

COVER SHEET

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S.E.C. Registration Number

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( Company's Full Name)

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

|                        |
|------------------------|
| Mr. Jaime M. Balisacan |
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Contact Person

|                  |
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| 8810 44 74 to 77 |
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Company Telephone Number

DEFINITIVE INFORMATION STATEMENT

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Month Day  
Calendar Year

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SEC FORM  
FORM TYPE

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Month Day  
Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number / Section

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Total No. of Stockholders

|                            |         |
|----------------------------|---------|
| Total Amount of Borrowings |         |
|                            |         |
| Domestic                   | Foreign |

To be accomplished by SEC Personnel concerned

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## SECURITIES AND EXCHANGE COMMISSION

## SEC FORM 20-IS

INFORMATION STATEMENTS PURSUANT TO SECTION 20  
OF THE SECURITIES REGULATION CODE

1. Check the appropriate box
- ☐ Preliminary Information Statement
- ☒ Definitive Information Statement
2. Name of Registrant as specified in its charter : **SPC POWER CORPORATION**
3. Province, country or other jurisdiction of incorporation or organization : **PHILIPPINES**
4. SEC Identification Number : **AS094-002365**
5. BIR Identification Code : **003-868-048**
6. **7F BDO TOWER PASEO, PASEO DE ROXAS, MAKATI CITY** **6000**  
Address of principal office Postal Code
7. Registrant's telephone number: **(63 32) 232 0377 (63 2) 8810-4474 to 77**
8. Date, time and place of the meeting of security holders: Not applicable
9. Appropriate date on which the Information Statement is first to be sent or given to security holders: **July 11, 2022**
10. In case of Proxy Solicitations:
- Name of Person Filing the  
Statement/Solicitor: **N/A**  
Address and Telephone  
No. : **N/A**
11. Securities registered pursuant to Sections 8 and 12 of the code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):
- | <b><u>Title of Each Class</u></b>              | <b><u>Number of Shares of Common Stock Outstanding</u></b> |
|--|--|
| Common Shares (as of April 30, 2022)           | 1,496,551,803 shares                                       |
| Total Debt (consolidated as of April 30, 2022) | ₱1,033,721,201.00  |
12. Are any or all of registrant's security listed in a Stock Exchange?
- Yes ☒ No ☐

If yes, disclose the name of such Stock Exchange and the class of securities listed therein:  
**Philippine Stock Exchange, Inc. / Common Share**



**NOTICE TO OBTAIN STOCKHOLDERS' APPROVAL**  
**BY WRITTEN ASSENT**

TO ALL STOCKHOLDERS:

NOTICE is hereby given that on May 31, 2022, the Board of Directors approved the resolution to amend the By Laws, subject to the written assent of stockholders representing at least 2/3 of the outstanding capital stock of the Corporation.

Stockholders as of record date, June 14, 2022, are entitled to notice and to vote by written assent which will be secured starting from August 1, 2022 until August 5, 2022, 12:00 p.m. Within five (5) business days from the start of the voting period, stockholders entitled to vote shall submit a written request indicating therein their full name, e-mail address, and contact number together with a valid government-issued ID showing the full name, signature, and photograph. For those with proxies, a notarized power of attorney or secretary's certificate/board resolution evidencing appointment and authority of the designated proxy is required. Written request may be transmitted at this address:

**The Corporate Secretary**  
**SPC POWER CORPORATION**  
7<sup>th</sup> Floor, BDO Towers Paseo, 8741, Paseo de Roxas  
Makati City, 1209  
[info@spcpower.com](mailto:info@spcpower.com)  
cc: [mruguinaldo@spcpower.com](mailto:mruguinaldo@spcpower.com)

Upon validation of the requirements, the official assent form will be transmitted by electronic mail. All assent forms must be returned before the close of the voting period on August 5, 2022, 12:00 p.m.

Electronic copies of the Information Statement and other related documents are posted on [www.spcpowergroup.com](http://www.spcpowergroup.com) and on PSE Edge.

Makati City, June 24, 2022.

By:

**MISHELLE ANNE R. RUBIO-AGUINALDO**  
Assistant Corporate Secretary

## INFORMATION STATEMENT

### **General Information**

For the purpose of approving the proposed amendments to the By-Laws, in particular, **Sections 2, 3, 4, and 7 of Article II and Section 7 of Article III** thereof, the written assent of stockholders holding common shares of the Company shall be solicited pursuant to the requirements of the Revised Corporation Code, the Securities Regulation Code and its Implementing Rules, other applicable rules of the Securities and Exchange Commission (“SEC”), and the Disclosure Rules of the Philippine Stock Exchange (“PSE”). The proposed amendments are appended as **Attachment 1**.

Subject to the voting procedure, stockholders as of June 14, 2022, are requested to signify their vote on the proposed amendments by accomplishing the assent form appended hereto as **Attachment 2** by answering an *electronic* assent form thru the google form link or by submitting a duly accomplished *paper* assent form which must be transmitted at the address below:

**The Corporate Secretary**  
**SPC POWER CORPORATION**  
 7<sup>th</sup> Floor, BDO Towers Paseo, 8741, Paseo de Roxas  
 Makati City, 1209  
[info@spcpower.com](mailto:info@spcpower.com)  
[cc:mraguinaldo@spcpower.com](mailto:cc:mraguinaldo@spcpower.com)

Stockholders entitled to vote may accomplish electronic and paper assent forms within the voting period from **August 1 to August 5, 2022, 12:00 p.m.**

This Information Statement shall be sent to security holders as soon as practicable after approval by the SEC, but not later than July 11, 2022.

### **Dissenters’ Right of Appraisal**

As provided in Section 80 of the Revised Corporation Code of the Philippines, a stockholder may exercise his appraisal right in the following instances:

1. In case an amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or authorizing preferences in any respect superior to those of outstanding shares of any class or extending or shortening of the corporate existence;
2. In case of a sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property or assets as provided in this Code;
3. In case of a merger or consolidation; and
4. In case of investment of corporate funds for any purpose other than the primary purpose of the Corporation.

In the exercise of the appraisal right, the requirements and procedure in Sections 81-85 of the Revised Corporation of the Philippines shall be observed.

The proposed corporate actions are not among the instances above enumerated and there are no corporate actions in this Information Statement and the attached assent form for which a dissenting stockholder may exercise appraisal right under Sections 80-85 of the Revised Corporation Code of the Philippines.

**Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

None of the officers or directors or any of their associates has any substantial interest, direct or indirect, in the matter to be acted upon.

The Registrant has not been informed in writing by any person that he intends to oppose any action to be taken by the Registrant pursuant to the solicitation of the written assent of stockholders.

**Voting Securities and Principal Stockholders**

As of June 30, 2022, there are 1,496,551,803 outstanding common shares (at ₱1.00 per share) entitled to vote. Each common share is entitled to one vote.

Of the total issued and outstanding common and voting shares of 1,496,551,803 as of June 30, 2022, 13.25% or 198,315,629 shares are held by the public. Equity ownership of foreigners amounts to 572,848,447 shares out of the total and outstanding shares of the Corporation.

The record date to determine the stockholders entitled to notice and to vote by written assent is June 14, 2022.

**Persons Known to the Registrant to be Directly or Indirectly the Record or Beneficial Owner of More Than 5% of Any Class of the Registrant's Voting Securities**

As of June 30, 2022, the following stockholders beneficially own more than 5% of the Parent Company's common shares:

| Title of Class | Name and Address of Record Owner and Relationship with the Issuer   | Name of Beneficial Owner and Relationship with Record Owner       | Citizenship | Number Of Shares | Percent of Class |
|----------------|---|---|-------------|------------------|------------------|
| Common         | KEPCO Philippines Holdings, Inc. <sup>1</sup><br>18 <sup>th</sup> Floor, BDO Towers Valero (formerly Citibank Tower)<br>8741 Paseo de Roxas, Makati City (Stockholder) <sup>3</sup> | KEPCO Philippines Corp.<br><br>Mr. Lee, Dal Hun, President & CEO  | Korean      | 568,098,822      | 37.96%           |
| Common         | Intrepid Holdings, Inc. <sup>2</sup><br>7 <sup>th</sup> Floor, BDO Towers Paseo (formerly Citibank Center)<br>8741 Paseo de Roxas, Makati City (Stockholder) <sup>3</sup>           | Intrepid Holdings, Inc.<br><br>Mr. Dennis T. Villareal, President | Filipino    | 321,905,611      | 21.52%           |
| Common         | JAD Holdings, Inc. <sup>2</sup><br>7 <sup>th</sup> Floor, BDO Towers Paseo (formerly Citibank Center)<br>8741 Paseo de Roxas, Makati City (Stockholder) <sup>3</sup>                | JAD Holdings, Inc.<br><br>Mr. Dennis T. Villareal, President      | Filipino    | 293,201,397      | 19.59%           |

<sup>1</sup> Mr. Lee, Dal Hun shall exercise the voting power of KEPCO Philippines Holdings, Inc.

<sup>2</sup> Mr. Dennis T. Villareal shall exercise the voting power for JAD Holdings, Inc. and Intrepid Holdings, Inc.

<sup>3</sup> The above record owners are purely stockholders.

**Security Ownership of Directors/Management**

The following Directors/Management personnel own shares in the Company as of June 30, 2022:

| <b>Title of Class</b>                         | <b>Name of Beneficial Owner</b>  | <b>Citizenship</b> | <b>Number of Shares and Nature of Ownership</b> | <b>Percent of Ownership</b> |
|---|----------------------------------|--------------------|---|-----------------------------|
| Common  | Dennis T. Villareal              | Filipino           | 6,425,501(d)                                    | 0.43 %                      |
| Common  | Alfredo L. Henares               | Filipino           | 1 (d)   | n.m.                        |
| Common  | Alberto P. Fenix, Jr.            | Filipino           | 855,933 (d)                                     | 0.06                        |
| Common  | Enrique L. Benedicto             | Filipino           | 1 (d)   | n.m.                        |
| Common  | Francisco L. Viray               | Filipino           | 1 (d)   | n.m.                        |
| Common  | Sergio R. Ortiz-Luis, Jr.        | Filipino           | 1 (d)   | n.m.                        |
| Common  | James Roy N. Villareal           | Filipino           | 274,196 (d)                                     | 0.02                        |
| Common  | Lee, Dal Hun                     | Korean             | 1 (d)   | n.m.                        |
| Common  | Kim, Kilwon                      | Korean             | 1 (d)   | n.m.                        |
| Common  | Lee, Kyung-Eun                   | Korean             | 1 (d)   | n.m.                        |
| Common  | Youn, Sang Young                 | Korean             | 1 (d)   | n.m.                        |
| Common  | Jaime M. Balisacan               | Filipino           | 51,000 (d)                                      | n.m.                        |
| Common  | Maria Luz L. Caminero            | Filipino           | 137, 098 (d)                                    | 0.01                        |
| Common  | Cesar O. Villegas                | Filipino           | 685, 492 (d)                                    | 0.05                        |
| Common  | Nino Ray D. Aguirre              | Filipino           | 0   |                             |
| Common  | Victor P. Lazatin                | Filipino           | 0   |                             |
| Common  | Mishelle Anne R. Rubio-Aguinaldo | Filipino           | 0   |                             |
| Directors and Management personnel as a Group |                                  |                    | 8,429,228                                       | 0.56%                       |

**d**-direct

**n.m.**- not material

**Voting Trust Holder/s**

The Company is not aware of any existing voting trust as of the date of this report.

**Change in Control**

There are no arrangements that may result in a change in control of the Parent Company during the period covered by this report.

**Financial and Other Information**

A copy of the audited financial statements of the Corporation as of December 31, 2021 and the Quarterly Report (SEC Form 17-Q) for the period ended March 31, 2022 submitted to the Securities and Exchange Commission (SEC) are incorporated herein by reference.

The audited financial statements as of December 31, 2021 and the Quarterly Report (SEC Form 17-Q) for the period ended March 31, 2022 are uploaded on the Registrant's website at [www.spcpowergroup.com](http://www.spcpowergroup.com).

**OTHER MATTERS****Other Proposed Actions**

At the organizational meeting of the Board of Directors held on May 31, 2022, where a quorum was present and acting throughout, the Board of Directors, on motion made and seconded, approved the proposed amendments of the By Laws, to wit: **Sections 2, 3, 4, and 7 of Article II and Section 7 of Article III**, subject to the written assent of stockholders as of June 14, 2022 representing at least 2/3 of the outstanding capital stock of the Corporation to be secured from August 1, 2022 until August 5, 2022, 12:00 p.m.. The proposed amendments to the By Laws are found in **Attachment 1**.

The proposed amendments are imperative in order to comply with the prevailing laws, rules and regulations of the Securities & Exchange Commission and in compliance with the said Commission's directive to cause the required amendments as early as practicable.

**Voting Procedures***Manner of voting*

The written assent of the stockholders to the proposed amendments of the Corporation's By Laws will be secured using the assent form<sup>1</sup> to be accomplished by the stockholders or their proxies.

The written assent of the stockholders representing at least 2/3 of the outstanding capital stock of the Corporation shall be required for the approval of the proposed amendments.

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<sup>1</sup> See Attachment 2.

Stockholders as of record date, June 14, 2022, shall be entitled to vote by written assent, for each share of stock held by them. Their written assent shall be submitted within the voting period to commence on August 1, 2022, until August 5, 2022, 12:00 p.m.

#### *Voting Requirements*

For validation purposes, a stockholder of record intending to exercise his right to vote by written assent, shall submit the following requirements: a copy of their competent evidence of identity with full name, signature, and photograph (*e.g.*, passport, valid driver's license, voter's ID, TIN card, SSS card, etc.). For proxies, a notarized power of attorney or secretary's certificate, resolution, or duly signed minutes of board meeting, evidencing appointment and authority of the designated proxy shall be required. Requirements for validation must be submitted to the Corporate Secretary, at the address below, **not later than five (5) days before the start of the voting period** on August 1, 2022:

**The Corporate Secretary**  
**SPC POWER CORPORATION**  
 7<sup>th</sup> Floor, BDO Towers Paseo, 8741, Paseo de Roxas  
 Makati City, 1209  
[info@spcpower.com](mailto:info@spcpower.com)  
 cc: [mranguinaldo@spcpower.com](mailto:mranguinaldo@spcpower.com)

Upon validation of the requirements, the Corporate Secretary, through the Assistant Corporate Secretary, shall transmit the official assent form by electronic mail. All assent forms must be returned before the end of the voting period on **August 5, 2022, 12:00 p.m.**

For security reasons, only the assent forms of stockholders with complete and valid requirements shall be honored.

#### *Method of Counting*

At the end of the voting period, the Corporate Secretary, through the Assistant Corporate Secretary, shall tabulate and count the votes based on the returned assent forms duly accomplished by the stockholders entitled to vote or their proxies. As soon as the affirmative votes reach 2/3 of the outstanding capital stock or 997,701,202 shares, the proposed amendment/s shall be considered approved by the stockholders.

#### *Dissenter's Appraisal Right –*

“With respect to any matter to be acted upon at the annual meeting which may give rise to the right of appraisal, in order that a dissenting stockholder may exercise his appraisal right, such dissenting stockholder, within thirty (30) days after the date of the annual meeting at which meeting such stockholder voted against the corporate action, shall make a written demand on the Corporation for the value of his shares. The procedures to be followed in exercising the appraisal right shall be in accordance with Sections 80 to 85 of the Revised Corporation Code of the Philippines.”

UPON THE WRITTEN REQUEST OF A STOCKHOLDER, THE COMPANY WILL PROVIDE FREE OF CHARGE, A COPY OF THE COMPANY'S SEC FORM 17- Q DULY FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE STOCKHOLDER MAY BE CHARGED A REASONABLE COST FOR PHOTOCOPYING THE EXHIBITS.

ALL REQUESTS MAY BE SENT TO THE FOLLOWING ADDRESS:

**THE CORPORATE SECRETARY**  
**SPC POWER CORPORATION**  
7<sup>TH</sup> FLOOR, BDO TOWERS PASEO (*FORMERLY CITIBANK CENTER*)  
8741 PASEO DE ROXAS, MAKATI CITY  
1226 PHILIPPINES

[info@spcpower.com](mailto:info@spcpower.com)  
cc: [mraguinaldo@spcpower.com](mailto:mraguinaldo@spcpower.com)

ATTENTION: MISHELLE ANNE R. RUBIO-AGUINALDO  
Assistant Corporate Secretary

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete, and correct. This report is signed in the City of Makati on June 24, 2022.

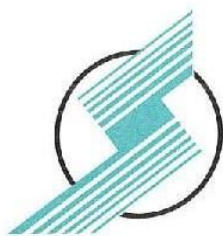
**SPC POWER CORPORATION**  
**Issuer**

  
**MISHELLE ANNE R. RUBIO-AGUINALDO**  
Assistant Corporate Secretary

## ATTACHMENT 1

| Article  | Reason  | Proposed Amendment  |
|--|---|---|
| <p><b><u>Article II, Section 3, By-Laws</u></b></p> <p>Section 3. Special Meetings. – Special meetings of the stockholders may be called at the office of the Corporation by resolution of the Board of Directors, upon request of the <b>stockholders representing one-third (1/3) or more</b> of the fully paid-up capital stock, or by the President.</p>   | <p><b><u>SEC Memorandum Circular No. 7, series of 2021</u></b></p> <p>Special meetings of the stockholders may be called by any number of shareholders of a corporation (“Qualifying Shareholders”) who hold <b>at least ten percent (10%) or more</b> of the outstanding capital stock (“Qualifying Shares”) subject to the guidelines set under Section 49 of the RCC and other relevant regulations. The Special Stockholders’ Meeting may be done physically or remotely through allowable means of remote communication.</p> | <p><b><u>Article II, Section 3</u></b></p> <p><b><u>Subject to the conditions under SEC Memorandum Circular No. 7, series of 2021, Sec. 49 of the Revised Corporation Code, and other relevant regulations,</u></b> special meetings may be called by resolution of the Board of Directors, upon request of <b><u>any number of shareholders who hold at least ten percent (10%) or more of the outstanding capital stock,</u></b> or by the President.</p>   |
| <p><b><u>Article II, Section 4</u></b></p> <p>Section 4. Notices. Notices of every regular or special meeting of shareholders shall be made or cause to be made by the Secretary by personal delivery, mail, facsimile or cable to each stockholder of record at the address stated in the books of the Corporation <b>not less than 15 business days</b> prior to the date of any such meeting. xxx</p>   | <p><b><u>SEC Memorandum Circular No. 3, Series of 2020</u></b></p> <p>1) Written notice of regular meetings shall be sent to all stockholders/members of record <b>at least twenty-one (21) calendar days</b> prior to the date of the regular meeting.</p>   | <p><b><u>Article II, Section 4</u></b></p> <p>Section 4. Notices. Notices of every regular or special meeting of shareholders shall be made or cause to be made by the Secretary by personal delivery, mail, facsimile, cable, <b><u>messaging service, or electronic mail</u></b> to each stockholder of record at the address stated in the books of the Corporation <b><u>at least twenty-one (21) calendar days</u></b> prior to the date of such meeting. xxx</p>  |
| <p><b><u>Article II, Section 2</u></b></p> <p>The annual meeting of the stockholders shall be held during the month of April of each year, on such date, time and place as the Board may designate. If the Board fails to designate such date on or before March 15, then the Annual Meeting shall be held on the last Monday of April at 10:00 o’clock in the morning, at the principal office of the Corporation, unless the date be a holiday, in which event the meeting shall be held at the same hour and place on the next succeeding day which is not a holiday.</p> | <p><i>To ensure timely compliance with the reportorial requirements of government agencies and the reglementary periods required by the SEC and PSE for PLCs</i></p>  | <p><b><u>Article II, Section 2</u></b></p> <p>The annual meeting of the stockholders shall be held during the month of <b><u>May</u></b> of each year, on such date, time and place as the Board may designate. <del>If the Board fails to designate such date on or before March 15, then the Annual Meeting shall be held on the last Monday of April at 10:00 o’clock in the morning, at the principal office of the Corporation, unless the date be a holiday, in which event the meeting shall be held at the same hour and place on the next succeeding day which is not a holiday.</del></p> |

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| <p><b><u>Article III, Section 7</u></b></p> <p>Section 7. Voting Requirement. – xxx</p> <p>The following corporate acts require the affirmative vote of at least one director nominated by each Stockholder Group.</p> <p>xxx</p> <p>For purposes of these By-Laws, the term “Stockholder Group” means any shareholder which, individually or together with its Affiliates, directly or indirectly through one or more intermediaries, owns more than 25% of the total outstanding capital stock of the Corporation. xxx”</p> | <p><b><u>Sec. 52, RCC</u></b></p> <p>Sec. 52 - Unless the articles of incorporation or the by-laws provides for a greater majority, a majority of the directors as stated in the articles of incorporation shall constitute a quorum to transact corporate business, and every decision reached by at least a majority of the directors constituting a quorum, except for the election of officers which shall require the vote of a majority of all the members of the board, shall be valid as a corporate act.</p> <p><b><i>From SEC-CGFD:</i></b></p> <p>From the aforementioned provision (Article III, Sec. 7, By-Laws), it can be gleaned that <b>the decision of the majority of the quorum absent the affirmative vote of a director nominated by the Stockholder Group would prevent the approval of certain corporate acts.</b></p> | <p><b><u>Article III, Section 7</u></b></p> <p>Section 7. Voting Requirement. – <b><u>Unless the articles of incorporation or the by-laws provides for a greater majority, a majority of the directors as stated in the articles of incorporation shall constitute a quorum to transact corporate business, and every decision reached by at least a majority of the directors constituting a quorum, except for the election of officers which shall require the vote of a majority of all the members of the board, shall be valid as a corporate act.</u></b></p>  |
| <p><b><u>Article II, Section 7</u></b></p> <p>Section 7. Voting Requirements. – At each meeting of the SH, every SH shall be entitled to vote, in person or by proxy, each share of stock held by him. A majority of the quorum shall decide any matters that may come before the meeting, unless a greater number is required by law and except as provided below for which the <b>affirmative vote of SH holding at least 70% of the entire issued and outstanding capital stock</b> shall be required.</p>                 | <p><b><u>Section 4.01 Actions requiring Special Shareholders’ Approval, ARSA</u></b></p> <p>xxx affirmative vote of shareholders owning or representing <b>at least 66<sup>2</sup>/3% of the Outstanding Common Shares.</b></p>  | <p><b><u>Article II, Section 7</u></b></p> <p>Section 7. Voting Requirements. – At each meeting of the SH, every SH shall be entitled to vote, in person or by proxy, each share of stock held by him. A majority of the quorum shall decide any matters that may come before the meeting, unless a greater number is required by law and except as provided below, for which the affirmative vote of <b><u>shareholders owning or representing at least 66<sup>2</sup>/3% of the Outstanding Common Shares</u></b> <del>stockholders holding at least 70% of the entire issued and outstanding capital stock</del> shall be required:</p> <p>xxx</p> |



### ASSENT FORM

For the purpose of amending the following provisions of the By Laws undersigned hereby votes as follows:

| Proposed Amendment  | Vote  |
|---|---|
| <b>Article II, Section 3</b><br>Subject to the conditions under SEC Memorandum Circular No. 7, series of 2021, Sec. 49 of the Revised Corporation Code, and other relevant regulations, special meetings may be called by resolution of the Board of Directors, upon request of <u>any number of shareholders who hold at least ten percent (10%) or more of the outstanding capital stock</u> , or by the President.   | <input type="checkbox"/> <b>In favor</b> of the proposed amendment<br><input type="checkbox"/> <b>Not In favor</b> of the proposed amendment<br><input type="checkbox"/> <b>Abstain</b> |
| <b>Article II, Section 4</b><br>Section 4. Notices. Notices of every regular or special meeting of shareholders shall be made or cause to be made by the Secretary by personal delivery, mail, facsimile, cable, <u>messaging service, or electronic mail</u> to each stockholder of record at the address stated in the books of the Corporation at <u>least twenty-one (21) calendar days</u> prior to the date of such meeting. Xxx  | <input type="checkbox"/> <b>In favor</b> of the proposed amendment<br><input type="checkbox"/> <b>Not In favor</b> of the proposed amendment<br><input type="checkbox"/> <b>Abstain</b> |
| <b>Article II, Section 2</b><br>The annual meeting of the stockholders shall be held during the month of <u>May</u> of each year, on such date, time and place as the Board may designate.  | <input type="checkbox"/> <b>In favor</b> of the proposed amendment<br><input type="checkbox"/> <b>Not In favor</b> of the proposed amendment<br><input type="checkbox"/> <b>Abstain</b> |
| <b>Article III, Section 7</b><br>Section 7. Voting Requirement. – <u>Unless the articles of incorporation or the by-laws provides for a greater majority, a majority of the directors as stated in the articles of incorporation shall constitute a quorum to transact corporate business, and every decision reached by at least a majority of the directors constituting a quorum, except for the election of officers which shall require the vote of a majority of all the members of the board, shall be valid as a corporate act.</u> | <input type="checkbox"/> <b>In favor</b> of the proposed amendment<br><input type="checkbox"/> <b>Not In favor</b> of the proposed amendment<br><input type="checkbox"/> <b>Abstain</b> |
| <b>Article II, Section 7</b><br>Section 7. Voting Requirements. – At each meeting of the SH, every SH shall be entitled to vote, in person or by proxy, each share of stock held by him. A majority of the quorum shall decide any matters that may come before the meeting, unless a greater number is required by law and except as provided below, for which the affirmative vote of <u>shareholders owning or representing at least 66<sup>2</sup>/<sub>3</sub>% of the Outstanding Common Shares</u> shall be required: xxx            | <input type="checkbox"/> <b>In favor</b> of the proposed amendment<br><input type="checkbox"/> <b>Not In favor</b> of the proposed amendment<br><input type="checkbox"/> <b>Abstain</b> |

No. of shares held: \_\_\_\_\_

Name and Signature of Stockholder \_\_\_\_\_

Date: \_\_\_\_\_

# COVER SHEET

for  
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

A S 9 4 0 0 2 3 6 5

## COMPANY NAME

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

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

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

Form Type

A A P F S

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

## COMPANY INFORMATION

Company's Email Address

www.spcpowergroup.com

Company's Telephone Number

(032) 232 0377

Mobile Number

N/A

No. of Stockholders

808

Annual Meeting (Month / Day)

05/31

Fiscal Year (Month / Day)

12/31

## CONTACT PERSON INFORMATION

The designated contact person **MUST** be an Officer of the Corporation

Name of Contact Person

Jaime M. Balisacan

Email Address

jmbalisacan@spcpower.com

Telephone Number/s

(032) 232 0377

Mobile Number

(0917) 323 1469

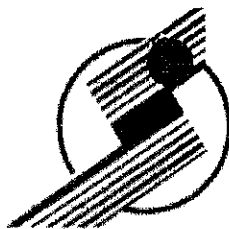
## CONTACT PERSON'S ADDRESS

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

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

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





# SPC Power Corporation

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

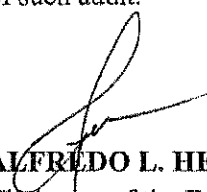
The Management of **SPC POWER CORPORATION** (the Parent Company) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

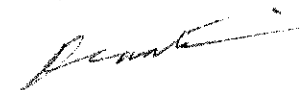
In preparing the financial statements, management is responsible for assessing the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Parent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


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

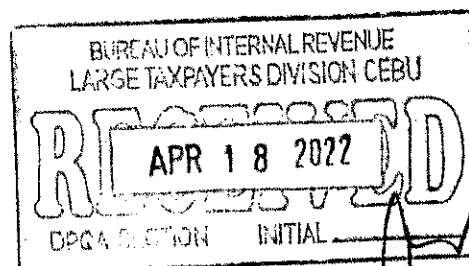
The Board of Directors reviews and approves the financial statements including the schedules attached therein and submits the same to the stockholders.

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

  
**ALFREDO L. HENARES**  
Chairman of the Board

  
**DENNIS T. VILLAREAL**  
Chief Executive Officer/President

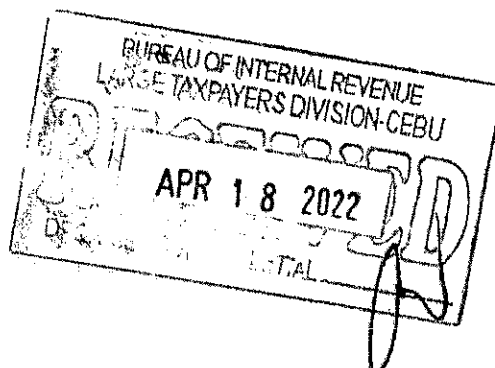
  
**JAIME M. BALISACAN**  
Treasurer/Senior Vice President – Finance and Administration



Signed this 6th day of April 2022.

## INDEPENDENT AUDITOR'S REPORT

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



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

#### Opinion

We have audited the parent company financial statements of SPC Power Corporation (Parent Company), which comprise the parent company statements of financial position as at December 31, 2021 and 2020, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for each of the three years in the period ended December 31, 2021, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2021, in accordance with Philippine Financial Reporting Standards (PFRSs).

#### Basis for Opinion

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

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

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



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

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

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

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

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

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



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

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

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

Our audits were conducted for the purpose of forming an opinion on the parent company financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 27 to the parent company financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of SPC Power Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

SYCIP GORRES VELAYO & CO.



Alvin M. Pinpin

Partner

CPA Certificate No. 94303

Tax Identification No. 198-819-157

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

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

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

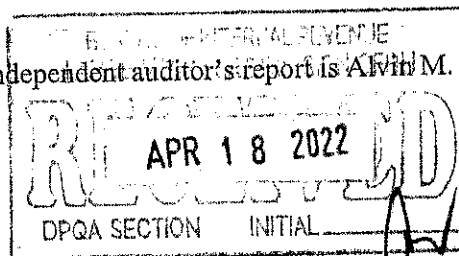
SEC Firm Accreditation No. 0001-SEC (Group A)

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

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

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

April 6, 2022



# SPC POWER CORPORATION

## PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

|  | December 31           |                       |
|--|-----------------------|-----------------------|
|  | 2021                  | 2020                  |
| <b>ASSETS</b>  |                       |                       |
| <b>Current Assets</b>  |                       |                       |
| Cash and cash equivalents (Note 6)   | P2,624,510,564        | P3,430,227,581        |
| Trade and other receivables (Note 7)   | 199,048,237           | 76,123,926            |
| Materials and supplies (Note 8)  | 80,187,197            | 70,323,977            |
| Prepayments and other current assets (Note 9)  | 19,919,705            | 13,765,721            |
| <b>Total Current Assets</b>  | <b>2,923,665,703</b>  | <b>3,590,441,205</b>  |
| <b>Noncurrent Assets</b>   |                       |                       |
| Investments in associates (Note 10)  | 2,852,465,368         | 2,852,465,368         |
| Investments in subsidiaries (Note 11)  | 341,177,829           | 341,177,829           |
| Property, plant and equipment (Note 12)  | 399,897,935           | 418,667,864           |
| Other noncurrent assets (Notes 13 and 25)  | 33,934,498            | 23,256,042            |
| <b>Total Noncurrent Assets</b>   | <b>3,627,475,630</b>  | <b>3,635,567,103</b>  |
| <b>TOTAL ASSETS</b>  | <b>P6,551,141,333</b> | <b>P7,226,008,308</b> |
| <b>LIABILITIES AND EQUITY</b>  |                       |                       |
| <b>Current Liabilities</b>   |                       |                       |
| Trade and other payables (Note 14)   | P158,822,953          | P85,170,098           |
| Income tax payable   | 6,878,630             | 11,983,890            |
| Lease liabilities (Note 23)  | 2,662,317             | 4,427,756             |
| <b>Total Current Liabilities</b>   | <b>168,363,900</b>    | <b>101,581,744</b>    |
| <b>Noncurrent Liability</b>  |                       |                       |
| Pension liability (Note 21)  | 8,490,874             | 1,336,800             |
| <b>Total Liabilities</b>   | <b>176,854,774</b>    | <b>102,918,544</b>    |
| <b>Equity</b>  |                       |                       |
| Capital stock - P1 par value (Note 15)   |                       |                       |
| Authorized - 2,000,000,000 shares  |                       |                       |
| Issued - 1,569,491,900 shares  | 1,569,491,900         | 1,569,491,900         |
| Additional paid-in capital   | 86,810,752            | 86,810,752            |
| Retained earnings (Note 15):   |                       |                       |
| Appropriated for future expansion projects   | 1,800,000,000         | 1,800,000,000         |
| Unappropriated   | 3,044,861,443         | 3,789,122,453         |
| Other comprehensive income:  |                       |                       |
| Remeasurement of employee benefits (Note 21)   | (2,219,362)           | 2,922,833             |
| Net unrealized valuation gains on financial asset at fair value through other comprehensive income (FVOCI) (Note 13) | 6,350,000             | 5,750,000             |
| Treasury stock at cost - 72,940,097 shares (Note 15)   | (131,008,174)         | (131,008,174)         |
| <b>Total Equity</b>  | <b>6,374,286,559</b>  | <b>7,123,089,764</b>  |
| <b>TOTAL LIABILITIES AND EQUITY</b>  | <b>P6,551,141,333</b> | <b>P7,226,008,308</b> |

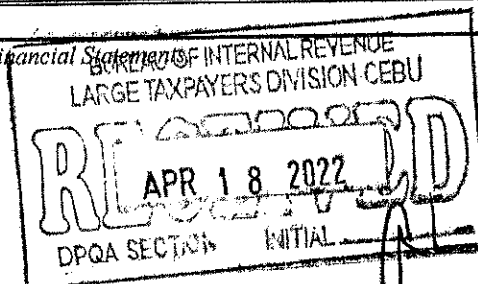
See accompanying Notes to Parent Company Financial Statements.



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

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

See accompanying Notes to Parent Company Financial Statements



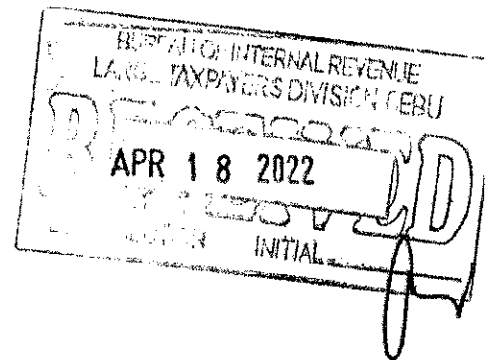
# SPC POWER CORPORATION

## PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

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

|                                     | Retained Earnings (Note 15) |                                  |                 |                 |   | Other Comprehensive Income (Loss)      |            |                |                 |
|-------------------------------------|-----------------------------|----------------------------------|-----------------|-----------------|---|--|------------|----------------|-----------------|
|                                     | Net Unrealized              |                                  |                 |                 |   | Valuation Gains                        |            |                |                 |
|                                     | Assets at                   |                                  |                 |                 |   | FVOCI                                  |            |                |                 |
|                                     | Capital Stock<br>(Note 15)  | Additional<br>Paid-in<br>Capital | Appropriated    | Unappropriated  | Remeasurement<br>of Employee<br>Benefits<br>(Note 21) | Treasury<br>Stock at Cost<br>(Note 15) |            |                | Total           |
| At January 1, 2021                  | ₱1,569,491,900              | ₱86,810,752                      | ₱1,800,000,000  | ₱3,789,122,453  | ₱2,922,833  | (₱131,008,174)                         | ₱5,750,000 | (₱131,008,174) | ₱7,123,089,764  |
| Total comprehensive income          | -                           | -                                | -               | 1,575,394,285   | (5,142,195)   | -                                      | 600,000    | -              | 1,570,852,090   |
| Cash dividends (Note 15)            | -                           | -                                | -               | (2,319,655,295) | -   | -                                      | -          | -              | (2,319,655,295) |
| At December 31, 2021                | ₱1,569,491,900              | ₱86,810,752                      | ₱1,800,000,000  | ₱3,044,861,443  | (₱2,219,362)  | (₱131,008,174)                         | ₱6,350,000 | (₱131,008,174) | ₱6,374,286,559  |
| At January 1, 2020                  | ₱1,569,491,900              | ₱86,810,752                      | ₱2,800,000,000  | ₱2,138,966,296  | ₱954,844  | (₱131,008,174)                         | ₱5,650,000 | (₱131,008,174) | ₱6,470,865,618  |
| Total comprehensive income          | -                           | -                                | -               | 1,847,397,599   | 1,967,989   | -                                      | 100,000    | -              | 1,849,465,588   |
| Reversal of appropriation (Note 15) | -                           | -                                | (1,000,000,000) | 1,000,000,000   | -   | -                                      | -          | -              | -               |
| Cash dividends (Note 15)            | -                           | -                                | -               | (1,197,241,442) | -   | -                                      | -          | -              | (1,197,241,442) |
| At December 31, 2020                | ₱1,569,491,900              | ₱86,810,752                      | ₱1,800,000,000  | ₱3,789,122,453  | ₱2,922,833  | (₱131,008,174)                         | ₱5,750,000 | (₱131,008,174) | ₱7,123,089,764  |
| At January 1, 2019                  | ₱1,569,491,900              | ₱86,810,752                      | ₱1,500,000,000  | ₱3,251,244,958  | ₱3,292,553  | (₱131,008,174)                         | ₱4,850,000 | (₱131,008,174) | ₱6,284,681,989  |
| Total comprehensive income          | -                           | -                                | -               | 1,833,928,321   | (2,337,709)   | -                                      | 800,000    | -              | 1,832,390,612   |
| Appropriation (Note 15)             | -                           | -                                | 2,300,000,000   | (2,300,000,000) | -   | -                                      | -          | -              | -               |
| Reversal of appropriation (Note 15) | -                           | -                                | (1,000,000,000) | 1,000,000,000   | -   | -                                      | -          | -              | -               |
| Cash dividends (Note 15)            | -                           | -                                | -               | (1,646,206,983) | -   | -                                      | -          | -              | (1,646,206,983) |
| At December 31, 2019                | ₱1,569,491,900              | ₱86,810,752                      | ₱2,800,000,000  | ₱2,138,966,296  | ₱954,844  | (₱131,008,174)                         | ₱5,650,000 | (₱131,008,174) | ₱6,470,865,618  |

See accompanying Notes to Parent Company Financial Statements.



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

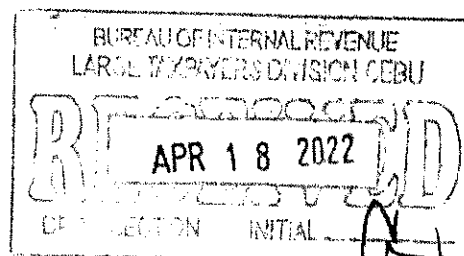
|   | Years Ended December 31 |                 |                 |
|---|-------------------------|-----------------|-----------------|
|   | 2021                    | 2020            | 2019            |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                         |                 |                 |
| Income before income tax  | ₱1,603,075,786          | ₱1,896,274,646  | ₱1,869,403,084  |
| Adjustments to reconcile income before income tax to net cash flows:                                    |                         |                 |                 |
| Dividend income (Notes 5, 10 and 11)  | (1,505,777,276)         | (1,720,729,579) | (1,782,586,723) |
| Interest income (Note 6)  | (31,621,618)            | (47,362,989)    | (89,347,432)    |
| Depreciation and amortization (Notes 12 and 19)   | 41,506,177              | 40,720,148      | 36,544,512      |
| Net changes in pension liability (Note 21)  | 2,011,879               | 2,228,479       | 146,528         |
| Unrealized foreign exchange loss (gain)   | (1,474,738)             | (396,648)       | 930,797         |
| Interest expense (Notes 23 and 24)  | 112,059                 | 370,931         | 680,963         |
| Loss (gain) on disposal of assets (Note 12)   | (71,429)                | (107,143)       | 7,257,697       |
| Operating income before working capital changes   | 107,760,840             | 170,997,845     | 43,029,426      |
| Decrease (increase) in:   |                         |                 |                 |
| Trade and other receivables   | (38,435,651)            | (520,729)       | 337,308,509     |
| Materials and supplies  | (9,863,220)             | (12,295,365)    | (1,544,317)     |
| Prepayments and other current assets  | (6,153,984)             | 24,794,504      | 9,547,900       |
| Increase (decrease) in trade and other payables   | 73,664,894              | (8,455,099)     | 25,526,463      |
| Net cash generated from operations  | 126,972,879             | 174,521,156     | 413,867,981     |
| Income taxes paid   | (32,786,761)            | (51,810,215)    | (25,129,002)    |
| Interest received   | 31,621,618              | 47,362,989      | 89,347,432      |
| Interest paid (Notes 23 and 24)   | (112,059)               | (370,931)       | (680,963)       |
| Net cash flows from operating activities  | 125,695,677             | 169,702,999     | 477,405,448     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                         |                 |                 |
| Cash dividends received (Notes 5, 10 and 11)  | 1,421,288,616           | 1,720,729,579   | 1,782,586,723   |
| Additions to property, plant and equipment (Note 12)  | (22,140,036)            | (9,284,043)     | (63,247,565)    |
| Cash inflows (outflows) arising from advances to suppliers and contractors and others (Notes 13 and 25) | (10,686,707)            | 5,992,020       | (12,213,959)    |
| Proceeds from disposal of property and equipment (Note 12)  | 71,429                  | 107,143         | 7,142,858       |
| Net cash flows from investing activities  | 1,388,533,302           | 1,717,544,699   | 1,714,268,057   |

(Forward)



|   | Years Ended December 31 |                  |                  |
|---|-------------------------|------------------|------------------|
|   | 2021                    | 2020             | 2019             |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                         |                         |                  |                  |
| Cash dividends paid (Note 15)                                       | (P2,319,655,295)        | (P1,197,241,442) | (P1,646,206,983) |
| Payment of principal portion of lease liabilities (Note 24)         | (1,765,439)             | (4,074,526)      | (2,024,615)      |
| Cash flows used in financing activities                             | (2,321,420,734)         | (1,201,315,968)  | (1,648,231,598)  |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>         | (807,191,755)           | 685,931,730      | 543,441,907      |
| <b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b> | 1,474,738               | 396,648          | (930,797)        |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>               | 3,430,227,581           | 2,743,899,203    | 2,201,388,093    |
| <b>CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)</b>            | P2,624,510,564          | P3,430,227,581   | P2,743,899,203   |

See accompanying Notes to Parent Company Financial Statements.



## SPC POWER CORPORATION

### NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

#### 1. Corporate Information

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

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

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

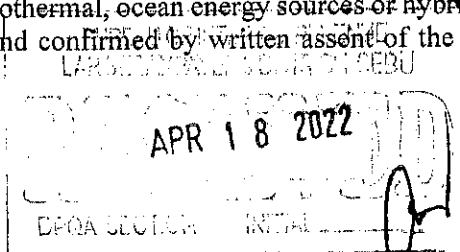
In resolutions dated September 28, 2001, the Board of Directors (BOD) and Stockholders amended the primary purposes for which the Parent Company is formed. Together with its subsidiaries and associates, it is engaged in various business activities within the Philippines that include, among others, the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

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

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

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

On July 29, 2021 the Parent Company's Board of Directors approved to amend the Company's Articles of Incorporation in order to engage in the business of renewable energy including the exploration, development and utilization of renewable energy resources, such as but not limited to biomass, solar, wind, hydro, geothermal, ocean energy sources or hybrid systems. The amendments were subsequently approved and confirmed by written assent of the stockholders representing at



least 2/3 of the outstanding capital stock of the Parent Company. As of report date, the SEC has yet to approve such an amendment.

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

The financial statements of the Parent Company were authorized for issue by the BOD on April 6, 2022.

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

### Basis of Preparation

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

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

### Statement of Compliance

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

### Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and revised standards and Philippine Interpretations which were applied starting January 1, 2021. The Parent Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, the adoption did not have any significant impact on the financial statements of the Parent Company.

#### *Effective January 1, 2021*

- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, Interest Rate Benchmark Reform - Phase 2

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

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



The Parent Company shall also disclose information about:

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

The Parent Company adopted the amendments beginning January 1, 2021 and did not have any impact on the financial statements.

*Effective April 1, 2021*

- Amendments to PFRS 16, COVID-19-related Rent Concessions beyond June 30, 2021

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

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- There is no substantive change to other terms and conditions of the lease.

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

The amendments are effective for annual reporting periods beginning on or after April 1, 2021. Earlier application is permitted.

The Parent Company adopted the amendment beginning April 1, 2021 and the adoption of these amendments did not have any impact on the financial statements.

New Standards and Interpretation Issued and Effective after December 31, 2021

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

*Effective beginning on or after January 1, 2022*

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

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.



At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively. The Parent Company is currently assessing the impact of the amendment in light of the subsequent events discussed in Note 26.

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

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

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

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

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

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

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

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

▪ *Annual Improvements to PFRSs 2018-2020 Cycle*

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

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



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

- Amendments to PFRS 9, Fees in the '10 per cent' Test for Derecognition of Financial Liabilities

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

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Parent Company will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

- Amendments to PAS 41, *Agriculture*, Taxation in Fair Value Measurements

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

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

The amendments are not expected to have any impact on the financial statements of the Parent Company since it is not engaged in the agricultural business.

*Effective beginning on or after January 1, 2023*

- Amendments to PAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).



An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

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

- Amendments to PAS 8, Definition of Accounting Estimates

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have any impact on the financial statements of the Parent Company.

- Amendments to PAS 1 and PFRS Practice Statement 2, Disclosure of Accounting Policies

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The Parent Company is currently assessing the impact of the amendments.

*Effective beginning on or after January 1, 2024*

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

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

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



The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Parent Company will continue to assess the impact the amendments will have on the financial statements.

*Effective beginning on or after January 1, 2025*

▪ *PFRS 17, Insurance Contracts*

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

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

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

On December 15, 2021, the Financial Reporting Standards Council amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted. This amendment does not have an impact on the financial statements of the Parent Company.

*Deferred effectivity*

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

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



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

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

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### 3. Summary of Significant Accounting Policies

#### Cash and Cash Equivalents

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

#### Financial Instruments - Classification and Measurement

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

- Financial assets measured at amortized cost;
- Financial assets measured at fair value through profit or loss (FVPL);
- Financial assets measured at FVOCI, where cumulative gains or losses previously recognized are reclassified to profit or loss;
- Financial assets measured at FVOCI, where cumulative gains or losses previously recognized are not reclassified to profit or loss.

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

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

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



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

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

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

As at December 31, 2021 and 2020, the Parent Company has financial assets at amortized cost consisting of cash and cash equivalents and trade and other receivables (see Notes 5, 6 and 7).

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

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

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

As at December 31, 2021 and 2020, the Parent Company does not have equity instruments at FVPL.

*Financial Assets at FVOCI.* A financial asset is measured at FVOCI if (a) it is held within a business model for which the objective is achieved by both collecting contractual cash flows and selling financial assets and (b) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other



comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the expected credit loss (ECL) model.

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

Dividends are recognized in profit or loss only when:

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

As at December 31, 2021 and 2020, the Parent Company's financial assets at FVOCI includes proprietary golf club shares recorded as part of "Other noncurrent assets" (see Notes 13 and 22).

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

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

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

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

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

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



#### Impairment of Financial Assets

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

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

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

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

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

- *Stage 1: 12-month ECL.* For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.
- *Stage 2: Lifetime ECL - not credit-impaired.* For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.
- *Stage 3: Lifetime ECL - credit-impaired.* Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

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

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

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



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

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

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

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

#### Offsetting Financial Instruments

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

#### Derecognition of Financial Assets and Liabilities

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

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

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



#### Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

#### Materials and Supplies

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



Value-added Tax (VAT)

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

Investments in Associates and Subsidiaries

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

Property, Plant and Equipment

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

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

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

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

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



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

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

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

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

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

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

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

#### Impairment of Nonfinancial Assets

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



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

### Equity

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

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

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

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

### 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.

