

Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Parent Company expects to be entitled in exchange for those goods or services, excluding amounts collected on behalf of third parties.

Revenue is recognized when the Parent Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation.

The Parent Company has concluded that it is the principal in its revenue arrangements because it controls the goods or services before these goods or services are transferred to the customer. The following specific recognition criteria must also be met before revenue is recognized:

Operating Fees. Revenue consists of: (i) fees from National Grid Corporation of the Philippines for rendering ancillary services; and (ii) energy fees for electricity sold to the Wholesale Electricity Spot Market (WESM).

The Parent Company has concluded that revenue should be recognized over time since the customer simultaneously receives and consumes the benefit as the seller supplies power. For power generation where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity. The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer. In contracts with fixed capacity payments which are determined at contract inception, the fixed capacity payments for the entire contract period is determined at day 1 and is recognized over time.

Some contracts with customers provide unspecified quantity of energy, and includes provisional Energy Regulatory Commission (ERC) rates. The variable consideration is estimated at contract inception and constrained until the associated uncertainty is subsequently resolved.

Interest Income. Interest income is recognized as interest accrues taking into account the effective yield of the asset.

Dividend Income. Dividend income from investments in associates and subsidiaries is recognized when the Parent Company's right to receive payment is established.

Other Income. Other income is recognized as earned when the related services or performance obligations are rendered.

Cost and Expense Recognition

Cost and expenses are recognized in the parent company statement of comprehensive income when incurred.



Leases

The Parent Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Parent Company as a lessee. The Parent Company applies a single recognition and measurement approach for all leases, except for short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets. The Parent Company recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Lease liabilities. At the commencement date of the lease, the Parent Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Parent Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Parent Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Pension Expense

The Parent Company has a funded, noncontributory defined pension plan covering all regular and permanent employees. The cost of providing benefits is determined using the projected unit credit method. This method considers each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined benefit costs comprise the following:

- Service cost;
- Net interest on the net defined benefit liability; and
- Remeasurements of net defined benefit liability.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in the parent company-statement of comprehensive income. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.



Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability is recognized as expense or income in the parent company statement of comprehensive income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to parent company statement of comprehensive income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Parent Company, nor can they be paid directly to the Parent Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Income Tax

Current Income Tax. Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the reporting date.

Deferred Income Tax. Deferred income tax is provided, using the balance sheet liability method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the reporting date.

Deferred income tax assets and liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Deferred income tax items are recognized in correlation to the underlying transaction either in profit or loss or directly in equity.



The Parent Company records uncertain tax positions on the basis of a two-step process whereby the Parent Company determines whether it is more likely than not that the tax positions will be sustained based on technical merits of the position, and for those tax positions that meet the more likely than not criteria, the Parent Company recognizes the largest amount of tax benefit that is greater than 50% likely to be realized upon ultimate settlement with related tax authority. The Parent Company records interest and penalties on uncertain tax positions in "Income tax expense (benefit)" account in the parent company statement of comprehensive income.

Related Party Transactions

Transactions with related parties are accounted for based on the nature and substance of the agreement, and financial effects are included in the appropriate asset, liability, income and expense accounts.

Provisions

Provisions are recognized when the Parent Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the Parent Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Foreign Currency-Denominated Transactions

The Parent Company's financial statements are presented in Philippine Peso, the Parent Company's functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate prevailing at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency rate of exchange ruling at the reporting date. All differences are directly charged against or credited to current operations.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Earnings per Share

Basic earnings per common share is determined by dividing net income by the weighted average number of common shares outstanding, after retroactive adjustment for any stock dividend and stock splits declared during the year.

Diluted earnings per common share is calculated by dividing the net income for the year attributable to the ordinary equity holders of the Parent Company by the weighted average number of common shares outstanding during the year plus the weighted average number of ordinary shares that would be issued for any outstanding common stock equivalents.



Segment Reporting

For management purposes, the Parent Company is organized into business units based on their services and has only one single operating segment as of December 31, 2020 and 2019. No operating segments have been aggregated to form the Parent Company's single operating segment. Management 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 and is measured consistently with operating profit or loss in the parent company financial statements.

Contingencies

Contingent liabilities are not recognized in the Parent Company financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are likewise not recognized in the parent company financial statements but are disclosed when an inflow of economic benefits is probable.

Events After the Reporting Period

Post year-end events that provide additional information about the Parent Company's position at the reporting period (adjusting events) are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the parent company financial statements when material.

4. Significant Accounting Judgments and Estimates

The Parent Company's financial statements, prepared in compliance with PFRSs, require the Parent Company to make judgments and estimates that affect amounts reported in the parent company financial statements and related notes. In preparing these financial statements, the Parent Company made its best judgments and estimates of certain amounts, giving due consideration to materiality. The Parent Company believes that the following represent a summary of these significant accounting judgments and estimates and the related impact and associated risks in the parent company financial statements.

Judgments

In the process of applying the Parent Company's accounting policies, management has made judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the parent company financial statements.

Revenue Recognition. The Parent Company recognizes revenue when it satisfies an identified performance obligation by transferring a promised good or service to a customer. A good or service is considered to be transferred when the customer obtains control. The Parent Company determines, at contract inception, whether it will transfer control of a promised good or service over time. If the Parent Company does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

The Parent Company's revenue from power generation is to be recognized over time since customers simultaneously receive and consume the benefits as the Parent Company supplies power.



Significant judgments in revenue recognition are as follows:

- *Identifying Performance Obligations.* The Parent Company identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Parent Company's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

The Parent Company assesses performance obligations as a series of distinct goods and services that are substantially the same and have the same pattern of transfer if i) each distinct good or services in the series are transferred over time and ii) the same method of progress will be used (i.e., units of delivery) to measure the entity's progress towards complete satisfaction of the performance obligation.

For power generation and ancillary services where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since these are not distinct within the context of the contract as the buyer cannot benefit from the contracted capacity alone without the corresponding energy and the buyer cannot obtain energy without contracting a capacity.

The combined performance obligation qualifies as a series of distinct goods or services that are substantially the same and have the same pattern of transfer since the delivery of energy every month are distinct services which are all recognized over time and have the same measure of progress.

- *Identifying Methods for Measuring Progress of Revenue Recognized Over Time.* The Parent Company determines the appropriate method of measuring progress which is either through the use of input or output methods. Input method recognizes revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation while output method recognizes revenue on the basis of direct measurements of the value to the customer of the goods or services transferred to date.

For power generation and ancillary services, the Parent Company determined that the output method is the best method in measuring progress since actual electricity is supplied to customers. The Parent Company recognizes revenue based on:

- For the variable energy payment, actual kilowatt hours consumed which are billed on a monthly basis.
- For fixed capacity payments, the Parent Company allocates the transaction price on a straight-line basis over the contract term. The allocated fixed payments are also billed on a monthly basis.
- *Determining Method to Estimate Variable Consideration and Assessing the Constraint.* The Parent Company includes some or all the amounts of variable consideration estimated but only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Parent Company considers both the likelihood and magnitude of the revenue reversal in evaluating the extent of variable consideration the Parent Company will subject to constraint. Factors such as i) highly susceptibility to factors outside the Parent Company's influence, ii) timing of resolution of the uncertainty, and iii) having a large number and broad range of possible considerations amount are considered.



Some contracts with customers provide unspecified quantity of energy, provisional ERC rates, and prompt payment discounts that give rise to variable consideration. In estimating the variable consideration, the Parent Company applies the expected value method in estimating the variable consideration given the large number of customer contracts that have similar characteristics and the range of possible outcomes.

Before including any amount of variable consideration in the transaction price, the Parent Company considers whether the amount of variable consideration is constrained. The Parent Company determined that the estimates of variable consideration are to be fully constrained based on its historical experience (i.e., prompt payment discounts), the range of possible outcomes (i.e., unspecified quantity of energy), and the unpredictability of other factors outside the Parent Company's influence (i.e., provisional ERC rates).

- *Allocation of variable consideration.* Variable consideration may be attributable to the entire contract or to a specific part of the contract. For power generation, power and ancillary services revenue streams which are considered as series of distinct goods or services that are substantially the same and have the same pattern of transfer, the Parent Company allocates the variable amount that is no longer subject to constraint to the satisfied portion (i.e., month) which forms part of the single performance obligation, and forms part of the monthly billing of the Parent Company.

Assessment of Control Over SECI. Control is presumed to exist when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. Management has determined that the Parent Company has the ability to control the operating and financial activities of SECI by virtue of an agreement. The other stockholder (an individual stockholder owning 60% of the outstanding capital stock of SECI and also a major stockholder of the Parent Company) delegates and entrusts all the decisions in the operational and finance functions of SECI to the Parent Company who owns 40% of the outstanding capital stock of SECI.

Estimates and Assumptions

Estimating Expected Credit Losses on Trade and Other Receivables using Simplified Approach. The Parent Company uses the provision matrix to calculate ECLs for these receivables. The Parent Company calculates provision rates based on days past due for a group of various customer or debtor segments that have similar loss patterns (i.e., customer type).

The provision matrix is initially based on the Parent Company's historical observed loss rates. The Parent Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., inflation rates) are expected to increase over the next year which can lead to an increased number of defaults, the historical loss rates are adjusted. At every reporting date, the historical observed loss rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed loss rates, forecast economic conditions and ECLs is a significant estimate which involves qualitative and quantitative thresholds in place. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Parent Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.



The Parent Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The Parent Company has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Predicted relationship between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analyzing historical data over the past 3 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Parent Company has not identified any uncertain event that it has assessed to be relevant to the risk of default occurring but where it is not able to estimate the impact on ECL due to lack of reasonable and supportable information.

An increase in the Parent Company's allowance for expected credit losses of trade and other receivables will increase the Parent Company's recorded expenses and decrease current assets. As of December 31, 2020 and 2019, allowance for expected credit losses amounted to ₱3.7 million and ₱4.0 million, respectively (see Notes 5 and 7). These receivables, net of allowance for expected credit losses, amounted to ₱76.1 million and ₱75.6 million as of December 31, 2020 and 2019, respectively (see Note 7).

Estimating Allowance for Materials and Supplies Losses. The Parent Company provides allowance for losses related to materials and supplies whenever the value of these materials and supplies becomes lower than cost due to damage, physical deterioration or obsolescence. The amounts and timing of the recorded expenses for any period would differ if the Parent Company made different judgments or utilized different estimates. An increase in allowance for losses would increase recorded expenses and decrease current assets.

No allowance for losses is recorded as of December 31, 2020 and 2019 (see Note 8). The carrying value of the materials and supplies amounted to ₱70.3 million and ₱58.0 million as of December 31, 2020 and 2019, respectively (see Note 8).

Estimating Useful Lives of Property, Plant and Equipment. The Parent Company estimates the useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use or lease term, whichever is shorter. The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, the estimation of the useful lives of property, plant and equipment is based on collective assessment of internal technical evaluation and experience with similar assets. However, it is possible that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recording expenses for any period would be affected by changes in these factors and circumstances.



The Parent Company recognized depreciation expense amounting to ₱40.1 million, ₱35.9 million and ₱12.4 million in 2020, 2019 and 2018, respectively (see Note 19). As of December 31, 2020 and 2019, the aggregate net book values of property, plant and equipment subjected to depreciation amounted to ₱418.7 million and ₱449.5 million, respectively (see Note 12).

Estimating Impairment of Property, Plant and Equipment. Property, plant and equipment are reviewed and tested whenever there is an indication of impairment and are reassessed at least each reporting date. Factors such as significant underperformance of an asset relative to expected historical or projected future operating results, significant changes in the manner of use of the acquired assets, or significant negative industry or economic trends are considered by the Parent Company in assessing whether there is an indication that an asset's carrying amount may exceed its recoverable amount.

The Parent Company recognized impairment loss amounting to ₱14.3 million in 2018 and nil in 2020 and 2019 (see Note 17). As of December 31, 2020 and 2019, the aggregate net book values of property, plant and equipment amounted to ₱418.7 million and ₱449.5 million, respectively (see Note 12).

Estimating Impairment of Investments in Associates and Investments in Subsidiaries. The Parent Company assesses whether there are any indicators of impairment on investments in associates and subsidiaries at each reporting date. Investments in associates and subsidiaries are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The recoverable amount of investments in associates and investments subsidiaries is based on fair value less cost to sell. Fair value less cost to sell is determined to be the amount obtainable from the sale of the underlying net assets of the associate or subsidiary. The carrying amounts of investments in associates as of December 31, 2020 and 2019 amounted to ₱2,852.5 million (see Note 10). The carrying amounts of investments in subsidiaries as of December 31, 2020 and 2019 amounted to ₱341.2 million (see Note 11). Based on management's assessment, the Parent Company's investments in associates and investments in subsidiaries are fairly stated, thus no impairment loss was recognized in 2020, 2019 and 2018.

Estimating Realizability of Deferred Income Tax Assets. The Parent Company reviews the carrying amounts of deferred income tax assets at each reporting date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. However, there is no assurance that the Parent Company will utilize all or part of the deferred income tax assets. The Parent Company's assessment on the recognition of deferred income tax assets on deductible temporary differences is based upon the likely timing and level of future taxable profits determined from the tax planning strategies of the Parent Company. The Parent Company has no deferred income tax assets as of December 31, 2020 and 2019, (see Note 20).

Determining Fair Value of Financial Assets and Financial Liabilities. PFRS requires that certain financial assets and liabilities be carried at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of change in fair value would differ if the Parent Company utilized a different valuation methodology. Any change in fair value of these financial assets and liabilities would affect the parent company statement of comprehensive income and the parent company statements of changes in equity.



Fair value of financial assets as of December 31, 2020 and 2019 amounted to ₱3,513.8 million and ₱2,826.8 million, respectively. Fair value of financial liabilities as of December 31, 2020 and 2019 amounted to ₱57.8 million and ₱77.4 million, respectively.

5. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party in making financial and operating decisions or the parties are subject to common control or common significant influence.

The Parent Company's policy on material related party transactions is in compliance with the Philippine SEC Memorandum Circular No. 10, Series of 2019, or the *Rules on Material Related Party Transactions for Publicly-Listed Companies*.

The policy covers related party transactions that meet the materiality threshold of 10% of the Parent Company's total assets. It defines the processes, controls and safeguards for the proper handling, including review, approval and disclosure, of such related party transactions in accordance with applicable laws and regulations.

The Parent Company, in the normal course of business, has significant transactions with related parties which principally consist of the following:

- Management services rendered to SIPC where management fee earned by the Parent Company amounted to ₱0.4 million in 2020, 2019 and 2018 is included as part of "Others - net" in the parent company statements of comprehensive income.
- In 2019, the Parent Company sold some items from its noncurrent asset held for sale to SIPC for ₱6.2 million including hauling costs incurred by the Parent Company.
- Extension of noninterest-bearing advances to SIPC for working capital requirements and receivables relating to the purchase of materials and supplies made by the Parent Company on behalf of SIPC. Outstanding receivables related to these transactions amounted to ₱0.1 million and ₱1.1 million as of December 31, 2020 and 2019, respectively.
- Extension of noninterest-bearing advances to Bohol Light Company, Inc. (BLCI) for working capital requirements. Outstanding advances amounted to ₱0.6 million as of December 31, 2020 and 2019.
- Cash dividends earned from subsidiaries, SIPC, BLCI, SPC Electric Company, Inc. (SECI), SPC Malaya Power Corporation (SMPC), and SPC Light Company, Inc. (SLCI) amounted to ₱339.7 million, ₱364.6 million and ₱387.6 million in 2020, 2019 and 2018, respectively (see Note 11).
- Rendering of management and other services to Mactan Electric Company, Inc. (MECO), an associate, amounting to ₱120.0 million in 2020 and 2018 and ₱123.6 million in 2019, are recorded as "Service income" in the parent company statements of comprehensive income.



- Extension of short-term, noninterest-bearing advances to KEPCO SPC Power Corporation (KEPCO SPC), an associate, for the development of the 2x100 MW Circulating Fluidized Bed Combustion (CFBC) Boiler Coal-Fired Power Plant in Naga, Cebu. Outstanding advances to KEPCO SPC amounted to P0.7 million as of December 31, 2020 and 2019, respectively.
- Cash dividends received from associates (KEPCO SPC and MECO) amounted to P1,381.0 million, P1,412.0 million and P1,409.8 million in 2020, 2019 and 2018, respectively (see Note 10).
- Rentals on office spaces from SPEC Properties, Inc. (SPEC) and SII Properties Development Corporation (SPDC) with lease terms ranging from 2–3 years amounted to P4.3 million in 2020 and 2019 and P4.0 million in 2018. Upon adoption of PFRS 16, lease liabilities were recognized on the unpaid rentals until the end of lease term for these office spaces.
- Extension/availment of noninterest-bearing advances to/from related parties for working capital requirements.

The results of these transactions are presented in the appropriate accounts in the parent company financial statements. The amounts of due from/due to related parties and trade and other receivables follow:

2020				
Category	Transaction	Outstanding Balance - Receivable (Payable)	Terms	Conditions
Subsidiaries				
Management services:				
SIPC*	P410,714	P–	60-day; noninterest-bearing	Unsecured, no impairment
Sale of LBGT (see Note 7):				
SIPC*	–	6,192,074	Due and demandable	Unsecured, no impairment
Extension (availment) of advances:				
SIPC**	1,084,240	125,766	60-day; noninterest-bearing	Unsecured
SIPC***	1,985,387	(1,584,933)	60-day; noninterest-bearing	Unsecured, no impairment
BLCI**	539,496	594,999	60-day; noninterest-bearing	Unsecured, no impairment
BLCI***	13,750	(129,251)	60-day; noninterest-bearing	Unsecured
SMPC**	2,013	18,168	60-day; noninterest-bearing	Unsecured, no impairment
SECI**	25	6,057	60-day; noninterest-bearing	Unsecured, no impairment
SLCI**	915	6,947	60-day; noninterest-bearing	Unsecured, no impairment
CNPC**	17,403	159,155	60-day; noninterest-bearing	Unsecured, no impairment
Dividend income (see Note 11):				
SIPC	299,999,940	–	Due and demandable	Unsecured
BLCI	22,942,495	–	Due and demandable	Unsecured
SECI	7,565,518	–	Due and demandable	Unsecured
SLCI	9,204,715	–	Due and demandable	Unsecured
Associates				
Management services:				
MECO	120,007,156	–	60-day; noninterest-bearing	Unsecured

(Forward)



2020				
Category	Transaction	Outstanding Balance - Receivable (Payable)	Terms	Conditions
Extension (avaiement) of advances:				
KEPCO SPC**	P=	₱719,579	60-day; noninterest-bearing	Unsecured, no impairment
MECO	990	-	60-day; noninterest-bearing	Unsecured, no impairment
Dividend income (see Note 10):				
KEPCO SPC	1,357,016,938	-	Due and demandable	Unsecured, no impairment
MECO	23,999,973	-	Due and demandable	Unsecured, no impairment
Affiliates (Companies Under Common Ownership)				
Lease of office space: ****				
SPEC	3,651,136	(912,784)	30-day; Noninterest-bearing;	Unsecured
SPDC	691,317	(172,829)	30-day; Noninterest-bearing; 3% annual escalation	Unsecured
Extension (avaiement) of advances:				
Bohol Water Utilities, Inc. (BWUI)**	160,358	231,929	60-day; noninterest-bearing	Unsecured, no impairment
SPDC**	70,659	322,638	60-day; noninterest-bearing	Unsecured
SPDC***	215,160	(215,160)	60-day; noninterest-bearing	Unsecured, no impairment
Salcon International, Inc. (SII)**	37,400	88,552	60-day; noninterest-bearing	Unsecured, no impairment
Salcon Philippines, Inc. (SPI)**	37,025	81,975	60-day; noninterest-bearing	Unsecured, no impairment
SIPC Water Resources, Inc. (SWRI)**	-	193,545	60-day; noninterest-bearing	Unsecured, no impairment
Western Panay Hydropower Corp. (WPHC)**	-	97,537	60-day; noninterest-bearing	Unsecured, no impairment
Pure and Pam, Inc. **	-	75,000	60-day; noninterest-bearing	Unsecured, no impairment
SPEC**	65,895	132,749	60-day; noninterest-bearing	Unsecured, no impairment
KV Holdings, Inc. **	13,615	17,547	60-day; noninterest-bearing	Unsecured, no impairment
Kepco Philippines Corp ***	-	(497,043)	60-day; noninterest-bearing	Unsecured, no impairment
Officers and employees*	5,881,931	8,092,171	60-day; non-interest bearing	Unsecured, no impairment
* Under "Trade and other receivables"				
** Under "Due from related parties"				
*** Under "Due to related parties"				
**** Under "Lease liabilities"				

2019				
Category	Transaction	Outstanding Balance - Receivable (Payable)	Terms	Conditions
Subsidiaries				
Management services:				
SIPC*	₱410,714	P=	60-day; noninterest-bearing	Unsecured, no impairment
Sale of LBGT (see Note 7):				
SIPC*	6,192,074	6,192,074	Due and demandable	Unsecured, no impairment
Extension (avaiement) of advances:				
SIPC**	1,123,075	1,123,075	60-day; noninterest-bearing	Unsecured
SIPC***	2,916,098	(2,639,157)	60-day; noninterest-bearing	Unsecured, no impairment
BLCI**	663,545	569,018	60-day; noninterest-bearing	Unsecured, no impairment
(Forward)				



2019				
Category	Transaction	Outstanding Balance - Receivable (Payable)	Terms	Conditions
BLCI***	P45,811	(P115,501)	60-day, noninterest-bearing	Unsecured
SMPC**	16,155	16,155	60-day, noninterest-bearing	Unsecured, no impairment
SECI**	6,032	6,032	60-day, noninterest-bearing	Unsecured, no impairment
SLCI**	6,032	6,032	60-day, noninterest-bearing	Unsecured, no impairment
CNPC**	19,550	141,752	60-day, noninterest-bearing	Unsecured, no impairment
Dividend income (see Note 11):				
SIPC	349,999,930	-	Due and demandable	Unsecured
BLCI	14,962,495	5,984,999	Due and demandable	Unsecured
SECI	5,599,999	-	Due and demandable	Unsecured
Associates				
Management services:				
MECO	123,643,736	-	60-day, noninterest-bearing	Unsecured
Extension (availment) of advances:				
KEPCO SPC**	-	719,579	Due and demandable	Unsecured, no impairment
Dividend income (see Note 10):				
KEPCO SPC	1,328,024,392	-	Due and demandable	Unsecured, no impairment
MECO	83,999,907	-	Due and demandable	Unsecured, no impairment
Affiliates (Companies Under Common Ownership)				
Lease of office space: ****				
SPEC	3,651,136	(1,217,045)	30-day, Noninterest-bearing,	Unsecured
SPDC	691,317	(230,439)	30-day; Noninterest-bearing; 3% annual escalation	Unsecured
Extension (availment) of advances:				
Bohol Water Utilities, Inc. (BWUI)**	3,429,499	123,972	60-day, noninterest-bearing	Unsecured, no impairment
SPDC**	87,655	251,980	60-day, noninterest-bearing	Unsecured
SPDC***	261,723	(108,038)	60-day, noninterest-bearing	Unsecured, no impairment
Salcon International, Inc. (SII)**	51,152	51,152	60-day, noninterest-bearing	Unsecured, no impairment
Salcon Philippines, Inc. (SPI)**	44,950	44,950	60-day, noninterest-bearing	Unsecured, no impairment
SIPC Water Resources, Inc. (SWRI)**	17,518	193,545	60-day, noninterest-bearing	Unsecured, no impairment
Western Panay Hydropower Corp. (WPHC)**	16,671	97,537	60-day, noninterest-bearing	Unsecured, no impairment
Pure and Pam, Inc.**	-	75,000	60-day, noninterest-bearing	Unsecured, no impairment
SPEC**	66,853	66,853	60-day, noninterest-bearing	Unsecured, no impairment
KV Holdings, Inc.**	3,932	3,932	60-day, noninterest-bearing	Unsecured, no impairment
Kepeco Philippines Corp.***	-	(497,043)	60-day, noninterest-bearing	Unsecured, no impairment
Officers and employees*	5,500,047	6,698,945	60-day, non-interest bearing	Unsecured, no impairment

* Under "Trade and other receivables"

** Under "Due from related parties"

*** Under "Due to related parties"

**** Under "Lease liabilities"



2018				
Category	Transaction	Outstanding Balance - Receivable (Payable)	Terms	Conditions
Subsidiaries				
Management services:				
SIPC*	P410,714	P34,911	60-day; noninterest-bearing	Unsecured, no impairment
Extension (availment) of advances:				
SIPC**	351,360,827	351,360,827	60-day; noninterest-bearing	Unsecured
SIPC***	2,572,106	(2,462,677)	60-day; noninterest-bearing	Unsecured, no impairment
BLCI**	923,212	249,379	60-day; noninterest-bearing	Unsecured, no impairment
BLCI***	27,833	(69,690)	60-day; noninterest-bearing	Unsecured
SMPC**	18,148	18,148	60-day; noninterest-bearing	Unsecured, no impairment
SECI**	6,694	12,652	60-day; noninterest-bearing	Unsecured, no impairment
SLCI**	6,793	6,793	60-day; noninterest-bearing	Unsecured, no impairment
CNPC**	19,566	122,202	60-day; noninterest-bearing	Unsecured, no impairment
Dividend income (see Note 11):				
SIPC	349,999,930	-	Due and demandable	Unsecured
BLCI	15,959,996	-	Due and demandable	Unsecured
SECI	5,599,999	-	Due and demandable	Unsecured
SLCI	15,999,997	-	Due and demandable	Unsecured
Associates				
Management services:				
MECO	120,007,156	-	60-day; noninterest-bearing	Unsecured
Extension (availment) of advances:				
KSPC**	-	719,579	Due and demandable	Unsecured, no impairment
MECO**	1,950	1,950	60-day; Noninterest-bearing	Unsecured, no impairment
Dividend income (see Note 10):				
KSPC	1,329,823,954	-	Due and demandable	Unsecured, no impairment
MECO	79,999,911	-	Due and demandable	Unsecured, no impairment
Affiliates (Companies Under Common Ownership)				
Lease of office space:				
SPEC*****	3,319,206	(1,106,402)	30-day; Noninterest-bearing;	Unsecured
SPDC*****	691,317	(230,439)	30-day; Noninterest-bearing; 3% annual escalation as agreed by the parties	Unsecured
Extension (availment) of advances:				
BWUI**	21,973,706	15,218,235	60-day; noninterest-bearing	Unsecured, no impairment
SPDC**	81,464	164,325	60-day; noninterest-bearing	Unsecured
SPDC***	268,304	(89,658)	60-day; noninterest-bearing	Unsecured, no impairment
SII**	47,673	98,621	60-day; noninterest-bearing	Unsecured, no impairment
SPI**	41,350	87,520	60-day; noninterest-bearing	Unsecured, no impairment
SWRI**	17,862	176,026	60-day; noninterest-bearing	Unsecured, no impairment

(Forward)



2018				
Category	Transaction	Outstanding Balance - Receivable (Payable)	Terms	Conditions
WPHC**	P17,362	P80,866	60-day; noninterest-bearing	Unsecured, no impairment
Pure and Pam, Inc.**	-	75,000	60-day; noninterest-bearing	Unsecured, no impairment
SPEC**	67,231	133,623	60-day; noninterest-bearing	Unsecured, no impairment
KV Holdings, Inc.**	4,923	4,923	60-day; noninterest-bearing	Unsecured, no impairment
Kepco Philippines Corp.***	-	(497,043)	60-day; noninterest-bearing	Unsecured, no impairment
Officers and employees*	2,429,188	4,853,571	60-day; non-interest bearing	Unsecured, no impairment

* Under "Trade and other receivables"

** Under "Due from related parties"

*** Under "Due to related parties"

**** Under "Trade and other payables"

These transactions with related parties are generally settled in cash.

Compensation and Benefits of Key Management Personnel

The Parent Company considers all senior officers as key management personnel. The compensation of key management personnel follows:

	2020	2019	2018
Short-term benefits	P36,466,676	P31,488,962	P31,961,364
Post-employment benefits	324,926	289,670	309,811
	P36,791,602	P31,778,632	P32,271,175

6. **Cash and Cash Equivalents**

	2020	2019
Cash on hand and in banks	P748,267,291	P1,209,500,353
Short-term investments	2,681,960,290	1,534,398,850
	P3,430,227,581	P2,743,899,203

Cash in banks earn interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to three months or less, depending on the immediate cash requirements of the Parent Company, and earn interest at the prevailing short-term investment rates. Total interest income earned amounted to P47.4 million, P89.3 million and P41.2 million in 2020, 2019 and 2018, respectively.



7. Trade and Other Receivables

	2020	2019
Receivable from customers:		
National Grid Corporation of the Philippines (NGCP)	P40,216,112	P22,613,731
Independent Electricity Market Operator of the Philippines Inc. (IEMOP) (net of allowance for impairment of P3.7 million and P4.0 million in 2020 and 2019, respectively)	6,996,873	21,071,382
Advances to officers and employees	8,092,171	6,698,945
Receivable from SIPC (see Note 5)	6,192,074	6,192,074
Advances to an individual shareholder	3,000,000	3,000,000
Due from related parties (see Note 5)	2,872,143	3,490,565
Dividends receivable (see Note 5)	—	5,984,999
Others	8,754,553	6,551,501
	P76,123,926	P75,603,197

Receivable from customers arises from generation and sale of energy, and from provision of ancillary services. These receivables are noninterest-bearing and are generally on a term of 30–90 days.

Advances to officers and employees are noninterest-bearing and are subject to liquidation within 60 days.

Advances to a shareholder pertain to cash advances to a non-related party and is collectible upon demand.

Others mainly consist of nontrade receivables from third parties.

Allowance for impairment losses pertains to trade receivables as a result of performing collective impairment test at reporting date. These relate to debtors who are either in significant financial difficulties, have defaulted on payments or whose accounts are under dispute and legal proceedings.

The following table shows the movement in the allowance for impairment:

	2020	2019
At January 1	P3,991,469	P3,775,422
Provision (see Note 17)	—	216,047
Reversal of allowance	(277,431)	—
At December 31	P3,714,038	P3,991,469

8. Materials and Supplies

	2020	2019
On hand	P68,029,904	P55,260,112
In transit	2,294,073	2,768,500
	P70,323,977	P58,028,612



Materials and supplies, carried at cost, include fuel, lubricants, chemicals, spare parts, supplies and other consumables used in the operations, repairs and maintenance of property, plant and equipment.

The cost of materials and supplies used in the operations of NPPC recognized as part of "Others - net" amounted to ₱135.6 million in 2018 and nil in 2020 and 2019 (see Note 25) and "Cost of services" amounted to ₱114.0, ₱155.5 and ₱13.2 million in 2020, 2019 and 2018, respectively, in the parent company statements of comprehensive income (see Note 16).

9. Prepayments and Other Current Assets

	2020	2019
Input VAT	₱5,123,537	₱28,295,503
Prepaid insurance	3,989,710	5,404,577
Prepaid rent	536,579	536,579
Deferred input tax	500,464	1,164,613
Others	3,615,431	3,158,953
	₱13,765,721	₱38,560,225

Others pertain mostly to advances and refundable deposits.

10. Investments in Associates

The Parent Company's associates, corresponding equity ownership and acquisition cost follow:

	Principal Activity	% of Ownership	
KEPCO SPC	Power generation	40.0	₱2,472,464,616
MECO	Power distribution	40.0	380,000,752
			₱2,852,465,368

KEPCO SPC

Summarized financial information pertaining to KEPCO SPC as of and for the years ended December 31 follows:

	2020	2019
Statements of financial position:		
Current assets	₱3,330,256,923	₱3,353,388,423
Noncurrent assets	9,436,490,867	10,185,758,230
Current liabilities	770,666,454	832,206,435
Noncurrent liabilities	170,395,823	184,236,487
Equity	11,825,685,513	12,522,703,731

(Forward)



	2020	2019
Statements of comprehensive income:		
Revenue	₱7,757,801,584	₱8,342,240,486
Gross profit	4,000,394,743	3,261,222,071
Net income	2,782,970,368	2,851,004,285
Other comprehensive income (loss)	(3,208,956)	(7,298,321)
Total comprehensive income	2,779,761,412	2,843,705,964

KEPCO SPC declared and paid cash dividends to the Parent Company amounting to ₱1,357.0 million, ₱1,328.0 million and ₱1,329.8 million in 2020, 2019 and 2018, respectively (see Note 5).

MECO

Summarized financial information pertaining to MECO as of and for the years ended December 31 follows:

	2020	2019
Statements of financial position:		
Current assets	₱2,662,925,520	₱2,538,137,993
Noncurrent assets	3,750,638,131	3,793,357,353
Current liabilities	893,738,932	993,387,990
Noncurrent liabilities	2,435,659,445	2,522,682,101
Equity	3,084,165,274	2,815,425,255
Revaluation increment on property, plant and equipment, and others	452,934,191	467,786,406
Statements of comprehensive income:		
Revenue	5,251,432,323	6,651,213,663
Gross profit	343,303,728	442,284,044
Net income	316,420,385	441,331,201
Other comprehensive income (loss)	5,954,400	(332,628)
Total comprehensive income	322,374,785	440,998,573
Income after adjustment of depreciation on appraisal increase and others	337,637,835	467,669,998

MECO declared and paid cash dividends to the Parent Company amounting to ₱24.0 million, ₱84.0 million and ₱80.0 million in 2020, 2019 and 2018, respectively (see Note 5).

Based on management's assessment, there were no indicators of impairment. No impairment loss was recognized in 2020, 2019 and 2018.



11. Investments in Subsidiaries

Details of the Parent Company's investments in subsidiaries as of December 31, 2020 and 2019 are as follows:

	Principal Activity	% of Ownership		Total	Amount
		Direct	Indirect		
SIPC	Power generation	100.00%	—	100.00%	P274,999,995
BLCI	Power distribution	39.90%	13.76%	53.66%	45,653,125
SLCI	Holding company	40.00%	24.00%	64.00%	12,609,198
SECI	Holding company	40.00%	—	40.00%	7,565,518
CNPC	Power generation	100.00%	—	100.00%	249,995
SMPC	Power generation	40.00%	38.40%	78.40%	99,998
					P341,177,829

Cash dividends declared by the subsidiaries in the last three years are summarized as follows:

Declared By	Date of Declaration	Record Date	Amount	
			Gross (in millions)	Per Share
2020				
SIPC	December 2, 2020	December 16, 2020	P300.0	P12.0 (common)
BLCI	May 27, 2020	June 1, 2020	20.0	0.27
	November 4, 2020	November 15, 2020	37.5	0.50
SECI	October 2, 2020	October 15, 2020	18.9	1.00
SLCI	October 2, 2020	October 15, 2020	23.0	0.73
2019				
SIPC	November 25, 2019	December 10, 2019	P350.0	P14.0 (common)
BLCI	July 18, 2019	July 22, 2019	22.5	0.30
	November 20, 2019	November 30, 2019	15.0	0.20
SECI	October 4, 2019	October 7, 2019	14.0	0.74
2018				
SIPC	November 28, 2018	December 12, 2018	P350.0	P14.0 (common)
SLCI	November 28, 2018	December 20, 2018	40.0	1.27
BLCI	April 12, 2018	April 16, 2018	30.0	0.40
	December 10, 2018	December 14, 2018	10.0	0.13
SECI	November 28, 2018	December 20, 2018	14.0	0.74

Based on management's assessment, there were no indicators of impairment. No impairment loss was recognized in 2020, 2019 and 2018.

12. Property, Plant and Equipment

	2020						Total
	Buildings, Plant Machinery and Equipment	Motor Vehicles	Furniture and Office Equipment	Partitions and Air Conditioners	Construction in Progress	Right-of-use Assets (see Note 23)	
Cost							
At January 1	P477,948,149	P17,633,805	P11,502,066	P912,760	P—	P10,658,298	P518,655,078
Additions	4,287,989	3,559,732	521,365	271,875	643,082	—	9,284,043
Transfers	643,082	—	—	—	(643,082)	—	—
Retirement	—	(643,636)	—	—	—	(1,395,280)	(2,038,916)
At December 31	482,879,220	20,549,901	12,023,431	1,184,635	—	9,263,018	525,900,205
Accumulated Depreciation							
At January 1	41,070,648	13,570,707	9,870,330	806,771	—	3,840,904	69,159,360
Depreciation during the year (see Note 19)	34,031,455	1,685,922	565,306	99,492	—	3,729,722	40,111,897
Retirement	—	(643,636)	—	—	—	(1,395,280)	(2,038,916)
At December 31	75,102,103	14,612,993	10,435,636	906,263	—	6,175,346	107,232,341
Net Book Value	P407,777,117	P5,936,908	P1,587,795	P278,372	P—	P3,087,672	P418,667,864



2019							
	Buildings, Plant Machinery and Equipment	Motor Vehicles	Furniture and Office Equipment	Partitions and Air Conditioners	Construction in Progress	Right-of-use Assets (see Note 23)	Total
Cost							
At January 1	405,032,768	20,632,838	10,376,475	6,485,329	14,888,880	1,395,279	458,811,569
Additions	13,051,242	1,467,813	746,464	—	47,982,046	9,263,019	72,510,584
Transfers	62,870,926	—	—	—	(62,870,926)	—	—
Retirement	(3,006,787)	(4,466,846)	379,127	(5,572,569)	—	—	(12,667,075)
At December 31	477,948,149	17,633,805	11,502,066	912,760	—	10,658,298	518,655,078
Accumulated Depreciation							
At January 1	13,093,004	17,116,565	9,446,697	6,233,908	—	—	45,890,174
Depreciation during the year (see Note 19)	30,304,372	1,162,140	483,413	145,432	—	3,840,904	35,936,261
Retirement	(2,326,728)	(4,707,998)	(59,780)	(5,572,569)	—	—	(12,667,075)
At December 31	41,070,648	13,570,707	9,870,330	806,771	—	3,840,904	69,159,360
Net Book Value	₱436,877,501	₱4,063,098	₱1,631,736	₱105,989	₱—	₱6,817,394	₱449,495,718

Acquisition and Rehabilitation of PB 104

On June 30, 2016, PSALM turned over the 32MW PB 104 to the Parent Company for rehabilitation. Units 1, 2 and 3 with total rated capacity of 24 MW started commercial operation on August 1, 2018 followed by Unit 4 (8MW) on June 11, 2019. Total acquisition and rehabilitation costs capitalized to "Property, plant and equipment" in the parent company statements of financial position amounted to ₱450.5 million as of December 31, 2020 and 2019.

The Parent Company has no purchase commitments as of December 31, 2020 and 2019.

13. Other Noncurrent Assets

	2020	2019
Project development costs	₱10,077,732	₱7,597,915
Investment in proprietary club shares	7,400,000	7,300,000
Software costs (net of accumulated amortization of ₱3.0 million and ₱2.4 million in 2020 and 2019, respectively) (see Note 19)	3,041,258	3,649,508
Advances to suppliers and contractors	2,737,052	11,208,890
	₱23,256,042	₱29,756,313

In 2020, 2019 and 2018, the Parent Company recognized "Unrealized valuation gain on financial asset at FVOCI" amounting to ₱0.1 million, ₱0.8 million and ₱1.5 million, respectively, in the parent company statements of comprehensive income for its investment in proprietary club shares.

In 2019, the Parent Company entered into an agreement with suppliers and contractors to purchase turbochargers for its PB 104. Total significant contract price amounted to ₱19.1 million. As of December 31, 2019, advances to suppliers and contractors amounted to ₱11.2 million. These pertain mainly to the down payments for the turbochargers which were already recouped and applied against billings of the suppliers and contractors in 2020.



The following table shows the movement in accumulated amortization of software costs:

	2020	2019
At January 1	₱2,433,005	₱1,824,754
Amortization (see Note 19)	608,251	608,251
At December 31	₱3,041,256	₱2,433,005

14. Trade and Other Payables

	2020	2019
Trade	₱35,201,717	₱43,874,171
Nontrade	30,861,948	22,983,554
Accrued expenses:		
Withholding taxes and other statutory liabilities	6,921,177	10,504,189
Terminal leave pay	5,979,755	5,979,755
Accrued rent	1,485,588	925,278
Others	2,293,526	5,978,512
Due to related parties (see Note 5)	2,426,387	3,379,738
	₱85,170,098	₱93,625,197

Trade payables pertain to purchases of goods and services. These are noninterest-bearing and are normally settled on 30-60 days terms.

Nontrade payables include accrual for deferred output tax of ₱21.9 million and ₱14.1 million as of December 31, 2020 and 2019, respectively, and various accounts with nontrade suppliers and contractors.

Terminal leave pay are for certain employees who were rehired following the termination of the ROMM Agreement on March 25, 2012.

15. Equity

Capital Stock

There were no changes in the Parent Company's authorized, issued and outstanding common shares as of December 31, 2020 and 2019:

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

On various dates in 2002 and 2012, the Parent Company registered with SEC its 1,569,491,900 common shares that were offered to the public at an issue price of ₱1.80 per share. Gross proceeds from this issuance of new shares amounted to ₱2.8 billion. As of December 31, 2020, the Parent Company has 803 stockholders including 85 depository participants counted as one stockholder each.

As of December 31, 2020 and 2019, the Parent Company complied with the Minimum Public Ownership requirement of the PSE for listed entities.



Dividends

Cash dividends declared by the Parent Company in the last three years are summarized as follows:

Date of Declaration	Record Date	Payment Date	Amount	
			Gross (in millions)	Per Share
2020				
May 7, 2020	May 22, 2020	May 29, 2020	P598.6	P0.40
December 2, 2020	December 21, 2020	December 28, 2020	598.6	0.40
2019				
November 25, 2019	December 10, 2019	December 17, 2019	1,047.6	0.70
April 4, 2019	April 12, 2019	April 30, 2019	598.6	0.40
2018				
November 28, 2018	December 12, 2018	December 19, 2018	598.6	0.40
May 28, 2018	June 11, 2018	June 27, 2018	598.6	0.40

On April 7, 2021, the BOD of the Parent Company approved the declaration of interim cash dividends equivalent to P0.40 per share, or for a total of P598.6 million, to all stockholders of record as of April 23, 2021, payable on or before April 30, 2021.

Retained Earnings

Retained earnings are also restricted for dividend declaration to the extent of the acquisition price of the treasury shares amounting to P131.0 million as of December 31, 2020 and 2019.

Appropriation

On November 28, 2018, the BOD of the Parent Company approved the following: (i) reversal of P850.0 million appropriation of retained earnings for the construction of a CFBC coal-fired thermal power plant with a capacity of at least 300 MW due to the adverse Supreme Court decision that led to the return of the Naga Power Plant Complex to PSALM pursuant to a Memorandum of Agreement and Certificate of Turnover executed between the Parent Company and PSALM on July 9, 2018 and July 13, 2018, respectively (see Note 25); (ii) reversal of P500.0 million appropriation of retained earnings for two run-of-river hydro-electric power plant projects in Palawan due to unsuccessful conclusion of final studies/negotiations; and (iii) appropriation of P1.5 billion out of the unappropriated retained earnings of the Parent Company for the acquisition of a 100% ownership interest in a power generation company and for 1Bohol Power Project that will serve the long-term power requirements of three distribution utilities in Bohol within the years 2024–2033.

In January 2019, the Parent Company lost in its bid to acquire the power generation company. Consequently, on April 4, 2019, the BOD of the Parent Company approved the reversal of a portion of its 2018 appropriation amounting to P1.0 billion.

On November 25, 2019, the BOD of the Parent Company approved the following: (i) appropriation of retained earnings amounting to P1.3 billion for the construction and operation of new generating power plant capacity to supply 39 MW full demand requirements in the mainland of Occidental Mindoro starting May 25, 2022, (ii) appropriation of retained earnings amounting to P1.0 billion to invest in SPC Island Power Corporation for the 44.2 MW expansion of Bohol Diesel Power Plant in the years 2020 - 2021, and (iii) confirmation of the 2018 appropriation of retained earnings amounting to P500 million for 1Bohol Power Project that will serve the long-term power requirements of three distribution utilities in Bohol starting December 26, 2023.



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

Earnings per Share

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

	2020	2019	2018
Net income	₱1,847,397,599	₱1,833,928,321	₱1,951,016,504
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	₱1.23	₱1.23	₱1.30

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

Capital Management

The Parent Company considers the following as its core economic capital and is not subject to any externally imposed capital requirements. As of December 31, 2020 and 2019, the Parent Company's core capital amounted as follows:

	2020	2019
Capital stock	₱1,569,491,900	₱1,569,491,900
Additional paid-in capital	86,810,752	86,810,752
Retained earnings	5,589,122,453	4,938,966,296
Treasury stock	(131,008,174)	(131,008,174)
	₱7,114,416,931	₱6,464,260,774

16. Plant Operations

	2020	2019	2018
Fuel, lubricants and chemicals (see Note 8)	₱101,899,226	₱141,732,619	₱10,413,648
Depreciation (see Note 19)	34,031,455	30,304,372	10,766,277
Personnel costs (see Note 18)	18,971,221	16,809,283	7,109,384
Spares, materials and supplies (see Note 8)	12,100,838	13,812,369	2,774,851
Repairs and maintenance	3,623,921	4,898,701	3,035,718
Purchased power	2,300,375	2,916,203	806,698
Taxes and licenses	20,620	215,362	61,382
Others (see Note 25)	6,671,699	6,711,389	1,768,705
	₱179,619,355	₱217,400,298	₱36,736,663

In 2018, the incidental income from operating and preserving the NPPC amounting to ₱76.1 million, net of directly related costs and expenses, were recognized as "Other income" in the parent company statement of comprehensive income (see Notes 4 and 25).



17. General and Administrative Expenses

	2020	2019	2018
Personnel costs (see Note 18)	P41,547,310	P37,035,069	P33,266,113
Shared expenses	14,962,804	13,900,005	13,257,495
Business development	14,630,833	44,453,037	21,893,463
Professional fees	12,832,395	10,799,596	10,552,117
Directors' fees	12,336,758	11,471,937	11,360,826
Insurance	8,288,055	7,850,796	8,075,139
Depreciation and amortization (see Note 19)	6,688,693	6,240,140	2,254,126
Corporate social responsibility	3,895,715	2,359,771	8,762,866
Repairs and maintenance	3,437,231	4,374,999	6,528,864
Rentals (see Notes 5, 23 and 25)	3,377,925	1,649,624	6,163,371
Communications	2,480,788	2,494,314	3,044,938
Transportation and travel	2,221,577	5,288,144	9,587,449
Association dues	1,766,897	1,824,828	1,874,423
Taxes and licenses	1,160,894	32,674,501	326,665
Office supplies	917,562	1,178,912	1,161,853
Power and water	622,292	774,773	1,224,342
Entertainment, amusement and recreation	199,222	1,054,384	2,271,945
Freight and handling	110,877	167,737	160,611
Provisions (see Notes 7 and 12)	—	216,047	16,642,302
Others	4,519,915	4,490,638	5,415,019
	P135,997,743	P190,299,252	P163,823,927

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

18. Personnel Costs

	2020	2019	2018
Salaries and wages	P41,423,652	P37,166,999	P27,295,465
Pension expense (see Note 21)	2,636,752	1,453,199	1,595,819
Other employee benefits	16,458,127	15,224,154	11,484,213
	P60,518,531	P53,844,352	P40,375,497

19. Depreciation and Amortization

	2020	2019	2018
Depreciation of property, plant and equipment			
Plant operations (see Note 16)	P34,031,455	P30,304,372	P10,766,277
General and administrative (see Note 17)	6,080,442	5,631,889	1,645,875
	40,111,897	35,936,261	12,412,152
Amortization of land lease rental (see Notes 23 and 25):			
General and administrative (see Note 17)	—	—	121,293
Amortization of software costs:			
General and administrative (see Note 17)	608,251	608,251	608,251
	P40,720,148	P36,544,512	P13,141,696



20. Income Tax

	2020	2019	2018
Current	P48,877,047	P35,474,763	P57,226,550
Deferred	-	-	6,791,130
	P48,877,047	P35,474,763	P64,017,680

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

	2020	2019	2018
Income before income tax	P1,896,274,646	P1,869,403,084	P2,015,034,184
Provision for income tax computed at 30%	P568,882,394	P560,820,925	P604,510,255
Adjustments to income tax resulting from:			
Nontaxable dividend income	(516,218,874)	(534,776,017)	(539,215,136)
Interest income already subjected to final tax	(14,208,897)	(26,804,230)	(12,357,353)
Impact of OSD	8,266,868	35,592,788	12,363,564
Others	2,155,556	641,297	(1,283,650)
	P48,877,047	P35,474,763	P64,017,680

As of December 31, 2020 and 2019, the Company has unrecognized deferred tax asset related to its allowance for impairment of receivables amounting to P1.1 million and P1.2 million, respectively.

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

In 2020, 2019 and 2018, the Parent Company availed of the OSD in the computation of its taxable income.

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 P5 million and with total assets not exceeding P100 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 Parent Company 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 ₱4.1 million. The lower provision for current income tax and income tax payable will be reflected in the Parent Company's 2020 annual income tax return but will only be recognized for financial reporting purposes in its 2021 financial statements.

21. Pension Plan

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

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

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

The components of pension expense recognized under "General and administrative" in the parent company statements of comprehensive income follow (see Note 18):

	2020	2019
Current service cost	₱2,584,013	₱1,533,451
Net interest cost on benefit obligation	52,739	(80,252)
	₱2,636,752	₱1,453,199

Remeasurement gain recognized under "Other comprehensive income" in the parent company statements of comprehensive income amounted to ₱2.0 million, and ₱4.2 million in 2020 and 2018 respectively while remeasurement loss recognized in 2019 amounted ₱2.3 million.



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

	2020	2019
At January 1	₱25,098,333	₱17,395,127
Current service cost	2,584,013	1,533,451
Interest cost	1,229,818	991,522
Benefits paid	-	(134,772)
Remeasurement loss due to:		
Experience adjustments	-	4,468,498
Changes in demographic assumptions	-	32,735
Changes in financial assumptions	-	811,772
At December 31	₱28,912,164	₱25,098,333

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

	2020	2019
At January 1	₱24,022,023	₱18,803,054
Gains on return on plan assets	1,967,989	2,975,296
Interest income included in net interest cost	1,177,079	1,071,774
Contributions to the retirement fund	408,273	1,306,671
Benefits paid	-	(134,772)
At December 31	₱27,575,364	₱24,022,023

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

	2020	2019
At January 1	₱1,076,310	(₱1,407,927)
Pension expense for the year	2,636,752	1,453,199
Remeasurement loss (gain) on employee benefits	(1,967,989)	2,337,709
Contribution to the retirement fund	(408,273)	(1,306,671)
At December 31	₱1,336,800	₱1,076,310

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

	2020	2019
Cash and cash equivalents	₱9,304,161	₱2,615,810
Investments in government securities	17,163,905	18,975,270
Accrued interest income	140,195	179,926
Investment in bonds	-	1,500,000
Investment in listed preferred shares	-	761,250
Others	981,880	11,310
Total assets	27,590,141	24,043,566
Total liabilities	14,777	21,543
Fair value of plan assets	₱27,575,364	₱24,022,023

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



The Parent Company expects to contribute to the retirement fund in 2020.

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

	2020	2019
Discount rate	4.90%	4.90%
Future salary increase rate	6.00%	6.00%

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

	Increase (Decrease)	Present Value Change of Defined Benefit Obligation	
		2020	2019
Discount rate	+100 basis points	(P2,338,386)	(P1,005,088)
	-100 basis points	40,424	1,151,671
Salary increase rate	+100 basis points	134,538	1,237,000
	-100 basis points	(2,449,129)	(1,105,494)

The weighted average duration of the benefit payments is approximately 15.57 years as of December 31, 2020 and 2019. The expected benefit payment assumes that all actuarial assumptions will materialize.

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

Plan Year	2020	2019
Less than one year	P1,437,559	P11,622,864
One year to less than five years	11,082,700	10,357,817
Five years to less than 10 years	8,836,257	8,294,873
10 years to less than 15 years	8,380,259	10,328,051
15 years to less than 20 years	9,954,711	9,320,279
20 years and above	30,409,922	31,800,387
	P70,101,408	P81,724,271

22. Financial Risk Management Objectives and Policies

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

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



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

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

Liquidity Risk

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

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

2020				
	Total	Current	1 to 30 Days	Over 30 Days
Financial Assets				
At amortized cost:				
Cash and cash equivalents	P3,430,227,581	P3,430,227,581	P-	P-
Trade and other receivables	76,123,926	28,844,091	16,000,993	31,278,842
	3,506,351,507	3,459,071,672	16,000,993	31,278,842
At FVOCI:				
Investment in proprietary club shares	7,400,000	-	-	7,400,000
	3,513,751,507	3,459,071,672	16,000,993	38,678,842
Financial Liabilities				
Other financial liabilities:				
Trade and other payables*				
Trade	35,201,717	31,645,217	1,536,121	2,020,379
Non-trade	6,644,240	1,635,982	-	5,008,258
Accrued expenses	9,005,512	2,087,527	186,627	6,731,358
	50,851,469	35,368,726	1,722,748	13,759,995
Due to related parties	2,426,387	28,558	-	2,397,829
Lease liabilities	4,539,815	-	-	4,539,815
	57,817,671	35,397,284	1,722,748	20,697,639
Net Financial Assets	P3,455,933,836	P3,423,674,388	P14,278,245	P17,981,203

*Excluding Statutory Payables

2019				
	Total	Current	1 to 30 Days	Over 30 Days
Financial Assets				
At amortized cost:				
Cash and cash equivalents	P2,743,899,203	P2,743,899,203	P-	P-
Trade and other receivables	75,603,197	45,684,258	4,224,296	25,694,643
	2,819,502,400	2,789,583,461	4,224,296	25,694,643
At FVOCI:				
Investment in proprietary club shares	7,300,000	-	-	7,300,000
	2,826,802,400	2,789,583,461	4,224,296	32,994,643
Financial Liabilities				
Other financial liabilities:				
Trade and other payables*				
Trade	43,874,171	36,554,818	292,137	7,027,216
Non-trade	8,930,439	563,967	181	8,366,291
Accrued expenses	12,247,966	5,221,938	70,671	6,955,357
	65,052,576	42,340,723	362,989	22,348,864
Due to related parties	3,379,738	1,756,473	119,622	1,503,643
Lease liabilities	8,985,273	-	-	8,985,273
	77,417,587	44,097,196	482,611	32,837,780
Net Financial Assets	P2,749,384,813	P2,745,486,265	P3,741,685	P156,863



Credit Risk

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

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

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

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

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

	2020		Exposure to credit risk
	Maximum exposure	Offset	
At Amortized Cost			
Cash and cash equivalents (excluding cash on hand)	₱3,429,942,075	(₱3,500,000)	₱3,426,442,075
Trade and other receivables	76,123,926	—	76,123,926
	₱3,506,066,001	(₱3,500,000)	₱3,502,566,001
	2019		Exposure to credit risk
	Maximum exposure	Offset	
At Amortized Cost			
Cash and cash equivalents (excluding cash on hand)	₱2,743,609,969	(₱3,500,000)	₱2,740,109,969
Trade and other receivables	75,603,197	—	75,603,197
	₱2,819,213,166	(₱3,500,000)	₱2,815,713,166

As of December 31, 2020 and 2019, the Parent Company's significant concentration of credit risk pertains to its trade and other receivables amounting to ₱73.3 million and ₱72.1 million, respectively, and impaired financial assets, determined based on probability of collection, have been adequately covered with allowance.

The following are the details of the Parent Company'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 Parent Company is minimal as these are deposited in reputable banks which have good bank standing, and is considered to have low credit risk.
- *Due from related parties*- As of December 31, 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 Parent Company applied the simplified approach under PFRS 9, 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 P3.7 million and P4.0 million, respectively. 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-	P3,991,469	P72,974,352	P76,965,821
Loss allowance	-	-	(3,991,469)	277,431	(3,714,038)
Carrying amount	P-	P-	P-	P73,251,783	P73,251,783

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

The Parent Company grades its financial assets as follows:

- *Cash and Cash Equivalents*. These are assessed as high grade since these are deposited in reputable banks which have good bank standing, thus credit risk is minimal.
- *Receivable from Customers*. These are assessed as high grade since these receivables arose from the contract provisions of the ROMM Agreement, (OMSC), Ancillary Services Procurement Agreements (ASPA), Power Supply Contracts (PSCs), and/or collectible from government institution.
- *Due from Related Parties under "Trade and Other Receivables"*. These are assessed as standard, although recoverability of these receivables is certain, as these are given secondary priority as to settlement by the related parties compared to third party obligations.



Fair Value of Financial Assets and Financial Liabilities

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

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

- *Cash and Cash Equivalents, Trade and Other Receivables, Due from/to Related Parties and Trade and Other Payables.* The carrying amounts of cash and cash equivalents, trade and other receivables, due from/to related parties and trade and other payables approximate their value due to the relatively short-term maturity of these financial instruments.
- *Investment in Proprietary Club Shares.* Market values have been used to determine the fair value of listed proprietary club shares.

As of December 31, 2020 and 2019, the Parent Company considers its investment in proprietary club shares with fair values of ₱7.4 million and ₱7.3 million under Level 1 classification, respectively (see Notes 3 and 13).

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.

23. Lease Agreements

The Parent Company has entered into various leases for rooms, office spaces, parking lots, sub transmission line steel post space, and parcel of land which include those with respect to its LLA with PSALM (see Note 25). Lease of parcel of land generally has a lease term of 25 years. Lease terms for the other leased assets generally vary between five months to three years. Total rent expense charged to operations amounted to ₱4.0 million, ₱1.6 million and ₱6.2 million in 2020, 2019 and 2018, respectively (see Notes 16 and 17).

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

	2020			
	Right-of-use Assets			Lease liabilities
	Land	Office Space	Total	
As at January 1	₱10,108	₱6,807,286	₱6,817,394	₱8,502,282
Depreciation expense	(10,108)	(3,719,614)	(3,729,722)	—
Interest accretion	—	—	—	370,931
Payments of:				
Interest	—	—	—	(370,931)
Principal portion	—	—	—	(4,074,526)
As at December 31	₱—	₱3,087,672	₱3,087,672	₱4,427,756



	2019			
	Right-of-use Assets			Lease liabilities
	Land	Office Space	Total	
As at January 1	₱131,400	₱1,263,879	₱1,395,279	₱1,263,879
Additions	—	9,263,019	9,263,019	9,263,018
Depreciation expense	(121,292)	(3,719,612)	(3,840,904)	—
Interest accretion	—	—	—	680,963
Payments of:				
Interest	—	—	—	(680,963)
Principal portion	—	—	—	(2,024,615)
As at December 31	₱10,108	₱6,807,286	₱6,817,394	₱8,502,282

Current portion of lease liabilities amounted to ₱4.4 million and ₱5.1 million as of December 31, 2020 and 2019, respectively. Noncurrent portion of lease liabilities amounted to nil and ₱3.4 million as of December 31, 2020 and 2019, respectively.

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

	2020	2019
Depreciation expense of right-of-use assets	₱3,729,722	₱3,840,904
Interest expense on lease liabilities	370,931	680,963
Rent expense - short-term leases (see Notes 16 and 17)	3,991,397	1,649,624
	₱8,092,050	₱6,171,491

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

	2020	2019
One year	₱4,539,815	₱5,487,579
More than 1 year to 2 years	–	3,497,694
	₱4,539,815	₱8,985,273

24. Notes to Parent Company Statements of Cash Flows

Changes in liabilities arising from financing activities in 2020 and 2019 are as follows:

	January 1, 2020	Dividend Declaration	Amortization of Transaction Costs	Additions	Cash Flows	December 31, 2020
Dividends payable (see Note 15)	₱–	₱1,197,241,442	₱–	₱–	(₱1,197,241,442)	₱–
Lease liabilities (see Note 23)						
Principal	8,502,282	–	–	–	(4,074,526)	4,427,756
Interest	–	–	–	370,931	(370,931)	–
	₱8,502,282	₱1,197,241,442	₱–	₱370,931	(₱1,201,686,899)	₱4,427,756



	January 1, 2019	Dividend Declaration	Amortization of Transaction Costs	Additions	Cash Flows	December 31, 2019
Dividends payable (see Note 15)	P=	P1,646,206,983	P=	P=	(P1,646,206,983)	P=
Lease liabilities (see Note 23)						
Principal	1,263,879	-	-	9,263,018	(2,024,615)	8,502,282
Interest	-	-	-	680,963	(680,963)	-
	P1,263,879	P1,646,206,983	P=	P9,943,981	(P1,648,912,561)	P8,502,282

	January 1, 2018	Dividend Declaration	Amortization of Transaction Costs	Additions	Cash Flows	December 31, 2018
Dividends payable (see Note 15)	P=	P1,197,241,442	P=	P=	(P1,197,241,442)	P=

25. Other Matters

Electricity Power Industry Reform Act (EPIRA) of 2001

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

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

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

The Parent Company participated in the WESM starting in the last quarter of 2014.

Ancillary Services Procurement Agreement (ASPA)

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

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



Land Lease Agreements (LLA)

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

- *LBGTs.* On January 29, 2010, the Parent Company executed the LLA with a term of 10 years up to January 28, 2020 which may be renewed or extended for another period of 10 years or the remaining corporate life of PSALM, whichever is shorter, upon the mutual written agreement of the parties. The rentals which were paid in full on March 25, 2009 (the "Closing Date") amounted to ₱1.2 million.
- *153.1 MW Naga Power Plant (consisting of CTPP 1, CTPP 2 and 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 LLA, the Parent Company shall use and occupy the leased premises primarily for the operation, management, expansion and maintenance of the power plants, and shall not assign or transfer any of its right under the LLA or sublease all or any part of the leased premises without the prior consent of PSALM.

The LLAs 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.

Rent expense under the LLAs amounted to nil in 2020 and 2019 and ₱0.1 million in 2018 (see Notes 17 and 19).

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

Pursuant to the provisions of the LLA, within a period of 180 days from the termination of the LLA or expiration of the lease term, the Parent Company is obliged to perform activities to facilitate clean-up, return and surrender of the leased premises (see Notes 17 and 19).

Acquisition and Turnover of the 153.1 MW NPPC

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



PSALM turned over the NPPC to the Parent Company on September 25, 2014, coinciding with the termination of the OMSC.

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

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

On December 9, 2015, the SC resolved to deny the Motion for Reconsideration. Thus, a Motion For Leave to File and Admit the Attached Urgent Motion for Second Reconsideration and/or Referral to the En Banc was filed by the Parent Company on February 2, 2016. However, on April 6, 2016, the SC issued a Resolution where it resolved among others to deny the said Motion For Leave and noted without action, the attached Urgent Motion for Second Reconsideration and /or Referral to En Banc, in view of the denial of the Motion for Leave. Accordingly, an amount equivalent to ₱1,143.2 million (i.e., amount paid by the Parent Company to PSALM in 2014, net of withholding tax) was recognized as other noncurrent receivable as of December 31, 2016 and 2015. On October 5, 2016, the SC granted the manifestation/motion of Therma Power Visayas, Inc. (TPVI) dated March 16, 2016 praying for the reinstatement of the notice of award in favor of TPVI dated April 30, 2014. The Parent Company then filed an Urgent Motion for Reconsideration with Alternative Motion to Refer to the En Banc, on November 2, 2016. In a Resolution dated November 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 parent company statements of comprehensive income (see Note 8).

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

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

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

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

VAT

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

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

	Net Sales/ Receipts	Output VAT
Vatable sales:		
Sale of services	₱377,665,327	₱45,319,839
Sale of goods	970,603	116,472
	378,635,930	45,436,311
Zero-rated sales	783,955	—
	₱379,419,885	₱45,436,311

- Input VAT

At January 1	₱28,295,503
Current year's domestic purchases/payments or importations for:	
Goods other than for resale or manufacture	14,034,123
Services lodged under general and administrative expenses and other accounts	4,441,263
Capital goods subject to amortization	1,448,878
	48,219,767
Claims for tax credit/refund and other adjustments	(43,096,230)
At December 31	₱5,123,537



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

Dutiable value	P6,088,645
Customs duties	147,376
Brokerage charges	92,455
Total landed cost	<u>P6,328,476</u>

Excise Taxes

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

Other Taxes and Licenses

All other local taxes, local and national, including real estate taxes, license and permit fees were lodged under the Taxes and Licenses account under "Cost of Services" and "General and administrative expenses" in the 2020 parent company statement of comprehensive income:

Details consist of the following:

Local:	
Business tax	P1,080,599
License and permits fees	64,072
National:	
Documentary stamp taxes	120
Others	36,723
	<u>P1,181,514</u>

Withholding Taxes

Details of withholding taxes in 2020 follow:

Final withholding taxes	P8,912,669
Withholding taxes on compensation and benefits	7,213,184
Expanded withholding taxes	4,355,353
	<u>P20,481,206</u>

Tax Assessments and Cases

The Parent Company does not have pending tax cases outside the administration of the BIR as of December 31, 2020.



SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended March 31, 2021
2. SEC Identification Number AS094-002365 3. BIR Tax Identification No. 003-868-048
- SPC POWER CORPORATION
4. Exact name of issuer as specified in its charter
Metro Manila, Philippines
5. Province, country or other jurisdiction of incorporation or organization
6. Industry Classification Code (SEC Use Only)
- 7th Floor, Cebu Holdings Center, Cebu Business Park, Cebu City 6000
(Manila Office: 7th Floor, BDO Towers Paseo, 8741 Paseo de Roxas, Makati City)
7. Address of Issuer's principal office Postal Code
(63 32) 232 0375; 232 0477 / (63 2) 810 4474 to 77, 810 4450, 810 4465
8. Issuer's telephone number, including area code
N.A.
9. Former name of former address, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Section 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
<u>Common Shares (as of March 31, 2021)</u>	<u>1,496,551,803 shares</u>
<u>Total Debt (as of March 31, 2021)</u>	<u>P826,358,650</u>
11. Are any or all of the securities listed on a Stock Exchange?
 Yes [☒] No [☐]

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

Philippine Stock Exchange

common shares

12. Check whether the issuer:

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

Yes [☒] No [☐]

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

Yes [☒] No [☐]

PART I – FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

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

- a. Consolidated Statements of Financial Position – March 31, 2021 (unaudited) and December 31, 2020 (audited).
- b. Consolidated Statements of Comprehensive Income – Three Months Ended March 31, 2021 and 2020 (unaudited).
- c. Consolidated Statements of Changes in Stockholders’ Equity – Three Months Ended March 31, 2021 and 2020 (unaudited).
- d. Consolidated Statements of Cash Flows – Three Months ended March 31, 2021 and 2020 (unaudited).
- e. Notes to the Consolidated Interim Financial Statements.

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

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

Financial Conditions and Results of Operations

Results of Operations

Three Months Ended March 31, 2021 and 2020

The Group posted a first quarter 2021 consolidated net income of P460.7 million, 6.5% lower than what was registered in the first quarter of 2020 when the pandemic had not fully erupted in the Visayas region. This translated to a lower earnings per share of P0.31 and return on equity of 4.27%, compared to P0.32 and 4.73% in the same period last year.

The first quarter 2021 result was not expected to be outstanding relative to the first quarter of 2020 as the path to economic recovery has not been fully cleared of restrictions.

The slight improvement in the income contributed from the gradual recovery of the power generation business sector (including the investee power generation company) was not enough to offset the decline in income contribution from power distribution (also including the investee power distribution company). Overall income contribution from

power distribution fell by 64.7% to P26.5 million, from P74.9 million in the first quarter of 2020.

Despite the continued strong sales from residential customers and the gradual recovery of industrial sales, the commercial sector continued to struggle as restaurants, malls, hotels, and the entertainment and recreation centers are not yet fully operating at their pre-pandemic level. Furthermore, power distribution was hit by huge temporary under-recovery of cost of purchased power in March 2021.

The combined equity share in the earnings of investee companies of P371.3 million accounted for 80.6% of the Group's total comprehensive income in the first quarter of 2021. It was down by 4.1% over the same period last year due to lower equity share from power distribution.

Consolidated revenues decreased by 14.1% to P464.5 million in the first quarter of 2021, from P540.7 million in the same period last year, due mainly to the economic effects of the pandemic.

Consolidated cost of services was likewise reduced by 12.1% to P351.6 million, from P400.1 million, curbing the impact of lower revenues. Such cost reduction was brought about mainly by lower cost of fuel, purchased power, and lower expenses for personnel and depreciation.

Consolidated gross margin also decrease by 19.7% to P112.9 million in the first quarter of 2021, from P140.6 million in the same period last year, due mainly to revenue reduction that cannot be fully offset by lower cost of services including temporary under-recovery of cost of purchased power in March 2021

Consolidated administrative and general expenses went down by 13.7% to P37.1 million in January–March 2021, from P43.1 million in the same three months last year. The decrease was attributed mainly to lower expenses for professional fees, transportation and travel, personnel, and insurance.

Provision for income tax decreased by 31.6% to P20.6 million, from P30.1 million, due to lower taxable income and lower income tax rate in 2021 as compared to the same period in 2020.

Financial Condition

March 31, 2021 Vs. December 31, 2020

Total consolidated assets of the Group expanded further by 3.5% to P11,842.3 million as at end-March 2021 from the last audited balance of P11,440.0 million as at end-2020. The increase was attributed mainly to the continued growth in: (i) the carrying value of investments and (ii) the balance of total current assets more particularly on receivables and inventories.

The growth in total assets was accompanied by 6.6% decrease in total liabilities to P826.4 million as at end-March 2021 from P884.8 million as at end-2020.

Total stockholders' equity grew by 4.4% to P11,016.0 million as at end-March 2021 from P10,555.3 million as at end-2020 due to the additional comprehensive income earned in

the first quarter of 2021. Book value per share rose to ₱7.36 as at end-March 2021 compared to ₱7.05 as at end-2020.

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

Trade and other receivables increased by 6.6% to ₱360.2 million as at end-March 2021 from ₱338.1 million as at end-2020. The increase was attributed mainly to ERC orders spreading the collection of power bills due for payment during the enhanced community quarantine period.

Materials and supplies inventory grew by 7.9% to ₱392.2 million as at end-March 2021 from ₱363.6 million as at end-2020 due mainly to purchases of insurance spares intended for PB 104.

Prepayments and other current assets increased by 12.2% to ₱61.7 million as at end-March 2021 due mainly to more input tax awaiting application against output tax.

Investment in associates grew by another 6.4% to ₱6,154.2 million as at end-March 2021 from ₱5,782.9 million as at end-2020. The increase reflected fresh equity share in the net earnings of associates amounting to ₱371.3 million in the first quarter of 2021.

Trade and other payables decreased by 15.3% to ₱384.0 million as at end-March 2021, from ₱453.4 million at the beginning of the year, due mainly to lower volume of purchased power and fuel.

Despite lower income tax rate due to CREATE law, income tax payable increased by 77.7% to ₱46.8 million as at end-March 2021, from ₱26.3 million as at end-2020. The increase was due to provision for income tax in the first quarter of 2021 for payment in May 2021. The income tax payable for the fourth quarter of 2020 remained outstanding as of March 31, 2021 pending actual remittance to the BIR on or before April 15, 2021.

Other noncurrent liabilities decreased by 8.4% to ₱100.0 million from ₱109.2 million due mainly to amortization of cost recovery adjustment approved by ERC to be recovered by PSALM through the distribution business segment of the Group over a period of seven years from January 2018. The original amount of ₱257.6 million was booked as noncurrent liabilities pending remittance to PSALM the amount collected from customers over a period of seven years from January 2018.

Unappropriated retained earnings increased by 6.5% to ₱7,545.9 million as at end-March 2021 from ₱7,083.4 million at the beginning of the year. The net increase is reflective of the comprehensive income attributable to equity holders of the Parent Company in the quarter ended March 31, 2021.

Cash Flows

In the quarter ended March 31, 2021, cash flows from operating activities resulted into a net cash inflow of ₱5.7 million, a reversal from the net cash outflow of ₱4.0 million generated during the same period in 2020. Cash flows from investing and financing activities were minimal.

As at end-March 2021, the balance of cash and cash equivalents stood at ₱3,926.9 million, only 0.4% lower compared to the balance at the beginning of the year.

Key Performance Indicators

The following financial indicators are used, among others, to evaluate the performance of the Group as of March 31, 2021 and December 31, 2020 and for the three months ended March 31, 2021 and 2020:

Key Performance Indicators	2021	2020
A. For Three Months Ended March 31, 2021 and 2020:		
Earnings Per Share	P0.31	P0.32
Share In Net Earnings of Associates	P371,334,996	P387,324,158
Return on Equity (total comprehensive income divided by average total equity)	4.27%	4.73%
Return on Assets (total comprehensive income divided by average total assets)	3.96%	4.36%
Cash Flows:		
Net cash flows generated from (used in) operating activities	P5,702,856	(P3,956,270)
Net cash flows used in investing activities	(P22,234,480)	(P8,525,357)
Net cash flows used in financing activities	(P974,825)	(P1,191,273)
Solvency ratio (total comprehensive income before depreciation and amortization divided by total liabilities)	0.58	0.60
B. As of March 31, 2021 and December 31, 2020:		
Cash and cash equivalents at end of period	P3,926,863,750	P3,944,306,886
Current ratio (total current assets divided by current liabilities)	10.91	9.71
Debt ratio (total liabilities divided by total assets)	0.07	0.08
Debt-to-equity ratio (total liabilities divided by total equity)	0.08	0.08

Further descriptions of the performance indicators are shown below:

Earnings Per Share (EPS)

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

Share in Net Earnings of Associates

This indicates profitability of the investments and investees' contribution to the Group's net income. It is determined by multiplying the associate's net income by the investor's

percentage of ownership, less goodwill impairment cost, if any. Goodwill is the difference between the acquisition cost of the investment and the investor's share in the value of the net identifiable assets of the investee at the date of acquisition.

Return on Equity

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

Return on Assets

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

Cash Flows

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

Current Ratio

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

Debt Ratio

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

Debt-to-Equity Ratio

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

Solvency Ratio

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

Any Significant Elements of Income or Loss from Continuing Operations

There are no significant elements of income or loss from continuing operations.

Material Off-Balance Sheet Items

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

Material Commitments for Capital Expenditures

As of March 31, 2021, there are no material commitments for capital expenditures other than in the ordinary course of business to improve power generation and distribution facilities. Funding comes from internally generated cash from operations.

Known Trends

Except as already discussed herein and in the notes to the interim consolidated financial statements, management is not aware of any other trend, event or uncertainty to have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales/revenues/income from continuing operations. Management is likewise not aware of any other event that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

SIGNATURES

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

SPC POWER CORPORATION

Issuer

By:


MARY ANN G. DAUGDAUG
Asst. Finance Manager


JAIME M. BALISACAN
SVP-Finance and Administration

Date: May 3, 2021

Date: May 3, 2021

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Philippine Pesos)

	March 31, 2021 (Unaudited)	Dec. 31, 2020 (Audited)	Incr. / (Decr.)	
			Amount	Percent
ASSETS				
Current Assets				
Cash and cash equivalents	3,926,863,750	3,944,306,886	(17,443,136)	-0.4%
Trade and other receivables - net	360,229,477	338,055,500	22,173,977	6.6%
Material and supplies	392,202,211	363,627,827	28,574,384	7.9%
Prepayments and other current assets	61,665,824	54,950,450	6,715,374	12.2%
Total Current Assets	4,740,961,262	4,700,940,663	40,020,599	0.9%
Noncurrent Assets				
Investment in associates	6,154,201,634	5,782,866,638	371,334,996	6.4%
Property, plant and equipment - net	746,537,028	749,683,383	(3,146,355)	-0.4%
Deferred income tax assets	33,004,929	33,322,150	(317,221)	-1.0%
Other noncurrent assets - net	167,619,344	173,210,472	(5,591,128)	-3.2%
Total Noncurrent Assets	7,101,362,935	6,739,082,643	362,280,292	5.4%
TOTAL ASSETS	11,842,324,197	11,440,023,306	402,300,891	3.5%
LIABILITIES & STOCKHOLDERS' EQUITY				
Current Liabilities				
Trade and other payables	383,969,870	453,351,738	(69,381,868)	-15.3%
Income tax payable	46,758,948	26,310,765	20,448,183	77.7%
Current portion of lease liabilities	3,710,281	4,685,106	(974,825)	-20.8%
Total current liabilities	434,439,099	484,347,609	(49,908,510)	-10.3%
Noncurrent Liabilities				
Customers' deposits	176,772,315	174,742,186	2,030,129	1.2%
Asset retirement obligation	85,475,665	85,475,665	0	0.0%
Lease liabilities - net of current portion	1,487,649	1,487,649	0	0.0%
Net pension liabilities	28,214,726	29,529,558	(1,314,832)	-4.5%
Other noncurrent liability	99,969,196	109,168,815	(9,199,619)	-8.4%
Total noncurrent liabilities	391,919,551	400,403,873	(8,484,322)	-2.1%
Total Liabilities	826,358,650	884,751,482	(58,392,832)	-6.6%

(Forward)

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Philippine Pesos)

	<u>March 31, 2021</u>	<u>Dec. 31, 2020</u>	<u>Incr. / (Decr.)</u>	
	<u>(Unaudited)</u>	<u>(Audited)</u>	<u>Amount</u>	<u>Percent</u>
Stockholders' Equity				
Capital stock - P1 par value				
Authorized - 2,000,000,000 shares				
Issued - 1,569,491,900 shares	1,569,491,900	1,569,491,900	0	0.0%
Additional paid-in capital	86,810,752	86,810,752	0	0.0%
Retained earnings:				
Unappropriated	7,545,858,598	7,083,372,533	462,486,065	6.5%
Appropriated	1,800,000,000	1,800,000,000	0	0.0%
Other comprehensive income:				
Remeasurement of employee benefits	2,144,925	2,144,925	0	0.0%
Net unrealized valuation gains				
on financial asset at FVOCI	5,750,000	5,750,000	0	0.0%
Share in remeasurement of employee				
benefits of associates	(1,056,084)	(1,056,084)	0	0.0%
Treasury stock at cost - 72,940,097 shares	(131,008,174)	(131,008,174)	0	0.0%
Equity attributable to equity holders of Parent	10,877,991,917	10,415,505,852	462,486,065	4.4%
Equity attributable to Non-controlling interests	137,973,630	139,765,972	(1,792,342)	-1.3%
Total Stockholders' Equity	11,015,965,547	10,555,271,824	460,693,723	4.4%
TOTAL LIABILITIES and EQUITY	11,842,324,197	11,440,023,306	402,300,891	3.5%

See accompanying Notes to Consolidated Financial Statements.


Mary Ann G. Daugdaug
 Asst. Finance Manager


Jaime M. Balisacan
 SVP - Finance & Administration


SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Philippine Pesos)

	Three Months Ended March 31		Increase / (Decrease)	
	2021 (Unaudited)	2020 (Unaudited)	Amount	Percent
REVENUE	464,466,080	540,690,554	(76,224,474)	-14.1%
COST OF SERVICES				
Plant operations	351,603,219	400,054,099	(48,450,880)	-12.1%
GROSS MARGIN	112,862,861	140,636,455	(27,773,594)	-19.7%
GENERAL AND ADM. EXPENSES	(37,143,136)	(43,060,737)	5,917,601	-13.7%
OTHER INCOME (CHARGES):				
Equity in net earnings of associates	371,334,996	387,324,158	(15,989,162)	-4.1%
Interest Income	8,954,092	11,981,298	(3,027,206)	-25.3%
Interest Expense	(76,711)	(151,670)	74,959	-49.4%
Service Income	18,182,902	18,182,902	0	0.0%
Foreign exchange gains (losses) - net	1,381,492	171,051	1,210,441	707.6%
Others - net	6,121,870	7,629,750	(1,507,880)	-19.8%
INCOME BEFORE INCOME TAX	481,618,366	522,713,207	(41,094,841)	-7.9%
PROVISION FOR/(BENEFIT FROM) INCOME TAX				
Current	20,607,422	30,112,529	(9,505,107)	-31.6%
Deferred	317,221	5,510	311,711	5657.2%
	20,924,643	30,118,039	(9,193,396)	-30.5%
NET INCOME	460,693,723	492,595,168	(31,901,445)	-6.5%
OTHER COMPREHENSIVE INCOME	0	0	0	0.0%
TOTAL COMPREHENSIVE INCOME	460,693,723	492,595,168	(31,901,445)	-6.5%
ATTRIBUTABLE TO:				
Equity holders of the Parent	462,486,065	480,834,029	(18,347,964)	-3.8%
Non-controlling interests	(1,792,342)	11,761,139	(13,553,481)	-115.2%
	460,693,723	492,595,168	(31,901,445)	-6.5%
EARNINGS PER SHARE:				
Basic/diluted, for income for the period attributable to equity holders of the Parent	0.31	0.32	(0.01)	-3.8%

See accompanying Notes to Consolidated Financial Statements.


Mary Ann G. Daugdaug
Asst. Finance Manager


Jaime M. Balisacan
SVP - Finance & Administration

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THREE MONTHS ENDED MARCH 31, 2021 AND 2020

	Equity Attributable to Equity Holders of the Parent					
	Retained Earnings			Net Unrealized Valuation Gains on Financial Assets at FVOCI		
	Capital Stock	Additional Paid-In Capital	Treasury Stock at Cost	Remeasurement of Employee Benefits	Share of Associates in OCI	Non-controlling Interest
Balances at January 1, 2021	₱1,569,491,900	₱86,810,752	(₱131,008,174)	₱2,144,925	(₱1,056,084)	₱139,765,972
Total comprehensive income	-	-	-	-	-	(1,792,342)
Balances at March 31, 2021	₱1,569,491,900	₱86,810,752	(₱131,008,174)	₱2,144,925	(₱1,056,084)	₱137,973,630
Balances at January 1, 2020	₱1,569,491,900	₱86,810,752	(₱131,008,174)	₱298,265	(₱2,154,261)	₱155,917,393
Total comprehensive income	-	-	-	-	-	11,761,139
Balances at March 31, 2020	₱1,569,491,900	₱86,810,752	(₱131,008,174)	₱298,265	(₱2,154,261)	₱167,678,532

See accompanying Notes to Consolidated Financial Statements.


Mary Ann G. Daugdaug
Asst. Finance Manager


Jaime M. Balisacan
SVP - Finance & Administration

SPC POWER CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months ended March 31	
	2021	2020
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	481,618,366	522,713,207
Adjustments for:		
Equity in net losses (earnings) of associates	(371,334,996)	(387,324,158)
Depreciation and amortizations	21,772,344	25,614,154
Interest expense	76,711	151,670
Net changes in pension liability	(1,314,831)	151,208
Interest income	(8,954,092)	(11,981,298)
Others -net	(63,312)	(5,685)
Operating income before working capital changes	121,800,190	149,319,098
Decrease (increase) in:		
Trade and other receivables	(25,443,540)	(72,944,315)
Prepayments and other current assets	(6,715,375)	2,677,425
Materials and supplies	(28,574,384)	(9,133,011)
Increase (decrease) in:		
Trade and other payables	(69,381,849)	(94,559,934)
Customers' deposits	2,003,022	6,380,723
Net cash generated from operations	(6,311,936)	(18,260,014)
Income tax paid	(159,240)	(700,788)
Interest paid	(49,623)	(246,328)
Interest received	12,223,655	15,250,860
Net cash flows from operating activities	5,702,856	(3,956,270)
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to plant, property and equipment	(18,354,568)	(7,832,721)
Proceeds from disposal of plant, property and equipment	-	107,143
Decrease (increase) in:		
Other noncurrent assets	(3,879,912)	(799,779)
Net cash provided by (used in) investing activities	(22,234,480)	(8,525,357)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of lease liabilities	(974,825)	(1,191,273)
Cash dividends paid	0	0
Net cash provided by (used in) financing activities	(974,825)	(1,191,273)
NET EFFECT OF EXCHANGE RATE CHANGES	63,313	(316,324)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(17,443,136)	(13,989,224)
CASH AND CASH EQUIVALENTS AT BEG. OF PERIOD	3,944,306,886	3,227,403,650
CASH AND CASH EQUIVALENTS AT END OF PERIOD	3,926,863,750	3,213,414,426

See accompanying Notes to Financial Statements.


Mary Ann G. Daugdaug
Asst. Finance Manager


Jaime M. Balisacan
SVP - Finance & Administration

SPC POWER CORPORATION AND SUBSIDIARIES
SELECTED NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

1. General

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

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

The consolidated interim financial statements of the Group were authorized for issue by the Parent Company's Board of Directors through its Executive Committee on May 4, 2021.

2. Accounting Policies

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

The accounting policies adopted in the preparation of the interim financial statements are the same as those mentioned in the audited financial statements for the year 2020.

3. Earnings Per Share

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

	Three Months Ended March 31	
	2021	2020
Net income attributable to equity holders of the parent	P462,486,065	P480,834,029
Weighted average number of common shares issued and outstanding	1,496,551,803	1,496,551,803
Basic/Diluted earnings per share	P0.31	P0.32

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

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

There are no dilutive potential common stocks issued as of March 31, 2021.

4. Seasonal Aspects

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

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

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

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

There are no changes in estimates of amounts in the first quarter of 2021.

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

There are no issuances, repurchases and repayments of debt and equity securities during the three months ended March 31, 2021.

8. Segment Information

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

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

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

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

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

No inter-segment revenues were earned within the Group in the three months ended March 31, 2021 and 2020.

The following tables present revenue and income information and certain asset and liability information regarding the business segments as of March 31, 2021 and 2020:

March 31, 2021						
	Before Eliminations			Adjustments and Eliminations	After Eliminations/ Consolidated	
	Generation	Distribution	Others			
Revenue	P245,317,054	P219,149,026	P—	P464,466,080	P—	P464,466,080
Income before income tax	113,713,656	(3,449,280)	18,994	110,283,370	371,334,996	481,618,366
Net income	93,225,479	(3,885,746)	18,994	89,358,727	371,334,996	460,693,723
Total assets	8,128,275,009	700,902,590	75,132,107	8,904,309,706	2,938,014,491	11,842,324,197
Property, plant and equipment	522,133,428	223,135,218	—	745,268,646	1,268,382	746,537,028
Total liabilities	346,391,850	479,114,924	122,267	825,629,041	729,609	826,358,650
Depreciation and amortization	15,436,336	6,336,008	—	21,772,344	—	21,772,344

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

Adjustments and Eliminations

Adjustments and eliminations are part of detailed reconciliations presented below:

Reconciliation of Net Income

	Three Mos. Ended March 31	
	2021	2020
Segment net income	P89,358,727	P105,271,010
Equity in net earnings of associates	371,334,996	387,324,158
Group net income	P460,693,723	P492,595,168

Reconciliation of Total Assets

	Mar. 31, 2021	Dec. 31, 2020
Segment assets	P8,905,578,088	P8,883,855,922
Inter-segment receivables	(7,909,731)	(17,153,460)
Investments in associates and subsidiaries	2,912,133,824	2,540,798,828
Goodwill	32,522,016	32,522,016
Group assets	P11,842,324,197	P11,440,023,306

Reconciliation of Total Liabilities

	Mar. 31, 2021	Dec. 31, 2020
Segment liabilities	P827,088,311	P893,265,602
Inter-segment payables	(729,661)	(8,514,120)
Group liabilities	P826,358,650	P884,751,482

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

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

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

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

11. Financial Risk Management and Policies

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

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

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

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

Interest Rate Risk

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

As of March 31, 2021 and December 31, 2020, the Group does not have a financial liability that is exposed to interest rate risk.

Liquidity Risk

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

The tables below summarize the maturity profile of the Group's financial assets used to manage liquidity risk and financial liabilities at March 31, 2021 and December 31, 2020 based on contractual undiscounted payments:

		March 31, 2021				
	Total	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days
Financial Assets						
At amortized cost:						
Cash and cash equivalents	P3,926,863,750	P3,926,863,750	P—	P—	P—	P—
Trade and other receivables						
PSALM	1,015,262	—	—	—	—	1,015,262
Receivable from customers	273,110,969	162,282,446	30,475,501	12,397,569	6,714,706	61,240,747
Current portion of PSALM deferred adjustments	36,798,477	36,798,477	—	—	—	—
Due from related parties	2,137,072	127,489	15,769	15,000	171,054	1,807,760
Others	47,167,697	20,357,021	177,880	219,185	316,146	26,097,465
	360,229,477	219,565,433	30,669,150	12,631,754	7,201,906	90,161,234
PSALM deferred adjustments (included in "Other noncurrent assets")	99,969,196	—	—	—	—	99,969,196
	4,387,062,423	4,146,429,183	30,669,150	12,631,754	7,201,906	190,130,430
At FVOCI:						
Investment in proprietary club shares	7,400,000	—	—	—	—	7,400,000
	4,394,462,423	4,146,429,183	30,669,150	12,631,754	7,201,906	197,530,430
Financial Liabilities						
Trade and other payables						
Trade	171,954,493	165,897,372	1,951,271	1,267,998	489,378	2,348,474
Nontrade	43,045,255	35,343,685	—	—	—	7,701,570
Accrued expenses	52,523,922	21,820,325	51,999	46,998	15,000	30,589,600
Due to related parties	211,203	—	42,000	—	—	169,203
	267,734,873	223,061,382	2,045,270	1,314,996	504,378	40,808,847
Customers' deposits	176,772,315	—	—	—	—	176,772,315
Lease liabilities	3,515,387	—	—	—	—	3,515,387
Other noncurrent liability	99,969,196	—	—	—	—	99,969,196
	547,991,771	223,061,382	2,045,270	1,314,996	504,378	321,065,745
Net Financial Assets (Liabilities)	P3,846,470,652	P3,923,367,801	P28,623,880	P11,316,758	P6,697,528	(P123,535,315)

		December 31, 2020				
	Total	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days
Financial Assets						
At amortized cost:						
Cash and cash equivalents	P3,944,306,886	P3,944,306,886	P—	P—	P—	P—
Trade and other receivables						
PSALM	1,015,262	—	—	—	—	1,015,262
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
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
Financial Liabilities						
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
Net Financial Assets (Liabilities)	P3,775,291,717	P3,860,577,183	P36,724,902	P20,392,931	P14,103,412	(P156,506,711)

Credit Risk

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

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

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

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

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

March 31, 2021			
	Maximum exposure	Offset	Exposure to credit risk
At amortized cost:			
Cash and cash equivalents (excluding cash on hand)	P3,926,186,557	(P9,309,726)	P3,916,876,831
Trade and other receivables	360,229,477	(109,525,237)	250,704,240
PSALM deferred adjustments (included in "Other noncurrent assets")	99,969,196	—	99,969,196
	P4,386,385,230	(P118,834,963)	P4,267,550,267
December 31, 2020			
	Maximum exposure	Offset	Exposure to credit risk
At amortized cost:			
Cash and cash equivalents (excluding cash on hand)	P3,943,238,772	(P9,396,869)	P3,933,841,903
Trade and other receivables	338,055,500	(109,525,237)	228,530,263
PSALM deferred adjustments (included in "Other noncurrent assets")	109,168,815	—	109,168,815
	P4,390,463,087	(P118,922,106)	P4,271,540,981

As of March 31, 2021 and December 31, 2020, the Group's significant concentration of credit risk pertains to its trade and other receivables and PSALM deferred adjustments amounting to P460.2 million and P447.2 million, respectively, and impaired financial assets, determined based on probability of collection, are adequately covered with allowance.

Applicable for the first quarter and year ended March 31, 2021 and December 31, 2020.

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