timing and related amounts of future cash flows relating to material deposits cannot be reasonably and reliably estimated for purposes of establishing their fair values using an alternative valuation technique.

As of March 31, 2020 and December 31, 2019, the Group considers its investment in proprietary club shares measured and carried at fair values of ₱7.3 million under Level 1 classification, respectively. The Group also considers its noncurrent receivable amounting to ₱136.8 million and ₱146.0 million as of March 31, 2020 and December 31, 2019, respectively, noncurrent liability amounting to ₱136.8 million and ₱146.0 million as of March 31, 2020 and December 31, 2019, and customers' deposits amounting to ₱155.5 million and ₱149.1 million as of March 31, 2020 and December 31, 2019, respectively, under the Level 3 classification.

During the reporting period ended March 31, 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

12. Existence of Material Contingencies and any Other Events or Transactions that are Material to an Understanding of the Current Interim Period.

- a. On May 7, 2020, the BOD of the Parent Company approved the declaration of cash dividends equivalent to ₱0.40 per share, or for a total of ₱598.6 million, to all stockholders of records as of May 22, 2020 payable on May 29, 2020.
- b. In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, which was subsequently extended to April 30, 2020 and further extended to May 15, 2020 for most parts of Luzon. On various dates after March 13, 2020, the respective local governments of Cebu, Bohol and Iloilo implemented similar quarantine measures through issuance of Executive Orders. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

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

- c. Except as already discussed in the Management's Discussion and Analysis of Financial Conditions and Results of Operations as well as in the schedules and disclosures set forth in this Selected Notes to Interim Consolidated Financial Statements, there are no other material contingencies and any other events or transactions that are material to an understanding of the current interim period.

CERTIFICATE OF INDEPENDENT DIRECTOR

I, Roberto F. de Ocampo, Filipino, of legal age and a resident of 121 Victoria Cor. Homonhon Sts. Magallanes Village, Makati, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of SPC Power Corporation and have been its independent director since November 25, 2002.
2. I am affiliated with the following companies or organizations:

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	PERIOD OF SERVICE
RFO Center for Public Finance and REGIONAL Economic Cooperation	Chairman of the Board of Advisors	2006
Philippine Veterans Bank	Chairman and CEO	2013
MoneyTree Publishing Inc.	Chairman	2007
Stradcom Corporation	Chairman	2003
Public Finance Institute of the Philippine	Chairman	2007
Intervest Project Inc. (IPI)	Chairman	2013
British Alumni Association	Chairman	2007
AIM-AIM Conference Center Manila (ACCM)	Chairman	
Libera International Advisory Board (London)	Chairman	2013
Foundation for Economic Freedom	Chairman	2012
Philam Fund Inc., Philam Bond Fund Inc., Philam Strategic Growth Inc., Philam Managed Income Fund Inc., PAMI Global Bond Fund, Inc., Philam Dollar Bond Fund Inc.	Chairman	2014
Governance Commission for Government Owned or Controlled Corporations (GCG) Multi-Sectoral Governance Council (MSGC)	Chairman	2014
Center for Philippine Futuristics Studies and Management Inc.	Chairman	2014
La Costa Development	Vice-Chairman	2007
Makati Business Club	Vice-Chairman	2006

Centennial Group (Washington), D.C.	Founding Director	1999
Emerging Markets Forum	Founding Director	2005
Pacific Gaming Investments Pte. Ltd.	Independent Director	2010
Alaska Milk Corp.	Independent Director	1999
Bankard, Inc.	Independent Director	2006
EEL Corporation	Independent Director	2005
House of Investments	Independent Director	2000
Beneficial Life Insurance Co., Inc.	Independent Director	2008
Robinsons Land Corporation	Independent Director	2003
SPC Power Corporation	Independent Director	2002
DFNN Inc.	Independent Director	1999
Investment & Capital Corporation of the Philippines (ICCP)	Independent Director	2011
Banker's Association of the Philippines	Director	2016
Global Reporting Initiative (GRI) - Amsterdam	Director	2013
South Forbes City College	Director	2016
Philippine Business for the Environment (PBE)	Board Member	2015
The Conference Board (New York)	Member, Global Advisory Board	2004
Corporate Governance Institute of the Philippines	Member, Board of Advisers	2004
Teach for the Philippines	Members, Board of Advisers	2001
Philippine Cancer Society	Member, Board of Advisers	1998
Ramos Peace and Development Foundation	Member, Board of Trustees	1999
Children's Hour	Member, Board of Trustees	
SGV Foundation	Member, Board of Trustees	1999
Trilateral Commission	Member, Asia Pacific Group Representing ASEAN	2000
Renewable Energy Asia Fund (Berkeley Energy, UK)	Strategic Advisor	2008
Philippine Quality & Productivity Movement Inc.	Member, Board of Advisers	2012
CIMB Group International Advisory Panel	Member	2013

I am not affiliated to any government/owned and controlled corporation.

3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of SPC Power Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any director/officer/substantial shareholder of SPC Power Corporation as provided under Rule 38.2.3 of the Securities Regulation Code. (where applicable)


NAME OF DIRECTOR/OFFICER/SUBSTANTIAL SHAREHOLDER	COMPANY	NATURE OF RELATIONSHIP
N.A.	N.A.	N.A.

5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.

OFFENSE CHARGED/INVESTIGATED	TRIBUNAL OR AGENCY INVOLVED	STATUS
N.A.	N.A.	N.A.

6. (For those in government service/affiliated with a government agency or GOCC) I have the required written permission or consent from SPC Power Corporation to be and independent director in SPC Power Corporation, pursuant to Office of the President Memorandum Circular' No. 17 and Section 12, Rule XVIII of the Revised Civil Services Rules.
7. I shall faithfully and diligently comply with my duties as responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
8. I shall inform the Corporate Secretary of SPC Power Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this 15th day of January 2020, at Makati City



ROBERTO F. DE OCAMPO

Affiant

MAKATI CITY

22 JAN 2020

SUBSCRIBED AND SWORN to before me this 15th day of January 2020 at Makati City, affiant personally appeared before me and exhibited to me his passport with no. EC6721113 valid until 09 February 2021 issued at DFA NR Central on 10 February 2016.

Doc. No. 242:

Page No. 50:

Book No. 25:

Series of 2020:



ATTY. JOSHUA P. LAPUZ

Notary Public for and in Makati City

Appointment No. M 56 until 12/31/2021

PTR No. 8116016, Jan. 2, 2020, Makati City

Roll No. 45790, AFP, Lifetime N. 04697

MCLE No. VI-0016565 / Jan. 14, 2019

G/F Fedman Suites, 199 Salcedo Street,
Legaspi Village, Makati City

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **RAMON Y. SY, FILIPINO**, of legal age, , and a resident 303 Chico Drive, Ayala Alabang Village, Muntinlupa City, after having been sworn to in accordance with law do hereby declare that:

1. I am nominee for Independent Director of SPC Power Corporation and have been its independent director since May 30, 2017.
2. I am affiliated with the following companies or organization:

Company/Organization	Position/Relationship	Period of Service
(Refer to Annex)		

I am not affiliated with any Government and Controlled Corporation:

3. I possess all qualifications and none of the disqualification to serve as an Independent Director of SPC Power Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am related to any director/officer/substantial shareholder of SPC Power Corporation, as provided under Rule 38.2.3 of the Securities Regulation code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation code.
7. I shall inform the Corporate Secretary of SPC Power Corporation of any changes in the abovementioned information within five days from its occurrence.

Done this **JAN 29 2020** of January 2020 at **MAKATI CITY**


RAMON Y. SY
Affiant

JAN 29 2020

MAKATI CITY SUBSCRIBED AND SWORN TO BEFORE ME this _____ day of _____ at Pasig City, affiant exhibiting to me his Philippine Passport No. P0411538B issued on Jan. 25, 2019 at DFA NCR SOUTH and valid until Jan. 24, 2029 and TIN ID No. 107-202-849.

Doc. No. 348
Page No. 78
Book No. 33
Series of 2020.

ATTY. JOSHUA P. LAPUZ
Notary Public for and in Makati City
Appointment No. M-66 until 12/31/2021
PTR No. 8115015, Jan. 2, 2020, Makati City
Roll No. 45790, IBF, Lifetime N. 04897
MCLE No. VI-0016565 / Jan. 14, 2019
G/F Fedman Suites, 199 Salcedo Street,
Legaspi Village, Makati City

ANNEX

Present Position - Other Private Institution (Including Corporate Directorships)

NAME OF OFFICE	POSITION	DATE ASSUMED	
Ramsy Corporation	Chairman	1992	Stockholder
Travelman, Inc.	Chairman	1984	Stockholder
Xcell Property Ventures, Inc.	Chairman	2005	Stockholder
Asian Alliance Holding and Development Corp.	Director	2005	
Asian Alliance Investment Corp.	Director	2005	
Philippine Equity	Director	2006	
Maxicare Health Care Corp.	Director	2008	
Monte Oro Resources and, energy, Inc.	President /Director	2012	Stockholder
Apex Mining Co. Inc.	Chairman	2013	Stockholder
Asia United Bank	Vice Chairman	2012	Stockholder

CERTIFICATION OF INDEPENDENT DIRECTOR

I, Enrique L. Benedicto, Filipino, of legal age and a resident of Doña Emilia Benedicto Bldg., #7 Benedicto St., Cebu City, after having been duly sworn to in accordance with law do hereby declare that:

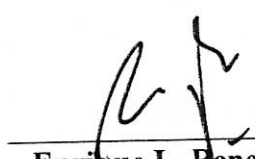
1. I am a nominee for independent director of SPC Power Corporation and have been its independent director since September 16, 2008.
2. I am affiliated with the following companies or organizations:

Company/Organization	Position/Relationship	Period of Service
Consulate of Belgium	Honorary Consul	1986 to 2017
Mabuhay Filcment Inc.	Chairman	2003 to present
Enrison Land Inc.	Chairman	2007 to present

I am not affiliated to any Government-Owned and Controlled Corporation.


3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of SPC Power Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to the any director/officer/substantial shareholder of SPC Power Corporation, as provided under Rule 38.2.3 of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as Independent Director under the Securities Regulation Code.
7. I shall inform the corporate secretary of SPC Power Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this 09 JAN 2020 at MAKATI CITY.


Enrique L. Benedicto

SUBSCRIBED AND SWORN to before me this 09 JAN 2020 at MAKATI CITY affiant personally appeared before me and exhibited to me his Passport No. P9540542A issued at DFA Cebu on 14 Nov 2018 valid until 13 Nov 2028.

Doc. No. 97;
Page No. 11;
Book No. 6;
Series of 2020.


ATTY. JOSHUA P. LAPUZ
Notary Public for and in Makati City
Appointment No. 1166 until 12/31/2021
PTR No. 9116016, Jan. 2, 2020, Makati City
Roll No. 45700, JEP Lifetime N. 04897
MCLE No VI-0016565 / Jan. 14, 2019
G/F Fedman Suites, 199 Salcedo Street,
Legaspi Village, Makati City

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **SERGIO R. ORTIZ-LUIS JR.**, Filipino, of legal age and a resident of 3RD Flr. Commerce and Industry Plaza, 1030 Campus Avenue corner Park Avenue, Mckinley Hills, Fort Bonifacio, Taguig City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am a nominee for independent director of SPC POWER CORPORATION and have been its independent director since 2017.
2. I am affiliated with the following companies or organizations (including Government-Owned and Controlled Corporations):

COMPANY/ORGANIZATION	POSITION/RELATIONSHIP	DATE ASSUMED
Drug Abuse Resistance Education (DARE) Philippines	Director	2018
Country Garden Agri-Tourism Dev't Inc.	Chairman of the Board	2018
Manila Waterfront City	Chairman of the Board	2017
SPC Power Corporation	Independent Director	2017
VC Securities Corp	Vice Chairman/ Director	2016
LikeCash Asia & The Pacific Corporation	Director	2015
Asia Pacific Chinese Media, Inc.	President	2015
Human Resources Development Foundation	Trustee & Treasurer	2015
National Center for Mediation	Chairman	2015
Philippine H2O Ventures Corp.	Director	2014
Jollville Holdings Corporation	Director	2014
Philippine Foundation, Inc. (Team Phil.)	Director/Past President	2013
Philippine Chamber of Commerce & Industry	Honorary Chairman/Treas.	2013
Philippine Estate Corporation	Director	2012
BA Securities	Director	2012
International Chamber of Commerce of the Phil	Director	2012
Philippine International Airways	Chairman of the Board	2009
Alliance Global, Inc.	Vice Chairman	2008
Waterfront Philippines, Inc.	Director	2008
Integrated Concepts & Solutions, Inc.	Honorary Chairman	2008
The Wellex Group	Director	2008
Acesite Hotel Philippines, Inc.	Director	2008
Forum Pacific, Inc. (FPI: Philippines)	Director	2008
Lasaltech Academy	Director	2000

Manila Exposition Complex, Inc (World Trade Ctr.)	Director	1997
GSI (Formerly Philippine Article Numbering Council)	Founding Director	1995
Philippine Exporters Confederation Inc.	President	1991
Employers Confederation of the Philippines	Honorary Chairman/Past President	1991
Philippine Jaycee Senate	Member	1989
Rotary Club of Green Meadows	Member / Past President	1988
Rural Bank of Baguio	Director	1981

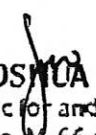
3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of SPC Power Corporation, as provided for in Section 38 of the Securities Regulation Code, its Implementing Rules and Regulations and other SEC issuances.
4. I am not related to any director/officer/substantial shareholder of SPC Power Corporation, and its subsidiaries and affiliates other than the relationship provided under Rule 38.2.3 of the Implementing Rules and Regulations of the Securities Regulation Code.
5. To the best of my knowledge, I am not the subject of any pending criminal or administrative investigation or proceeding.
6. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code and its Implementing Rules and Regulations, Code of Corporate Governance and other SEC issuances.
7. I shall inform the Corporate Secretary of SPC Power Corporation of any changes in the abovementioned information within five days from its occurrence.

Done, this _____ day of _____, at _____.


SERGIO R. ORTIZ-LUIS JR.
Affiant

SUBSCRIBED AND SWORN to before me this 27 day of JAN 2020 at Makati City, affiant personally appeared before me and exhibited to me his passport number EC6362062 issued at DFA Manila on January 11, 2016.

Doc. No. 237;
Page No. 49;
Book No. 30;
Series of 2020.


ATTY. JOSHUA P. LAPUZ
Notary Public for and in Makati City
Appointment No. M-56 until 12/31/2021
PTR No. 8116016, Jan. 2, 2020, Makati City
Roll No. 45790, IEP, Lifetime N. 04897
MCLE No. VI-0016565 / Jan. 14, 2019
G/F Fedman Suites, 199 Salcedo Street,
Legaspi Village, Makati City

SECRETARY'S CERTIFICATE

I, Remigio Michael A. Ancheta II, Corporate Secretary of **SPC Power Corporation**, a corporation organized and existing under the laws of the Republic of the Philippines, with principal office at the 7th Floor, Cebu Holdings Center, Cebu Business Park, Archbishop Reyes Avenue, Cebu City, hereby certify that, basing on the records of the Corporation, **no** Director or Officer of the Corporation is connected to or working with any government agency or instrumentality.

IN WITNESS WHEREOF, I have hereunto affixed my signature this 29th date of May, 2020.


REMIGIO MICHAEL A. ANCHETA II
Corporate Secretary

SUBSCRIBED AND SWORN TO before me this May 29, 2020 by the affiant who is personally known to me and who exhibited his Philippine Non-Professional Driver's License No. N02-97-342413 valid until June 27, 2023.

Doc. No. 89 ;
Page No. 19 ;
Book No. 11 ;
Series of 2020.


ATTY. GAYLE HAZEL S. ISIP-REYES

Notary Public, Muntinlupa City
NC-20-021 / Until Dec. 31, 2021
Muntinlupa City PTR No. 3734479 / 01-03-2020
Roll No. 61350 / IBP LRN. 013240 / PPLM
Omni Arcade, Don Jesus Blvd.
Alabang Hills, Cupang, Muntinlupa



SPC Power Corporation

CERTIFICATION

This is to certify the information contained in our reports are true and correct.

Issued on May 29, 2020 at Makati City, Philippines.

Very truly yours,


Remigio Michael A. Ancheta
Corporate Secretary