

## 24. Significant Contracts

The Group has the following significant contracts:

### Parent Company

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

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

### SIPC

SIPC and NGCP entered into a Connection Agreement on August 28, 2010, in order for SIPC's generation facilities to remain connected to the transmission system of the NGCP and to continue to avail of the transmission services. This agreement is subject to the terms and conditions for the connection of the generation facility to the transmission system pursuant to the revised rules, terms and conditions for the provision of Open Access Transmission Service. Total transmission charges, lodged in "Others" under "Cost of operations" amounted to ₱6.3 million, ₱7.0 million and ₱8.2 million in 2020, 2019 and 2018, respectively (see Note 19).

On April 18, 2013, SIPC entered into an ASPA with NGCP with provisional approval granted by the ERC on November 11, 2013. The ASPA, however, was made effective only on February 25, 2014 due to the impact of super typhoon Yolanda in November 2013. SIPC and NGCP executed the ASPA for the supply of contingency reserve, dispatchable reserve, reactive power support, and black start service from the Panay and Bohol Diesel Power Plants for a period of five (5) years under a non-firm arrangement. The agreement expired on February 25, 2019. Due to the necessity of extending the services of providing the same ancillary services, SIPC and NGCP have agreed per letter dated November 26, 2018 to extend the ASPA until a new ASPA for each power plant is approved by the ERC.

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

On July 3, 2019 and July 25, 2019, SIPC entered into an ASPA with NGCP for the supply of dispatchable reserve and contingency reserve under firm and non-firm arrangements from SIPC's Panay Diesel Power Plant. The term of this agreement is for a period of five (5) years commencing upon receipt of a final approval, or in the absence thereof, a provisional approval by the ERC. As of December 31, 2020, the ASPA is still for approval by ERC.



As of December 31, 2020, SIPC has power supply contracts with a distribution utility and three others for approval by the ERC for the supply of peaking power requirements with terms ranging from three to five years from effectivity of the contracts.

#### BLCI

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

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

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

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

Total power purchases from ULGEI, KSPC, NGCP and PEMC/IEMOP, net of discounts, amounted to ₱794.8 million, ₱1,030.9 million and ₱934.1 million in 2020, 2019 and 2018, respectively, and presented as "Purchased power" under "Cost of operations" in the consolidated statements of comprehensive income (see Note 19).

The outstanding payables to ULGEI, KSPC, NGCP and PEMC/IEMOP included under "Trade and other payables" (see Note 14), on purchased power amounted to ₱90.9 million and ₱102.5 million as of December 31, 2020 and 2019, respectively.

## **25. Income Tax**

	2020	2019	2018
Current	₱125,379,407	₱152,142,534	₱169,473,510
Deferred	(2,126,082)	(3,613,760)	5,146,406
	₱123,253,325	₱148,528,774	₱174,619,916



The reconciliation between the amounts of provision for income tax computed at the statutory tax rate to provision for income tax in the consolidated statements of comprehensive income for the years ended December 31, 2020, 2019 and 2018 follows:

	2020	2019	2018
Income before income tax	<b>P1,756,599,765</b>	<b>P1,966,696,191</b>	<b>P2,068,825,887</b>
Provision for income tax computed at 30%	<b>P526,979,930</b>	<b>P590,008,857</b>	<b>P620,647,766</b>
Adjustments to income tax resulting from:			
Equity in net earnings of associates	(364,036,470)	(398,240,914)	(379,623,624)
Impact of OSD	(23,033,087)	(17,555,719)	(41,880,062)
Interest income already subjected to final tax	(15,493,374)	(30,719,030)	(14,690,438)
Others	(1,163,674)	5,035,580	(9,833,726)
	<b>P123,253,325</b>	<b>P148,528,774</b>	<b>P174,619,916</b>

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

	2020	2019
Deferred income tax assets on:		
Asset retirement obligation	<b>P25,642,699</b>	<b>P24,429,119</b>
Pension liabilities	<b>8,432,298</b>	<b>7,584,352</b>
Unrealized foreign exchange loss	<b>1,286</b>	<b>13,629</b>
	<b>34,076,283</b>	<b>32,027,100</b>
Deferred income tax liability on		
excess of fair value over acquisition cost - property, plant and equipment and inventory	<b>754,133</b>	<b>831,032</b>
	<b>P33,322,150</b>	<b>P31,196,068</b>

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

The Parent Company, SIPC and BLCI availed of the OSD in the computation of their taxable income in 2020, 2019 and 2018.

#### Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act

President Rodrigo Duterte signed into law on March 26, 2021 the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. R.A. No. 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.



The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Effective July 1, 2020, regular corporate income tax (RCIT) rate is reduced from 30% to 25% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.
- Minimum corporate income tax (MCIT) rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.

As clarified by the Philippine Financial Reporting Standards Council in its Philippine Interpretations Committee Q&A No. 2020-07, the CREATE Act was not considered substantively enacted as of December 31, 2020 even though some of the provisions have retroactive effect to July 1, 2020. The passage of the CREATE Act into law on March 26, 2021 is considered as a non-adjusting subsequent event. Accordingly, current and deferred taxes as of and for the year ended December 31, 2020 continued to be computed and measured using the applicable income tax rates as of December 31, 2020 (i.e., 30% RCIT / 2% MCIT) for financial reporting purposes.

Applying the provisions of the CREATE Act, the Group would have been subjected to lower regular corporate income tax rate of 25% effective July 1, 2020.

- This will result in lower provision for current income tax for the year ended December 31, 2020 and lower income tax payable as of December 31, 2020 by ₱10.4 million. The lower provision for current income tax and income tax payable will be reflected in the 2020 annual income tax return but will only be recognized for financial reporting purposes in the 2021 financial statements.
- This will result in lower deferred tax assets and liabilities as of December 31, 2020 and provision for deferred tax for the year then ended by ₱5.6 million. These reductions will be recognized in the 2021 financial statements.

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## 26. Segment Information

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

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

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



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

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

The Group earned inter-segment revenues amounting to nil, P0.3 million and P0.2 in 2020, 2019 and 2018, respectively, pertaining to the supply of emergency power by SPC and SIPC to BLCI.

2020						
	Before Eliminations			Total	Eliminations	After Eliminations/ Consolidated
	Generation	Distribution	Others			
Revenue	P1,049,533,098	P946,537,844	P-	P1,996,070,942	P-	P1,996,070,942
Income before income tax	2,199,377,721	51,270,341	26,661,280	2,277,309,342	(520,709,577)	1,756,599,765
Net income	2,090,835,118	36,559,619	26,661,280	2,154,056,017	(520,709,577)	1,633,346,440
Total assets	8,097,928,052	709,556,687	75,102,801	8,882,587,540	2,557,435,766	11,440,023,306
Property, plant and equipment (see Note 11)	538,610,286	209,804,715	-	748,415,001	1,268,382	749,683,383
Total liabilities	409,270,372	483,883,274	111,956	893,265,602	(8,514,120)	884,751,482
Depreciation and amortization (see Note 22)	72,192,334	21,712,199	-	93,904,533	310,063	94,214,596
Capital expenditures	18,457,862	31,006,109	-	49,463,971	-	49,463,971
2019						
	Before Eliminations			Total	Eliminations	After Eliminations/ Consolidated
	Generation	Distribution	Others			
Revenue	P1,605,251,205	P1,194,092,629	P-	P2,799,343,834	(P334,596)	P2,799,009,238
Income before income tax	2,330,456,150	90,883,395	9,633,731	2,430,973,276	(464,277,085)	1,966,696,191
Net income	2,203,435,595	69,375,176	9,633,731	2,282,444,502	(464,277,085)	1,818,167,417
Total assets	7,521,218,442	770,043,921	90,366,170	8,381,628,533	2,714,073,870	11,095,702,403
Property, plant and equipment (see Note 11)	591,736,507	200,437,564	-	792,174,071	1,578,445	793,752,516
Total liabilities	428,101,098	523,430,125	111,014	951,642,237	(18,339,846)	933,302,391
Depreciation and amortization (see Note 22)	91,773,451	19,335,741	-	111,109,192	-	111,109,192
Capital expenditures	89,332,323	23,579,176	-	112,911,499	-	112,911,499
2018						
	Before Eliminations			Total	Eliminations	After Eliminations/ Consolidated
	Generation	Distribution	Others			
Revenue	P1,302,816,658	P1,083,337,673	P-	P2,386,154,331	(P239,820)	P2,385,914,511
Income before income tax	2,519,248,156	62,441,041	34,212,476	2,615,901,673	(547,075,786)	2,068,825,887
Net income	2,360,165,380	46,903,901	34,212,476	2,441,281,757	(547,075,786)	1,894,205,971
Total assets	7,630,481,671	748,677,664	94,739,820	8,473,899,155	2,470,685,844	10,944,584,999
Property, plant and equipment (see Note 11)	586,522,811	194,678,910	-	781,201,721	-	781,201,721
Total liabilities	740,203,678	532,926,984	118,395	1,273,249,057	(353,334,838)	919,914,219
Depreciation and amortization (see Note 22)	72,320,861	18,203,391	-	90,524,252	-	90,524,252
Capital expenditures	69,062,876	59,485,858	-	128,548,734	-	128,548,734





The Group's revenue from contracts with customers is mainly from generation and distribution services. Set out below is the disaggregation of the Group's revenue from contracts with customer in 2020, 2019 and 2018:

	2020		
	Generation	Distribution	Total
Revenue from power supply contracts and ancillary services	P889,961,519	P-	P889,961,519
Revenue from market power trading	159,571,579	-	159,571,579
Revenue from distribution services (see Note 23)	-	946,537,844	946,537,844
Total revenue	1,049,533,098	946,537,844	1,996,070,942
Revenue from management services presented as "Service income" (see Note 5)	120,007,156	-	120,007,156
Total	P1,169,540,254	P946,537,844	P2,116,078,098

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

	2018		
	Generation	Distribution	Total
Revenue from power supply contracts and ancillary services	P1,029,282,839	P-	P1,029,282,839
Revenue from market power trading	273,293,999	-	273,293,999
Revenue from distribution services (see Note 23)	-	1,083,337,673	1,083,337,673
Total revenue	1,302,576,838	1,083,337,673	2,385,914,511
Revenue from management services presented as "Service income" (see Note 5)	120,007,156	-	120,007,156
Total	P1,422,583,994	P1,083,337,673	P2,505,921,667

Revenue from the Group's major customers, which account for 41%, 54% and 48% in 2020, 2019 and 2018, respectively, amounted to P816.2 million, P1,505.1 million and P1,133.8 million, respectively.



### Eliminations

Eliminations are part of detailed reconciliations presented below:

#### *Reconciliation of Net Income*

	2020	2019	2018
Segment net income	<b>P2,154,056,017</b>	P2,278,444,502	P2,441,281,757
Equity in net earnings of associates (see Note 10)	<b>1,213,454,900</b>	1,327,469,713	1,265,412,079
Dividend income from associates (see Note 10)	<b>(1,381,016,911)</b>	(1,412,024,298)	(1,409,823,865)
Dividend income from subsidiaries	<b>(353,147,566)</b>	(375,722,500)	(402,664,000)
Group net income	<b>P1,633,346,440</b>	P1,818,167,417	P1,894,205,971

#### *Reconciliation of Total Assets*

	2020	2019
Segment assets	<b>P8,883,855,922</b>	P8,383,206,978
Inter-segment receivables	<b>(17,153,460)</b>	(27,289,252)
Investments in associates and subsidiaries	<b>2,540,798,828</b>	2,707,262,661
Goodwill	<b>32,522,016</b>	32,522,016
Group assets	<b>P11,440,023,306</b>	P11,095,702,403

#### *Reconciliation of Total Liabilities*

	2020	2019
Segment liabilities	<b>P893,265,602</b>	P951,642,237
Inter-segment payables	<b>(8,514,120)</b>	(18,339,846)
Group liabilities	<b>P884,751,482</b>	P933,302,391

### Indicators

The following financial indicators are used, among others, by management to evaluate the performance of the Group as of and for the years ended December 31, 2020, 2019 and 2018:

	2020	2019	2018
For the years ended December 31:			
Earnings per share (see Note 27)	<b>P1.07</b>	P1.19	P1.24
Share in net earnings of associates (see Note 10)	<b>1,213,454,900</b>	1,327,469,713	1,265,412,079
Return on equity (total comprehensive income divided by average total equity)	<b>15.80%</b>	17.93%	19.61%
Return on assets (total comprehensive income divided by average total assets)	<b>14.52%</b>	16.43%	17.43%
Cash flows:			
Net cash flows from operating activities	<b>629,238,373</b>	663,826,139	301,093,533
Net cash flows from investing activities	<b>1,335,891,638</b>	1,302,561,276	2,426,046,583
Net cash flows used in financing activities	<b>(1,247,833,991)</b>	(1,675,050,395)	(1,237,727,455)



	2020	2019	2018
As of December 31:			
Cash and cash equivalents (see Note 6)	₱3,944,306,886	₱3,227,403,650	₱2,937,042,859
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)	9.71	7.82	7.33
Debt ratio (total liabilities divided by total assets)	0.08	0.08	0.08
Debt-to-equity ratio (total liabilities divided by total equity)	0.08	0.09	0.09
Solvency ratio (total comprehensive income before depreciation and amortization divided by total liabilities)	1.96	2.06	2.16

## 27. Earnings Per Share

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

	2020	2019	2018
Net income attributable to equity holders of the Parent	₱1,603,436,958	₱1,782,279,548	₱1,854,292,292
Weighted average number of common shares issued and outstanding	1,496,551,803	1,496,551,803	1,496,551,803
Basic/Diluted earnings per share	₱1.07	₱1.19	₱1.24

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
	1,496,551,803

There are no potentially dilutive common shares issued as of December 31, 2020, 2019 and 2018.

## 28. Financial Risk Management Objectives and Policies

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

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

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





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

#### Interest Rate Risk

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

As of December 31, 2020 and 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 December 31 based on contractual undiscounted payments:

	2020					
	Total	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days
<b>Financial Assets</b>						
At amortized cost:						
Cash and cash equivalents	P3,944,306,886	P3,944,306,886	P-	P-	P-	P-
Trade and other receivables						
Receivable from customers	255,677,034	130,110,054	39,124,107	20,520,943	12,731,595	53,190,335
Current portion of PSALM deferred adjustments	36,798,477	36,798,477	-	-	-	-
Due from related parties	2,005,050	115,049	15,000	31,133	118,198	1,725,670
PSALM	1,015,262	-	-	-	-	1,015,262
Others	42,559,677	7,942,519	1,708,811	1,337,433	1,944,229	29,626,685
	338,055,500	174,966,099	40,847,918	21,889,509	14,794,022	85,557,952
PSALM deferred adjustments (included in "Other noncurrent assets")	109,168,815	-	-	-	-	109,168,815
	4,391,531,201	4,119,272,985	40,847,918	21,889,509	14,794,022	194,726,767
At FVOCI:						
Investment in proprietary club shares	7,400,000	-	-	-	-	7,400,000
	4,398,931,201	4,119,272,985	40,847,918	21,889,509	14,794,022	202,126,767
<b>Financial Liabilities</b>						
Trade and other payables						
Trade	249,841,518	209,879,700	3,936,389	1,234,420	627,137	34,163,872
Nontrade	41,295,713	9,750,577	186,627	46,998	63,473	31,248,038
Accrued expenses	41,252,260	39,065,525	-	-	-	2,186,735
Due to related parties	712,203	-	-	215,160	-	497,043
	333,101,694	258,695,802	4,123,016	1,496,578	690,610	68,095,688
Customers' deposits	174,742,186	-	-	-	-	174,742,186
Lease liabilities	6,626,789	-	-	-	-	6,626,789
Other noncurrent liability	109,168,815	-	-	-	-	109,168,815
	623,639,484	258,695,802	4,123,016	1,496,578	690,610	358,633,478
<b>Net Financial Assets (Liabilities)</b>	<b>P3,775,291,717</b>	<b>P3,860,577,183</b>	<b>P36,724,902</b>	<b>P20,392,931</b>	<b>P14,103,412</b>	<b>(P156,506,711)</b>



	2019					
	Total	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days
<b>Financial Assets</b>						
At amortized cost:						
Cash and cash equivalents	P3,227,403,650	P3,227,403,650	P-	P-	P-	P-
Trade and other receivables						
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	-	-	-	-
Due from related parties	1,673,605	139,476	49,571	20,366	21,959	1,442,233
PSALM	1,015,262	-	-	-	-	1,015,262
Others	32,994,619	1,327,622	1,572,107	1,406,431	1,283,492	27,404,967
	418,897,480	262,764,181	34,257,606	18,367,423	18,172,093	85,336,177
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
<b>Financial Liabilities</b>						
Trade and other payables						
Trade	263,978,646	240,273,771	5,362,375	4,536,461	224,099	13,581,940
Nontrade	65,990,324	54,526,290	70,671	156,484	88,777	11,148,102
Accrued expenses	34,604,487	22,649,303	181	-	-	11,955,003
Due to related parties	605,080	22,570	43,467	-	42,000	497,043
	365,178,537	317,471,934	5,476,694	4,692,945	354,876	37,182,088
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 impairment loss is not significant.

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



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

2020			
	Maximum exposure	Offset	Exposure to credit risk
At amortized cost:			
Cash and cash equivalents (excluding cash on hand)	P3,943,238,772	(P9,396,869)	P3,933,841,903
Trade and other receivables	338,055,500	(109,525,237)	228,530,263
PSALM deferred adjustments (included in "Other noncurrent assets")	109,168,815	—	109,168,815
	<u>P4,390,463,087</u>	<u>(P118,922,106)</u>	<u>P4,271,540,981</u>
2019			
	Maximum exposure	Offset	Exposure to credit risk
At amortized cost:			
Cash and cash equivalents (excluding cash on hand)	P3,220,366,103	(P9,421,306)	P3,210,944,797
Trade and other receivables	418,897,480	(96,843,836)	322,053,644
PSALM deferred adjustments (included in "Other noncurrent assets")	145,967,292	—	145,967,292
	<u>P3,785,230,875</u>	<u>(P106,265,142)</u>	<u>P3,678,965,733</u>

As of December 31, 2020 and 2019, the Group's significant concentration of credit risk pertains to its trade and other receivables and PSALM deferred adjustments amounting to P447.2 million and P564.9 million, respectively, and impaired financial assets, determined based on probability of collection, are adequately covered with allowance.

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

#### General Approach

- *Cash and cash equivalents* - As of December 31, 2020 and 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 and other receivables* - As of December 31, 2020 and 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 December 31, 2020 and 2019, the allowance for impairment losses as a result from performing collective and specific impairment test amounted to P39.8 million and P37.2 million. Management evaluated that the Parent Company's trade receivables are of high grade and of good credit quality.

2020					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	P-	P-	P37,162,187	P340,683,171	P377,845,358
Loss allowance	-	-	(37,162,187)	(2,627,671)	(39,789,858)
Carrying amount	P-	P-	P-	P338,055,500	P338,055,500

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	P421,356,952	P456,059,667
Loss allowance	-	-	(34,702,715)	(2,459,472)	(37,162,187)
Carrying amount	P-	P-	P-	P418,897,480	P418,897,480

The Group grades its financial assets as follows:

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

### Fair Value of Financial Assets and Financial Liabilities

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



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

- *Cash and Cash Equivalents, Trade and Other Receivables and Trade and Other Payable.* The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate their value due to the relatively short-term maturity of these financial instruments.
- *Investment in Proprietary Club Shares.* Market values have been used to determine the fair value of listed proprietary club shares.
- *Noncurrent Receivable (included in "Other Noncurrent Assets") and Other Noncurrent Liability.* The fair values of the noncurrent receivable and noncurrent liability are based on the net present value of cash flows using the prevailing market rate of interest. As of December 31, 2020 and 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 December 31, 2020 and 2019, the Group considers its investment in proprietary club shares measured and carried at fair values of ₱7.4 million and ₱7.3 million under Level 1 classification, respectively (see Notes 3 and 12). The Group also considers its noncurrent receivable amounting to ₱109.2 million and ₱146.0 million as of December 31, 2020 and 2019, respectively; noncurrent liability amounting to ₱109.2 million and ₱146.0 million as of December 31, 2020 and 2019, respectively; and customers' deposits amounting to ₱174.7 million and ₱149.1 million as of December 31, 2020 and 2019, respectively, under the Level 3 classification.

During the reporting period ended December 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.

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## 29. Other Matters

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

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

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





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

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

#### Land Lease Agreements (LLAs)

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

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

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

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

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





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

In 2017, SIPC exercised its option to purchase the optioned assets covering all the lots underlying the Bohol Diesel Power Plant with a total area of 27,527 square meters. The aggregate of the purchase price amounting to P35.6 million is shown as part of "Property, plant and equipment" account in the consolidated statements of financial position (see Note 11).

The remaining prepaid rent as of December 31, 2018 amounting to P5.3 million was derecognized upon adoption of PFRS 16 effective January 1, 2019 (see Notes 11 and 30).

Rent expense under the LLAs amounted to nil in 2020 and 2019 and P0.2 million in 2018, respectively (see Notes 20 and 22).

#### PSALM's Cost Recovery Adjustments

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

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

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

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

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

The current portion of the Group's PSALM deferred adjustments amounting to P36.8 million as of December 31, 2020 and 2019, respectively, is recorded under "Trade and other receivables" and the noncurrent portion amounting to P109.2 million and P146.0 million as of December 31, 2020 and 2019, respectively, are presented as part of "Other noncurrent assets", in the consolidated statements of financial position (see Notes 7 and 12). The current and noncurrent portions of the corresponding amounts due to PSALM was presented as part of "Nontrade" under "Trade and other



payables" and "Other noncurrent liability" in the consolidated statement of financial position as of December 31, 2020 and 2019.

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

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

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

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

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

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



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

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

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

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

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

### 30. Lease Agreements

The Group has entered into various leases for rooms, office spaces, parking lots, sub transmission line steel post space, and parcels of land which include those with other landowners and those with respect to its LLA with PSALM (see Note 29). Leases of parcels of land generally have lease terms between 1-25 years. Lease terms for the other leased assets generally vary between five months to 4 years. Total rent expense charged to operations amounted to ₱4.0 million, ₱1.6 million and ₱6.4 million in 2020, 2019 and 2018, respectively (see Notes 19 and 20). Some of the lease contracts have expired in 2019 and 2020.

Set out below are the carrying amounts of the Company's right-of-use assets, presented as part of property, plant and equipment, and lease liabilities and the movements during the years ended December 31, 2020 and 2019:

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



2019				
	Right-of-use Assets			Lease Liabilities
	Land	Office Space	Total	
At January 1	P7,289,017	P1,263,879	P8,552,896	P3,440,186
Additions	-	9,263,019	9,263,019	9,263,019
Depreciation expense	(681,754)	(3,719,611)	(4,401,365)	-
Interest expense	-	-	-	827,244
Payments	-	-	-	(3,043,168)
At December 31	P6,607,263	P6,807,287	P13,414,550	P10,487,281

Set out below are the amounts recognized in the consolidated statements of comprehensive income for the years ended December 31, 2020 and 2019:

	2020	2019
Depreciation expense of -of-use assets	<b>P4,290,181</b>	P4,401,365
Interest expense on lease liabilities	<b>502,278</b>	827,244
Rent expense - short-term leases (see Notes 19 and 20)	<b>3,991,397</b>	1,649,624
	<b>P8,783,856</b>	P6,878,233

Shown below is the maturity analysis as of December 31, 2020 and 2019 of the undiscounted lease payments:

	2020	2019
One year	<b>P4,911,163</b>	P5,858,926
More than 1 years to 2 years	<b>408,482</b>	3,869,041
More than 2 years to 3 years	<b>408,482</b>	408,482
More than 3 years to 4 years	<b>449,331</b>	408,482
More than 5 years	<b>449,331</b>	898,661
	<b>P6,626,789</b>	P11,443,592

### 31. Notes to Consolidated Statements of Cash Flows

Changes in liabilities arising from financing activities are as follows:

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

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



	2018				
	At January 1	Dividend Declaration	Dividend Attributable to NCI	Others	At December 31
Dividends payable (see Note 18)	P=	P1,197,241,442	P41,336,000	P= (P1,237,727,455)	P849,987

Others in 2019 include additional lease liabilities recognized during the year.



## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Board of Directors and the Stockholders  
SPC Power Corporation  
7<sup>th</sup> Floor, Cebu Holdings Center  
Archbishop Reyes Avenue, Cebu Business Park  
Cebu City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SPC Power Corporation and Subsidiaries as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, included in this Form 17-A, and have issued our report thereon dated April 7, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Alvin M. Pinpin

Partner

CPA Certificate No. 94303

Accreditation No. 94303-SEC (Group A)

Valid to cover audit of 2020 to 2024

financial statements of SEC covered institutions

Tax Identification No. 198-819-157

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

December 3, 2020, valid until December 2, 2023

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

April 7, 2021





**SPC POWER CORPORATION AND SUBSIDIARIES**

**SCHEDULE A - FINANCIAL ASSETS**

DECEMBER 31, 2020

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position/Notes	Value Based on Market Quotations at End of Reporting Period	Income Received and Accrued
At amortized cost:				
Cash and cash equivalents	-	P3,944,306,886	P3,944,306,886	P51,644,580
Trade and other receivables:				
Power Sector Assets and Liabilities Management Corporation (PSALM)	-	1,015,262	1,015,262	-
Receivable from customers	-	255,677,034	255,677,034	-
Current portion of PSALM deferred adjustments	-	36,798,477	36,798,477	-
Due from related parties	-	2,005,050	2,005,050	-
Others	-	42,559,677	42,559,677	-
		338,055,500	338,055,500	-
PSALM deferred adjustments (included in "Other noncurrent assets")	-	109,168,815	109,168,815	-
		4,391,531,201	4,391,531,201	51,644,580
Financial assets at fair value through other comprehensive income:				
Investment in proprietary club shares	1	7,400,000	7,400,000	-
Total financial assets	-	P4,398,931,201	P4,398,931,201	P51,644,580

See Note 28 of the Consolidated Financial Statements.

**SPC POWER CORPORATION AND SUBSIDIARIES**

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

**DECEMBER 31, 2020**

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

- Not applicable -

**SPC POWER CORPORATION AND SUBSIDIARIES**

**SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED  
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS  
DECEMBER 31, 2020**

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Collections	Write Offs	Balance at End of Period		Total
					Current	Noncurrent	
SPC Electric Company, Inc.	P6,032	P25	P-	P-	P6,057	-	P6,057
Bohol Light Company, Inc.	591,028	539,496	(515,915)	-	614,609	-	614,609
SPC Island Power Corporation	1,123,076	1,084,240	(2,081,550)	-	125,766	-	125,766
SPC Malaya Power Corporation	1,666,155	2,013	-	-	1,668,168	-	1,668,168
SPC Light Company, Inc.	6,032	915	-	-	6,947	-	6,947
Cebu Naga Power Plant Corporation	141,752	17,403	-	-	159,155	-	159,155
	P3,534,075	P1,644,092	(P2,597,465)	P-	P2,580,702	-	P2,580,702

**SPC POWER CORPORATION AND SUBSIDIARIES**

**SCHEDULE D - LONG-TERM DEBT**

**DECEMBER 31, 2020**

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

**SPC POWER CORPORATION AND SUBSIDIARIES**

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

**DECEMBER 31, 2020**

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

**SPC POWER CORPORATION AND SUBSIDIARIES**

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

DECEMBER 31, 2020

Name of Issuing Entity of Securities Guaranteed by the Company for which this Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by Person for which Statement is Filed	Nature of Guarantee
---	--	--	--	---------------------

- Not applicable -



**SPC POWER CORPORATION AND SUBSIDIARIES**

**SCHEDULE G - CAPITAL STOCK**

DECEMBER 31, 2020

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown under Related Consolidated Statement of Financial Position Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Affiliates	Directors and Officers	Others
Capital stock	2,000,000,000	1,496,551,803	-	23,850,269	1,276,385,907	196,315,627

See Note 18 of the Consolidated Financial Statements.

**SPC POWER CORPORATION**  
**RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR**  
**DIVIDEND DECLARATION**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

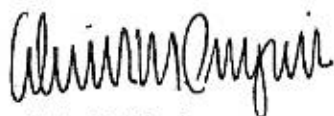
Items	Amount
<b>Unappropriated Retained Earnings, Beginning</b>	<b>₱2,138,966,296</b>
<b>Adjustments</b>	
Deferred income tax assets that reduced the amount of provision for income tax	-
<b>Unappropriated Retained Earnings, as Adjusted, Beginning</b>	<b>2,138,966,296</b>
<b>Net Income Based on the Face of Audited Financial Statements</b>	<b>1,847,397,599</b>
<b>Less: Non-actual/Unrealized Income Net of Tax</b>	
Equity in net income of associate/joint venture	-
Unrealized foreign exchange loss - net (except those attributable to Cash and Cash Equivalents)	-
Unrealized actuarial gain	-
Fair value adjustment (M2M gains)	-
Fair value adjustment of Investment Property resulting to gain	-
Adjustment due to deviation from PFRS/GAAP-gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Deferred income tax assets that increased the amount of provision for income tax	-
<b>Add: Non-actual Losses</b>	
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP - loss	-
Loss on fair value adjustment of investment property (after tax)	-
Unrealized actuarial loss	-
Interest expense - lease liabilities	370,931
Interest expense - asset retirement obligation	-
<b>Net Income Actual/Realized</b>	<b>1,847,768,530</b>
<b>Add (Less)</b>	
Dividend declarations during the period	(1,197,241,442)
Appropriations of Retained Earnings during the period	-
Reversals of appropriations	1,000,000,000
Effects of prior period adjustments	-
Treasury shares	(131,008,174)
<b>TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION</b>	<b>₱3,658,485,210</b>

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

The Board of Directors and the Stockholders  
SPC Power Corporation  
7<sup>th</sup> Floor, Cebu Holdings Center  
Archbishop Reyes Avenue, Cebu Business Park  
Cebu City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SPC Power Corporation and Subsidiaries (the Group) as at December 31, 2020 and 2019, and for each of the three years in the period ended December 31, 2020, and have issued our report thereon dated April 7, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRS. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2020 and 2019 and for each of the three years in the period ended December 31, 2020 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Alvin M. Pinpin  
Partner  
CPA Certificate No. 94303  
Accreditation No. 94303-SEC (Group A)  
Valid to cover audit of 2020 to 2024  
financial statements of SEC covered institutions  
Tax Identification No. 198-819-157  
BIR Accreditation No. 08-001998-070-2020,  
December 3, 2020, valid until December 2, 2023  
PTR No. 8534344, January 4, 2021, Makati City

April 7, 2021



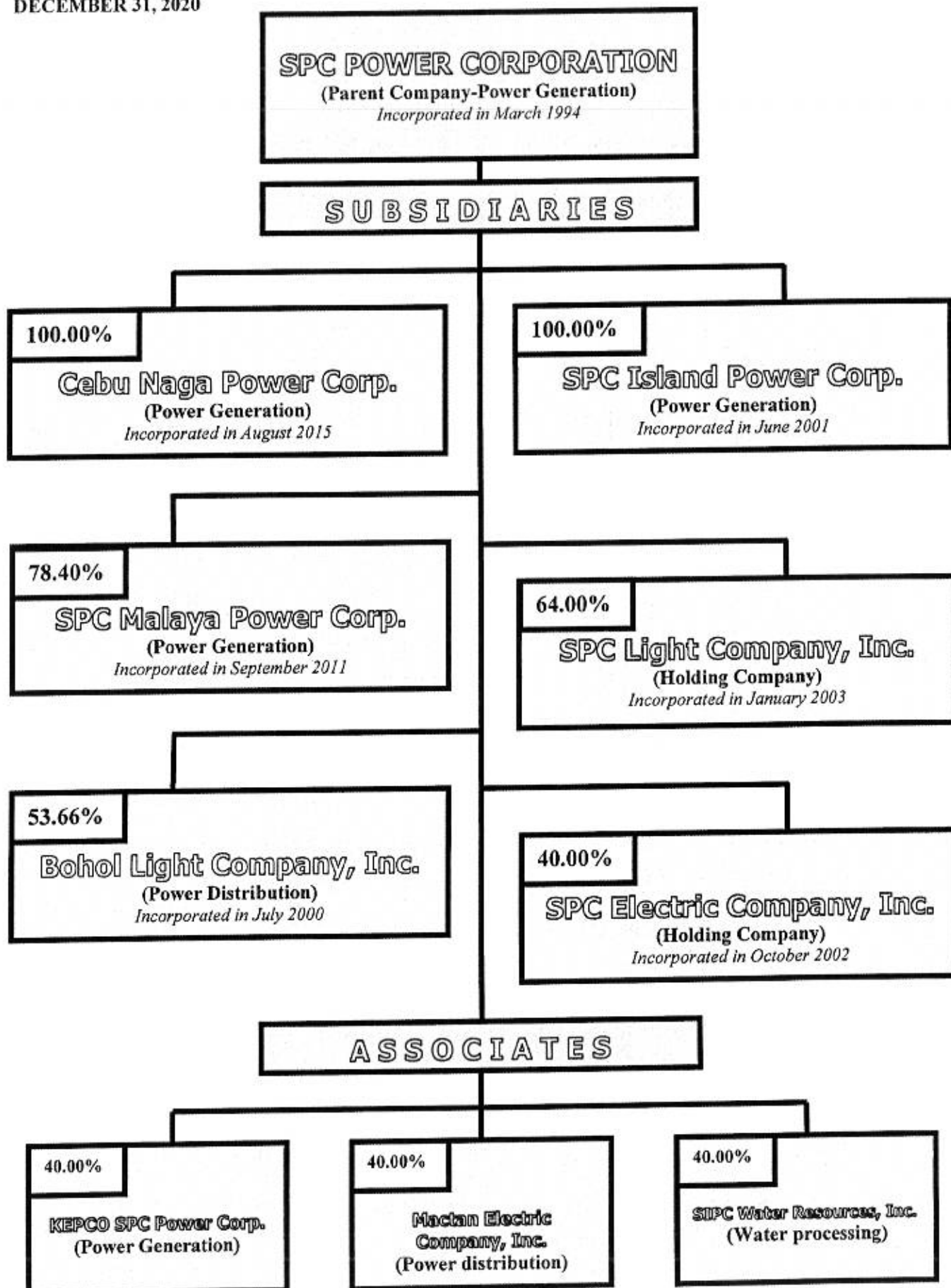
**SPC POWER CORPORATION AND SUBSIDIARIES**  
**FINANCIAL SOUNDNESS INDICATORS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020**

Ratio	Formula	2020	2019
Current Ratio	<p>Total Current Assets including Noncurrent Assets Held for Sale divided by Total Current Liabilities including Liabilities Directly Associated with Noncurrent Assets Held for Sale</p> <p>Total Current Assets <span style="float: right;">P4,700,940,663</span>  Divide by: Total Current Liabilities <span style="float: right;">484,347,609</span>  <hr/> Current Ratio <span style="float: right;">9.71</span></p>	9.71	7.82
Acid Test Ratio	<p>Quick Assets (<i>Total Current Assets less Materials and Supplies and Prepayments and Other Current Assets</i>) divided by Total Current Liabilities</p> <p>Total Current Assets <span style="float: right;">P4,700,940,663</span>  Less: Materials and Supplies <span style="float: right;">363,627,827</span>  Prepayments and Other Current Assets <span style="float: right;">54,950,450</span>  <hr/> Quick Assets <span style="float: right;">P4,282,362,386</span>  Divide by: Total Current Liabilities <span style="float: right;">484,347,609</span>  <hr/> Acid Test Ratio <span style="float: right;">8.84</span></p>	8.84	6.94
Solvency Ratio	<p>Total Comprehensive Income before Depreciation and Amortization divided by Total Liabilities</p> <p>Total Comprehensive Income <span style="float: right;">P1,636,391,277</span>  Add: Depreciation and Amortization <span style="float: right;">94,214,596</span>  <hr/> <span style="float: right;">1,730,605,873</span>  Divide by: Total Liabilities <span style="float: right;">884,751,482</span>  <hr/> Solvency Ratio <span style="float: right;">1.96</span></p>	1.96	2.06
Debt-to-Equity Ratio	<p>Total Liabilities divided by Total Equity</p> <p>Total Liabilities <span style="float: right;">P884,751,482</span>  Divide by: Total Equity <span style="float: right;">10,555,271,824</span>  <hr/> Debt-to-Equity Ratio <span style="float: right;">0.08</span></p>	0.08	0.09
Asset-to-Equity Ratio	<p>Total Assets divided by Equity Attributable to Parent</p> <p>Total Assets <span style="float: right;">P11,440,023,306</span>  Divide by: Equity Attributable to Parent <span style="float: right;">10,415,505,852</span>  <hr/> Asset-to-Equity Ratio <span style="float: right;">1.10</span></p>	1.10	1.11

Ratio	Formula	2020	2019
Interest Rate Coverage Ratio	Earnings before Income Tax, Depreciation and Amortization ( <i>Net Income plus Provision for Income Tax, Interest Expense, Depreciation and Amortization less Interest Income</i> ) divided by Interest Expense  Net Income P1,633,346,440 Add: Provision for Income Tax 123,253,325 Interest Expense 4,650,335 P1,761,250,100 Less: Interest Income 51,644,580 EBIT P1,709,605,520 Add: Depreciation and Amortization 94,214,596 EBITDA P1,803,820,116 Divide by: Interest Expense 4,650,335 Interest Expense Coverage Ratio 387.89	387.89	356.44
Return on Equity	Total Comprehensive Income divided by Average Total Equity ( <i>Total Equity PY + Total Equity CY divided by 2</i> )  Total Comprehensive Income P1,636,391,277 Total Equity CY P10,555,271,824 Total Equity PY 10,162,400,012 Average Total Equity P10,358,835,918 Return on Equity 15.80%	15.80%	17.93%
Return on Assets	Total Comprehensive Income divided by Average Total Assets ( <i>Total Assets PY + Total Assets CY divided by 2</i> )  Total Comprehensive Income P1,636,391,277 Total Assets CY P11,440,023,306 Total Assets PY 11,095,702,403 Average Total Assets P11,267,862,855 Return on Assets 14.52%	14.52%	16.43%
Net Profit Margin	Net Income Attributable to Parent divided by Revenue  Net Income Attributable to Parent P1,603,436,958 Divide by: Revenue 1,996,070,942 Net Income Margin 80.33%	80.33%	63.68%

# SPC POWER CORPORATION AND SUBSIDIARIES

## MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP DECEMBER 31, 2020





FS FOR FILIPINOS ONLY

AFTER THE REPORT IS ONLY  
STAMPED "RECEIVED"

# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A S 9 4 0 0 2 3 6 5

## COMPANY NAME

S P C P O W E R C O R P O R A T I O N

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

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

Form Type

A A P F S

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

## COMPANY INFORMATION

Company's Email Address

www.spepowergroup.com

Company's Telephone Number

(032) 232 0377

Mobile Number

N/A

No. of Stockholders

803

Annual Meeting (Month / Day)

05/28

Fiscal Year (Month / Day)

12/31

## CONTACT PERSON INFORMATION

The designated contact person MUST be an Officer of the Corporation

Name of Contact Person

Jaime M. Balisacan

Email Address

jmbalisacan@spepower.com

Telephone Number/s

(032) 232 0377

Mobile Number

(0917) 323 1469

## CONTACT PERSON'S ADDRESS

7<sup>th</sup> Floor, Cebu Holdings Center, Archbishop Reyes Avenue, Cebu Business park, Cebu City

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

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





## SPC Power Corporation

### STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **SPC POWER CORPORATION** (the Parent Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2020 and 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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


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

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

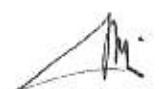
SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Parent Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion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

  
**ALFREDO L. HENARES**

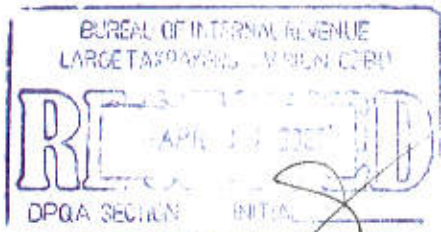
Chairman of the Board

  
**DENNIS T. VILLAREAL**

Chief Executive Officer/President

  
**JAIME M. BALISACAN**

Treasurer/Senior Vice President – Finance and Administration



Signed this 7th day of April 2021.



## INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders  
SPC Power Corporation  
7<sup>th</sup> Floor, Cebu Holdings Center  
Archbishop Reyes Avenue, Cebu Business Park  
Cebu City

### Report on the Audit of the Parent Company Financial Statements

#### Opinion

We have audited the parent company financial statements of SPC Power Corporation (Parent Company), which comprise the parent company statements of financial position as at December 31, 2020 and 2019, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for each of the three years in the period ended December 31, 2020, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2020 and 2019, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2020, in accordance with Philippine Financial Reporting Standards (PFRSs).

#### Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Parent Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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



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

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

### **Auditor's Responsibilities for the Audit of the Parent Company Financial Statements**

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

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

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





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

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

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

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 26 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of SPC Power Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

SYCIP GORRES VELAYO & CO.



Alvin M. Pinpin  
Partner

CPA Certificate No. 94303

Accreditation No. 94303-SEC (Group A)

Valid to cover audit of 2020 to 2024

financial statements of SEC covered institutions

Tax Identification No. 198-819-157

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

December 3, 2020, valid until December 2, 2023

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

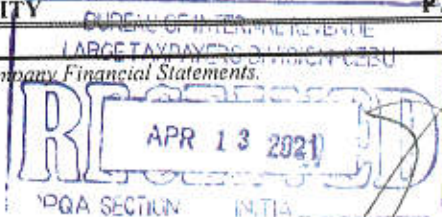
April 7, 2021



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

	December 31	
	2020	2019
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents (Note 6)	P3,430,227,581	P2,743,899,203
Trade and other receivables (Note 7)	76,123,926	75,603,197
Materials and supplies (Note 8)	70,323,977	58,028,612
Prepayments and other current assets (Note 9)	13,765,721	38,560,225
Total Current Assets	3,590,441,205	2,916,091,237
<b>Noncurrent Assets</b>		
Investments in associates (Note 10)	2,852,465,368	2,852,465,368
Investments in subsidiaries (Note 11)	341,177,829	341,177,829
Property, plant and equipment (Note 12)	418,667,864	449,495,718
Other noncurrent assets (Notes 13 and 25)	23,256,042	29,756,313
Total Noncurrent Assets	3,635,567,103	3,672,895,228
<b>TOTAL ASSETS</b>	<b>P7,226,008,308</b>	<b>P6,588,986,465</b>
<b>LIABILITIES AND EQUITY</b>		
<b>Current Liabilities</b>		
Trade and other payables (Note 14)	P85,170,098	P93,625,197
Income tax payable	11,983,890	14,917,058
Current portion of lease liabilities (Note 23)	4,427,756	5,116,648
Total Current Liabilities	101,581,744	113,658,903
<b>Noncurrent Liabilities</b>		
Pension liability (Note 21)	1,336,800	1,076,310
Lease liabilities - net of current portion (Note 23)	—	3,385,634
Total Noncurrent Liabilities	1,336,800	4,461,944
<b>Total Liabilities</b>	<b>102,918,544</b>	<b>118,120,847</b>
<b>Equity</b>		
Capital stock - P1 par value (Note 15)		
Authorized - 2,000,000,000 shares		
Issued - 1,569,491,900 shares	1,569,491,900	1,569,491,900
Additional paid-in capital	86,810,752	86,810,752
Retained earnings (Note 15):		
Appropriated for future expansion projects	1,800,000,000	2,800,000,000
Unappropriated	3,789,122,453	2,138,966,296
Other comprehensive income:		
Remeasurement of employee benefits (Note 21)	2,922,833	954,844
Net unrealized valuation gains on financial asset at fair value through other comprehensive income (FVOCI) (Note 13)	5,750,000	5,650,000
Treasury stock at cost - 72,940,097 shares (Note 15)	(131,008,174)	(131,008,174)
Total Equity	7,123,089,764	6,470,865,618
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>P7,226,008,308</b>	<b>P6,588,986,465</b>

See accompanying Notes to Parent Company Financial Statements.



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

	Years Ended December 31		
	2020	2019	2018
<b>REVENUE</b>			
Operating fees (Note 25)	₱330,169,979	₱282,322,488	₱10,356,843
<b>COST OF SERVICES</b>			
Plant operations (Notes 16 and 25)	(179,619,355)	(217,400,298)	(36,736,663)
<b>GROSS PROFIT (LOSS)</b>	<b>150,550,624</b>	<b>64,922,190</b>	<b>(26,379,820)</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b> (Note 17)	<b>(135,997,743)</b>	<b>(190,299,252)</b>	<b>(163,823,927)</b>
<b>OTHER INCOME (CHARGES)</b>			
Dividend income (Notes 5, 10 and 11)	1,720,729,579	1,782,586,723	1,797,383,787
Service income (Note 5)	120,007,156	123,643,736	120,007,156
Interest income (Note 6)	47,362,989	89,347,432	41,191,175
Interest expense (Notes 23 and 24)	(370,931)	(680,963)	(881,545)
Changes in asset retirement obligation (Note 12)	—	—	21,284,649
Others - net (Notes 4, 5, 12 and 25)	(6,007,028)	(116,782)	226,252,709
	<b>1,881,721,765</b>	<b>1,994,780,146</b>	<b>2,205,237,931</b>
<b>INCOME BEFORE INCOME TAX</b>	<b>1,896,274,646</b>	<b>1,869,403,084</b>	<b>2,015,034,184</b>
<b>PROVISION FOR INCOME TAX</b> (Note 20)	<b>48,877,047</b>	<b>35,474,763</b>	<b>64,017,680</b>
<b>NET INCOME</b>	<b>1,847,397,599</b>	<b>1,833,928,321</b>	<b>1,951,016,504</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurement gain (loss) on employee benefits, net of tax effect (Note 21)	1,967,989	(2,337,709)	4,212,097
Unrealized valuation gain on financial asset at FVOCI (Note 13)	100,000	800,000	1,500,000
	<b>2,067,989</b>	<b>(1,537,709)</b>	<b>5,712,097</b>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>₱1,849,465,588</b>	<b>₱1,832,390,612</b>	<b>₱1,956,728,601</b>
<b>EARNINGS PER SHARE (BASIC/DILUTED)</b>			
(Note 15)	<b>₱1.23</b>	<b>₱1.23</b>	<b>₱1.30</b>

See accompanying Notes to Parent Company Financial Statements.





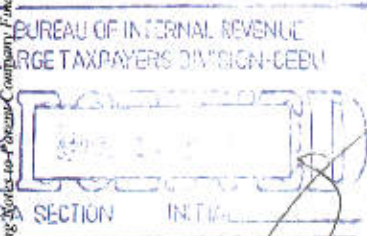
# SPC POWER CORPORATION

## PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2020, 2019 AND 2018

	Capital Stock (Note 15)	Additional Paid-in Capital	Retained Earnings (Note 15)	Remeasurement of Employee Benefits (Note 21)	Net Unrealized Valuation Gains on Financial Assets at FVOCI (Note 13)	Treasury Stock at Cost (Note 15)	Total
At January 1, 2020							
Total comprehensive income	₱1,569,491,900	₱86,810,752	₱2,800,000,000	₱954,844	₱5,650,000	(₱131,008,174)	₱6,470,865,618
Appropriation (Note 15)	-	-	-	1,967,989	100,000	-	1,849,465,588
Reversal of appropriation (Note 15)	-	-	-	-	-	-	-
Cash dividends (Note 15)	-	-	(1,000,000,000)	-	-	-	-
At December 31, 2020	₱1,569,491,900	₱86,810,752	₱1,800,000,000	₱2,922,833	₱5,750,000	(₱131,008,174)	₱7,123,089,764
At January 1, 2019							
Total comprehensive income	₱1,569,491,900	₱86,810,752	₱1,500,000,000	₱3,292,553	₱4,850,000	(₱131,008,174)	₱6,284,681,989
Appropriation (Note 15)	-	-	-	(2,337,709)	800,000	-	1,832,390,612
Reversal of appropriation (Note 15)	-	-	2,300,000,000	-	-	-	-
Cash dividends (Note 15)	-	-	(1,000,000,000)	-	-	-	-
At December 31, 2019	₱1,569,491,900	₱86,810,752	₱2,800,000,000	₱954,844	₱5,650,000	(₱131,008,174)	₱6,470,865,618
At January 1, 2018							
Total comprehensive income	₱1,569,491,900	₱86,810,752	₱1,350,000,000	(₱919,544)	₱3,350,000	(₱131,008,174)	₱5,525,194,830
Appropriation (Note 15)	-	-	-	4,212,097	1,500,000	-	1,956,728,601
Reversal of appropriation (Note 15)	-	-	1,500,000,000	-	-	-	-
Cash dividends (Note 15)	-	-	(1,350,000,000)	-	-	-	-
At December 31, 2018	₱1,569,491,900	₱86,810,752	₱1,500,000,000	₱3,292,553	₱4,850,000	(₱131,008,174)	₱6,284,681,989

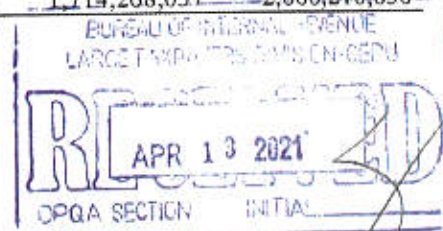
See accompanying Notes to Parent Company Financial Statements



**SPC POWER CORPORATION**  
**PARENT COMPANY STATEMENTS OF CASH FLOWS**

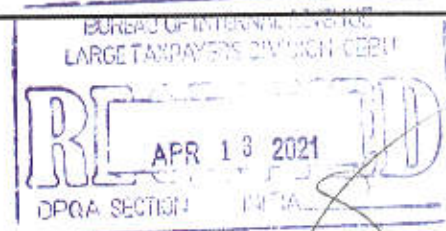
	Years Ended December 31		
	2020	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Income before income tax	P1,896,274,646	P1,869,403,084	P2,015,034,184
Adjustments to reconcile income before income tax to net cash flows:			
Dividend income (Notes 5, 10 and 11)	(1,720,729,579)	(1,782,586,723)	(1,797,383,787)
Interest income (Note 6)	(47,362,989)	(89,347,432)	(41,191,175)
Depreciation and amortization (Notes 12 and 19)	40,720,148	36,544,512	13,141,696
Net changes in pension and asset retirement obligation (Note 21)	2,228,479	146,528	(21,025,415)
Unrealized foreign exchange loss (gain)	(396,648)	930,797	(1,500,841)
Interest expense (Notes 23 and 24)	370,931	680,963	881,545
Loss (gain) on disposal of assets (Note 12)	(107,143)	7,257,697	(959,788)
Provision for impairment on property, plant and equipment (Note 12)	—	—	14,266,880
Operating income before working capital changes	170,997,845	43,029,426	181,263,299
Decrease (increase) in:			
Trade and other receivables	(520,729)	337,308,509	(300,292,833)
Materials and supplies	(12,295,365)	(1,544,317)	275,244,672
Prepayments and other current assets	24,794,504	9,547,900	72,307,898
Increase (decrease) in trade and other payables	(8,455,099)	25,526,463	(737,130,874)
Net cash generated from (used in) operations	174,521,156	413,867,981	(508,607,838)
Income taxes paid	(51,810,215)	(25,129,002)	(69,500,863)
Interest received	47,362,989	89,347,432	41,191,175
Interest paid (Notes 23 and 24)	(370,931)	(680,963)	—
Net cash flows from (used in) operating activities	169,702,999	477,405,448	(536,917,526)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash dividends received (Notes 5, 10 and 11)	1,720,729,579	1,782,586,723	1,797,383,787
Additions to property, plant and equipment (Note 12)	(9,284,043)	(63,247,565)	(56,219,762)
Cash inflows (outflows) arising from advances to suppliers and contractors and others (Notes 13 and 25)	5,992,020	(12,213,959)	1,143,453,081
Proceeds from disposal of property and equipment (Note 12)	107,143	7,142,858	1,593,750
Net cash flows from investing activities	1,717,544,699	1,714,268,057	2,886,210,856

(Forward)



	Years Ended December 31		
	2020	2019	2018
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash dividends paid (Note 15)	(P1,197,241,442)	(P1,646,206,983)	(P1,197,241,442)
Payment of principal portion of lease liabilities (Note 24)	(4,074,526)	(2,024,615)	-
Cash flows used in financing activities	(1,201,315,968)	(1,648,231,598)	(1,197,241,442)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>685,931,730</b>	<b>543,441,907</b>	<b>1,152,051,888</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	<b>396,648</b>	<b>(930,797)</b>	<b>1,500,841</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>2,743,899,203</b>	<b>2,201,388,093</b>	<b>1,047,835,364</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)</b>	<b>P3,430,227,581</b>	<b>P2,743,899,203</b>	<b>P2,201,388,093</b>

See accompanying Notes to Parent Company Financial Statements.





## SPC POWER CORPORATION

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### NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

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#### 1. Corporate Information

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

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

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

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

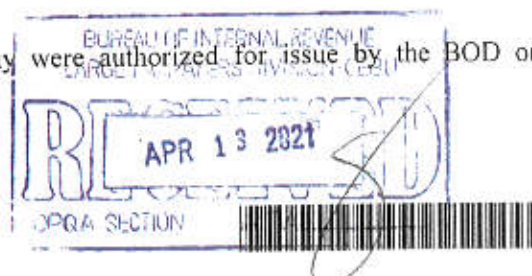
On April 2, 2002, the Parent Company's common shares were listed in the Philippine Stock Exchange (PSE) with ticker symbol: SPC (see Note 15).

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

On April 15, 2016, SPC Island Power Corporation (SIPC), a wholly owned subsidiary of the Parent Company, submitted the highest offer to Power Sector Assets and Liabilities Management Corporation (PSALM) in the negotiated sale of the 32-MW Power Barge (PB) 104. On June 16, 2016, the Parent Company executed an Amendment, Accession and Assumption Agreement with PSALM and SIPC. Under the agreement, SIPC assigned all its rights and obligations as Buyer of PB 104 to the Parent Company after PSALM gave its consent pursuant to the provisions of the Asset Purchase Agreement between SIPC and PSALM. On June 30, 2016, PSALM turned over the PB 104 to the Parent Company (see Note 12).

The registered office address of the Parent Company is 7<sup>th</sup> Floor, Cebu Holdings Center, Archbishop Reyes Avenue, Cebu Business Park, Cebu City.

The financial statements of the Parent Company were authorized for issue by the BOD on April 7, 2021.



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

### Basis of Preparation

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

The Parent Company also prepares and issues consolidated financial statements for the same period as the separate financial statements presented in accordance with Philippine Financial Reporting Standards (PFRSs). These may be obtained at 7<sup>th</sup> Floor, Cebu Holdings Center, Archbishop Reyes Avenue, Cebu Business Park, Cebu City.

### Statement of Compliance

The Parent Company's financial statements are presented in accordance with the PFRSs.

### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and revised standards and Philippine Interpretations which were applied starting January 1, 2020. The Parent Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, the adoption did not have any significant impact on the financial statements of the Parent Company.

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

The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs.

These amendments may impact future periods should the Parent Company enter into any business combinations.

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments*, Interest Rate Benchmark Reform

The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

These amendments did not have any impact on the financial statements of the Parent Company.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Definition of Material

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





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

The amendments affect disclosures only and do not affect the Parent Company's financial statements.

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

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

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

The adoption of the revised conceptual framework did not have any impact on the Parent Company's financial statements.

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

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

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

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

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

These amendments did not have any impact on the financial statements of the Parent Company because the Parent Company's lessors did not grant any lease concessions to the Parent Company during the year.



New Standards and Interpretation Issued and Effective after December 31, 2020

The Parent Company will adopt the pronouncements enumerated below when these become effective. Except as otherwise indicated, the Parent Company does not expect the future adoption of the said pronouncements to have significant impact on its financial statements.

*Effective beginning on or after January 1, 2021*

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

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform;
- Relief from discontinuing hedging relationships; and
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Parent Company shall also disclose information about:

- The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively; however, the Parent Company is not required to restate prior periods.

*Effective beginning on or after January 1, 2022*

- Amendments to PFRS 3, Reference to the Conceptual Framework

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

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

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

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location





and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

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

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

- Amendments to PAS 37, *Onerous Contracts - Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Parent Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs 2018–2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards*, Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Parent Company.

- Amendments to PFRS 9, *Financial Instruments*, Fees in the ‘10 per cent’ test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Parent Company will apply the amendments to



financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

- Amendments to PAS 41, *Agriculture*, Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted.

The amendments are not expected to have any impact on the Parent Company.

*Effective beginning on or after January 1, 2023*

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

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

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Parent Company has no existing loan agreements as of December 31, 2020 but the Parent Company will continue to assess the impact the amendments will have on the Parent Company.

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.



The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted. This amendment does not have an impact on the financial statements of the Parent Company.

#### *Deferred effectivity*

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

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

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

The amendments may apply to future transactions of the Parent Company.

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### **3. Summary of Significant Accounting Policies**

#### Cash and Cash Equivalents

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

#### Financial Instruments - Classification and Measurement

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

- Financial assets measured at amortized cost;
- Financial assets measured at fair value through profit or loss (FVPL);



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

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

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

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

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

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

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



As at December 31, 2020 and 2019, the Parent Company has financial assets at amortized cost consisting of cash and cash equivalents and trade and other receivables (see Notes 5, 6 and 7).

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

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

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

As at December 31, 2020 and 2019, the Parent Company does not have equity instruments at FVPL.

*Financial Assets at FVOCI.* A financial asset is measured at FVOCI if (a) it is held within a business model for which the objective is achieved by both collecting contractual cash flows and selling financial assets and (b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the expected credit loss (ECL) model.

The Parent Company may also make an irrevocable election to measure at FVOCI on initial recognition investments in equity instruments that are neither held for trading nor contingent consideration recognized in a business combination in accordance with PFRS 3. Amounts recognized in OCI are not subsequently transferred to profit or loss. However, the Parent Company may transfer the cumulative gain or loss within equity. Dividends on such investments are recognized in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment.

Dividends are recognized in profit or loss only when:

- the Parent Company's right to receive payment of the dividend is established;
- it is probable that the economic benefits associated with the dividend will flow to the Parent Company; and
- the amount of the dividend can be measured reliably.

As at December 31, 2020 and 2019, the Parent Company's financial assets at FVOCI includes proprietary golf club shares recorded as part of "Other noncurrent assets" (see Notes 13 and 22).





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

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

A financial liability may be designated at fair value through profit or loss if it eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) or:

- if a host contract contains one or more embedded derivatives; or
- if a group of financial liabilities or financial assets and liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Where a financial liability is designated at FVPL, the movement in fair value attributable to changes in the Parent Company's own credit quality is calculated by determining the changes in credit spreads above observable market interest rates and is presented separately in other comprehensive income.

The Parent Company's financial liabilities include trade and other payables (see Notes 5 and 14).

#### Impairment of Financial Assets

The Parent Company uses the single, forward-looking "expected loss" impairment model and recognizes ECL for the following financial assets that are not measured at FVPL:

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

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

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

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

- *Stage 1: 12-month ECL.* For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.



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

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

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

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

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

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

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

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





#### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, the Parent Company has a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Parent Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Parent Company and all of the counterparties.

#### Derecognition of Financial Assets and Liabilities

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

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

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

#### Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Parent Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a nonfinancial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Parent Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.



All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the parent company statements of financial position on a recurring basis, the Parent Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Parent Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

#### Materials and Supplies

Materials and supplies, which consist of spare parts, fuel and consumables used in the operation, repairs and maintenance of the property, plant and equipment, are stated at the lower of cost and net realizable value (NRV). Cost is determined using the moving average method. NRV is the current replacement cost in the ordinary course of business.

#### Value-added Tax (VAT)

Revenue, expenses, and assets are recognized net of the amount of VAT, if applicable. When VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the statement of financial position. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the statement of financial position to the extent of the recoverable amount.

#### Investments in Associates and Subsidiaries

The Parent Company's investments in associates and subsidiaries are accounted for at cost less any impairment loss, in accordance with PAS 27, *Separate Financial Statements*. An associate is an entity in which the Parent Company has significant influence and which is neither a subsidiary nor a joint venture. A subsidiary is an entity that is controlled by the Parent Company.

#### Property, Plant and Equipment

Property, plant and equipment are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any allowance for impairment losses.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property, plant and equipment and borrowing costs for long term construction projects when the recognition criteria are met. Cost also includes asset retirement obligation specifically for property, plant and equipment installed/constructed on the leased properties.



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

Expenditures incurred after the property, plant and equipment have been put into operations, such as repairs and maintenance, are normally charged to income in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property, plant and equipment.

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

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

Category	No. of Years
Buildings, plant machinery and equipment	2-15
Motor vehicles	2-5
Furniture and office equipment	2-12
Partitions and air conditioners	2-12
Right-of-use assets	2-3

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

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

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

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



Unless the Parent Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. Right-of-use assets are subject to impairment

#### Impairment of Nonfinancial Assets

The Parent Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Parent Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the parent company statement of comprehensive income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of accumulated depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the parent company statement of comprehensive income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

#### Equity

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

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

*Treasury Shares.* These own equity instruments which are reacquired are recognized at cost and deducted from equity. No gain or loss is recognized in the parent company statement of comprehensive income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital.

*Retained Earnings.* Retained earnings include cumulative balance of periodic net income or loss, dividend contributions, prior period adjustments, effect of changes in accounting policy and other capital adjustments. Dividends are recognized as liability and deducted from retained earnings when they are declared.

