

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

	2022	2021	2020
Current assets	₱3,648,061,247	₱3,295,642,541	₱3,330,256,923
Noncurrent assets	8,134,819,864	8,767,282,343	9,436,490,867
Current liabilities	1,079,104,218	849,143,657	770,666,454
Noncurrent liabilities	169,135,312	170,367,207	170,395,823
Equity	10,534,641,581	11,043,414,020	11,825,685,513
Revenue	₱10,685,730,574	₱7,401,904,359	₱7,757,801,584
Gross profit	2,954,375,631	2,789,999,501	4,000,394,743
Net income	1,895,967,997	1,781,078,822	2,782,970,368
Other comprehensive income (loss)	6,943,469	3,649,551	(3,208,956)
Total comprehensive income	1,902,911,466	1,784,728,373	2,779,761,412
Group's share in net income	758,387,199	712,431,529	1,113,188,147
Carrying amount of the investment	4,213,856,632	4,417,365,608	4,730,274,205
Dividends received from KEPCO SPC	964,673,562	1,026,799,946	1,357,016,938

KEPCO SPC declared and paid cash dividends to the Parent Company amounting to ₱964.7 million, ₱1,026.8 million and ₱1,357.0 million in 2022, 2021 and 2020, respectively (see Note 5).

As of December 31, 2022, 2021 and 2020, the Group's share in the net assets of KEPCO SPC approximates the carrying value of its investment amounting to ₱4,213.9 million, ₱4,417.4 million and ₱4,730.3 million, respectively.

MECO

MECO is a distribution utility granted by the NEC under Presidential Decree No. 269, a franchise for 25 years from October 10, 1991 to engage in, conduct and carry on the business of generating, buying and selling electric light, heat and power for sale within the limits of the City of Lapu-Lapu and the Municipality of Cordova, Cebu until October 9, 2016. On July 17, 2016, MECO was granted a renewal of its franchise for another 25 years.

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

	2022	2021	2020
Current assets	₱3,272,422,195	₱3,003,015,589	₱2,662,925,520
Noncurrent assets	3,737,587,700	3,643,168,379	3,750,638,131
Current liabilities	1,056,351,577	1,107,062,700	893,738,932
Noncurrent liabilities	2,506,399,191	2,392,848,077	2,435,659,445
Equity	3,447,259,127	3,146,273,191	3,084,165,274
Revaluation increment on property, plant and equipment, and others (adjusted at consolidated level following the Group's policy of cost model)	401,016,994	426,828,555	452,934,191
Revenue	7,524,368,045	5,738,323,076	5,251,432,323
Gross profit	214,305,875	375,379,894	343,303,728

(Forward)



	2022	2021	2020
Net income	₱383,002,350	₱310,601,812	₱316,420,385
Other comprehensive income	9,379,733	32,020,078	5,954,400
Net income after adjustment of depreciation on appraisal increase and others	417,417,764	340,635,858	337,637,835
Group's share in net income after adjustment of depreciation on appraisal increase and others	166,967,106	155,418,367	135,055,134
Carrying amount of the investment	1,218,496,853	1,087,777,988	1,052,492,433
Dividends received from MECO	39,999,956	119,999,867	23,999,973

MECO declared and paid cash dividends to the Parent Company amounting to ₱40 million, ₱120.0 million and ₱24.0 million in 2022, 2021 and 2020, respectively (see Note 5).

As of December 31, 2022, 2021 and 2020, the Group's share in the net assets of MECO approximates the carrying value of its investment amounting to ₱1,218.5 million, ₱1,087.8 million and ₱1,052.5 million, respectively.

SWRI

SWRI is incorporated to engage in the business of providing water services for the operation, maintenance, refurbishment and expansion of power production and electrical generating facilities, including supply of water for the operation of said facilities.

9. Inventories

	2022	2021
On hand:		
Fuel	₱208,404,577	₱138,628,452
Materials and supplies	256,874,983	250,647,569
In transit	2,267,821	543,347
	₱467,547,381	₱389,819,368

Inventories are carried at the lower of cost and NRV as of December 31, 2022 and 2021. This includes fuel, lubricants, chemicals, spare parts, supplies and other consumables used in the operations, repairs and maintenance of the power generation and utility plants, property and equipment.

Inventories charged to "Cost of operations" amounted to ₱1,817.7 million, ₱799.7 million and ₱349.3 million in 2022, 2021 and 2020, respectively, in the consolidated statements of comprehensive income (see Note 19).



10. Prepayments and Other Current Assets

	2022	2021
Input VAT	₱51,525,280	₱34,251,587
Prepaid income tax	25,206,340	18,004,868
Prepaid real property tax	7,429,242	7,452,788
Prepaid insurance	7,370,515	6,909,339
Refundable deposits	5,600,081	5,856,301
Deferred input VAT	954,484	739,897
Prepaid rent	279,705	730,655
Others	2,566,020	2,361,907
	₱100,931,667	₱76,307,342



11. Property, Plant and Equipment

2022										
	Distribution Lines, Poles and Fixtures	Power Transformers, Switches and Devices	Plant Machinery and Equipment	Motor Vehicles	Structures	Furniture and Office Equipment	Land	Construction in Progress	Right-of-use Assets (see Note 30)	Total
Cost										
At January 1	P233,500,836	P213,554,305	P1,061,657,315	P42,932,431	P66,485,459	P32,000,351	P87,472,343	P9,230,467	P5,651,294	P1,752,484,801
Additions	14,100,309	7,425,406	14,063,017	117,342	—	944,244	—	37,224,833	12,252,170	86,126,521
Retirements	—	—	(14,487,643)	—	—	(139,571)	—	—	—	(14,627,214)
At December 31	247,601,145	220,979,711	1,061,232,689	43,049,773	66,485,459	32,805,024	87,472,343	46,454,500	17,903,464	1,823,984,108
Accumulated Depreciation and Impairment										
At January 1	144,136,141	135,435,508	632,940,985	29,617,683	49,820,641	27,732,125	—	—	1,035,816	1,020,718,899
Depreciation (see Note 22)	10,922,079	10,970,316	51,061,898	4,290,732	2,419,482	1,939,565	—	—	1,570,489	83,174,561
Retirements	—	—	(14,487,643)	—	—	(139,571)	—	—	—	(14,627,214)
At December 31	155,058,220	146,405,824	669,515,240	33,908,415	52,240,123	29,532,119	—	—	2,606,305	1,089,266,246
Net Book Value	P92,542,925	P74,573,887	P391,717,449	P9,141,358	P14,245,336	P3,272,905	P87,472,343	P46,454,500	P15,297,159	P734,717,862
2021										
	Distribution Lines, Poles and Fixtures	Power Transformers, Switches and Devices	Plant Machinery and Equipment	Motor Vehicles	Structures	Furniture and Office Equipment	Land	Construction in Progress	Right-of-use Assets (see Note 30)	Total
Cost										
At January 1	P227,439,015	P204,662,206	P1,035,269,259	P43,507,265	P65,778,740	P30,557,018	P73,905,897	P2,757,018	P16,420,635	P1,700,297,053
Additions	11,921,557	8,892,099	26,388,056	1,325,223	706,719	1,503,531	13,566,446	6,473,449	—	70,777,080
Transfers	—	—	—	—	—	—	—	—	—	—
Retirements	(5,859,736)	—	—	(1,900,057)	—	(60,198)	—	—	(10,769,341)	(18,589,332)
At December 31	233,500,836	213,554,305	1,061,657,315	42,932,431	66,485,459	32,000,351	87,472,343	9,230,467	5,651,294	1,752,484,801
Accumulated Depreciation and Impairment										
At January 1	138,087,588	124,916,669	581,014,921	26,373,878	47,228,920	25,695,428	—	—	7,296,266	950,613,670
Depreciation (see Note 22)	10,190,448	10,518,839	51,926,064	5,143,859	2,591,721	2,084,857	—	—	3,432,945	85,888,733
Retirements	(4,141,895)	—	—	(1,900,054)	—	(48,160)	—	—	(9,693,395)	(15,783,504)
At December 31	144,136,141	135,435,508	632,940,985	29,617,683	49,820,641	27,732,125	—	—	1,035,816	1,020,718,899
Net Book Value	P89,364,695	P78,118,797	P428,716,330	P13,314,748	P16,664,818	P4,268,226	P87,472,343	P9,230,467	P4,615,478	P731,765,902



The Group has no purchase commitments as of December 31, 2022 and 2021.

The Group recognized casualty losses on its distribution lines, poles and fixtures amounting to ₱2.1 million as a result of typhoon Odette (see Note 20) in 2021.

12. Other Noncurrent Assets and Intangible Assets

Other noncurrent assets

	2022	2021
PSALM deferred adjustments (see Notes 7 and 29)	₱35,571,861	₱72,370,338
Investment in proprietary club share	13,000,000	8,000,000
Advances to suppliers and contractors	2,789,616	3,132,816
Others	23,427,732	26,436,139
	₱74,789,209	₱109,939,293

Current portion of PSALM deferred adjustments amounting to ₱36.8 million is presented under “Trade and other receivables” in the consolidated statements of financial position as of December 31, 2022 and 2021 (see Note 7).

In 2022, 2021 and 2020, the Group recognized “Unrealized valuation gain on financial asset at FVOCI” amounting to ₱5.0 million, ₱0.6 million and ₱0.1 million, respectively, in the consolidated statements of comprehensive income for its investment in proprietary club shares.

Others mainly represent deferred input taxes on capital goods and project development costs for future projects.

Intangible assets

	2022	2021
Software costs	₱1,824,755	₱2,433,006
Franchise	1,432,302	1,909,734
	₱3,257,057	₱4,342,740

The following table shows the movement of software costs:

	2022	2021
Acquisition Cost	₱6,082,514	₱6,082,514
Accumulated Amortization		
At January 1	3,649,508	3,041,257
Amortization (see Notes 20 and 22)	608,251	608,251
At December 31	4,257,759	3,649,508
Net Book Value	₱1,824,755	₱2,433,006



Franchise pertains to the costs incurred by BLCI to acquire the franchise to operate the Bohol Provincial Electric System and are amortized over 25 years. The following table shows the movement of franchise:

	2022	2021
Acquisition Cost	₱11,935,833	₱11,935,833
Accumulated Amortization		
At January 1	10,026,098	9,548,665
Amortization (see Notes 20 and 22)	477,433	477,433
At December 31	10,503,531	10,026,098
Net Book Value	₱1,432,302	₱1,909,735

13. Goodwill

Goodwill acquired through business combinations have been allocated to a single cash-generating unit comprising of the distribution business, which is a reportable segment. The recoverable amount of each unit has been determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period.

Carrying amount of goodwill related to BLCI amounted to ₱32.5 million as of December 31, 2022 and 2021. The goodwill is attributed to the expected synergies and other benefits from combining the assets of the distribution utility with those of the Group.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

- Interest rate used to discount the net cash flows from operations is BLCI's WACC of 14.97% as of December 31, 2022 and 2021 using the capital asset pricing model.
- Energy sold is projected at 4%-7% annual growth based on the actual average for 2022 and 2021, depending on the customer category.
- Operating expenses are projected to increase from 5% to 7% depending on the nature of expenses.
- The computation of terminal value assumes no growth in projected cash flows beyond five years.

Based on the impairment testing, management has determined that there is no impairment on goodwill in 2022 and 2021.

Sensitivity to Changes in Assumptions

With regard to the assessment of value-in-use of BLCI, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the goodwill to materially exceed its recoverable amount.



14. Trade and Other Payables

	2022	2021
Trade (see Note 24)	₱520,165,764	₱329,057,824
Nontrade (see Note 29)	197,864,151	168,704,830
Accrued expenses (see Note 15)	58,492,314	37,907,585
Due to related parties (see Note 5)	502,642	1,012,353
	₱777,024,871	₱536,682,592

Trade payables include purchases of goods and services that are noninterest-bearing and are normally settled on 30–60 days terms.

Nontrade payables include accrual for deferred output VAT of ₱138.7 million and ₱118.3 million as of December 31, 2022 and 2021, respectively; current portion of PSALM deferred adjustments of ₱36.8 million as of December 31, 2022 and 2021 (see Note 29); and various accounts with nontrade suppliers and contractors.

Accrued expenses include accrual of power cost, accrual of interest on customers' deposits and other statutory liabilities.

15. Customers' Deposits

	2022	2021
Bill deposits	₱121,794,122	₱115,381,160
Material deposits	69,784,927	71,395,237
	₱191,579,049	₱186,776,397

Bill Deposits

Bill deposits are obtained from customers and maintained at approximately equivalent to one month consumption principally as guarantee for any uncollected bills upon termination of the service contract. Under the Magna Carta for Residential Electricity Consumers (Magna Carta) as amended and Distribution Service and Open Access Rules (DSOAR) as amended, dated November 15, 2010 and February 22, 2010, respectively, bill deposits shall earn interest equivalent to the peso savings account interest rate of Land Bank of the Philippines or other government banks subject to the approval of the ERC and the same shall be credited yearly to the bills of the registered customer.

The Magna Carta and DSOAR also provide that bill deposits, together with accrued interests, shall be refunded within one month from the termination of the services if all bills have been paid. In addition to this, the customer who has paid his electric bills on or before its due date for three consecutive years may demand for the full refund of the deposit even prior to the termination of the service.

In cases where the customer has previously received the refund of his bill deposit pursuant to Article 7 of the Magna Carta, and later defaults in the payment of his monthly bills, the customer shall be required to post another bill deposit with the distribution utility and lose his right to avail of the right to refund his bill deposit in the future until termination of service. Failure to pay the required bill deposit shall be a ground for disconnection of electric service.



Material Deposits

Large load consumers applying for power connection may pay for the transformers and poles in advance. This is subject to a refund which can be applied as a reduction from the accounts of the consumers at 25% of the consumers' monthly billing for deposits prior to June 2010 and 75% of the consumers' monthly billing from June 2010 onwards until such amounts are fully refunded or for five years, whichever period is shorter.

Interest on Bill Deposits

The implementing guidelines of the Magna Carta provide that the interest rate then on meter deposits shall be at 6% for contracts of service entered into prior to the effectivity of the then Energy Regulatory Board (ERB) Resolution No. 95-21 issued on August 3, 1995. The ERB Resolution No. 95-21 was issued adopting a 10% interest on customers' deposits. Pursuant to the Magna Carta as amended, bill deposits shall earn interest equivalent to the peso savings account interest rate of Land Bank of the Philippines or other government banks subject to the approval of the ERC. In the case of non-residential customers, the DSOAR, as amended provides that BLCI shall pay interest on bill deposits at the rate equivalent to the peso savings account interest rate of Land Bank of the Philippines or other government banks subject to the approval of the ERC. Interest expense on bill deposits amounting to ₱.07 million in 2022 and ₱.1 million in 2021 and 2020, are presented as part of "Interest expense" in the consolidated statements of comprehensive income. Outstanding interest expense accrued on bill deposits amounted to ₱2.8 million as of December 31, 2022 and 2021 and are presented as part of "Accrued expenses" under "Trade and other payables" in the consolidated statements of financial position (see Note 14).

16. Asset Retirement Obligation

The Parent Company's subsidiary, SIPC, has obligations under the Environmental Compliance Certificate issued by the Department of Environment and Natural Resources to protect/enhance the environment and mitigate the plant's adverse impact on the environment and on the community's health and welfare by making available a fund to cover expenses for compensation of damages to life and property that may be caused by the plant's construction, operation and abandonment. In this regard, the Parent Company and SIPC established an obligation to recognize its estimated liability for asset retirement.

The movement of the asset retirement obligation follows:

	2022	2021
At January 1	₱89,721,893	₱85,475,665
Accretion of interest	4,580,977	4,246,228
At December 31	₱94,302,870	₱89,721,893

As of December 31, 2022 and 2021, the ARO recognized by the Group pertains only to PDPP of SIPC.

As of December 31, 2022, and 2021, estimates for SIPC's ARO are projected using inflation rates ranging from 2.6%–4.4% and discounted using a risk-free rate of 5.11%.

The actual dismantling and restoration cost could vary substantially from the above estimate because of new regulatory requirements, changes in technology, increased cost of labor, materials, and equipment and/or actual time required to complete all dismantling and removal activities.



17. Pension Liabilities

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

The Parent Company has a funded defined benefit pension plan covering substantially all of its employees which require contributions to be made to a separately administered fund, while SIPC and BLCI have unfunded, noncontributory, defined benefit pension plans covering substantially all of its regular and permanent employees.

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

The components of pension expense recognized under "Cost of operations" and "General and administrative" in the consolidated statements of comprehensive income follow (see Note 21):

	2022	2021
Current service cost	₱6,212,724	₱6,855,450
Interest cost on benefit obligation	1,639,166	1,431,738
	₱7,851,890	₱8,287,188

Remeasurement effects recognized under "Other comprehensive income" in the consolidated statements of comprehensive income amounted to ₱3.6 million and ₱2.5 million in 2022 and 2021, respectively.

Net pension liabilities follow:

	2022	2021
Present value of defined benefit obligation	₱70,945,179	₱62,159,515
Fair value of plan assets	27,213,457	27,385,679
	₱43,731,722	₱34,773,837

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

	2022	2021
At January 1	₱62,159,515	₱57,104,922
Current service cost	6,212,724	6,855,450
Interest cost	3,027,620	2,782,931
Benefits paid	(454,680)	(3,654,677)
Remeasurement loss due to:		
Experience adjustments	—	431,840
Changes in financial assumptions	—	(1,360,951)
At December 31	₱70,945,179	₱62,159,515



Changes in the fair value of plan assets follow:

	2022	2021
At January 1	₱27,385,679	₱27,575,364
Return on plan assets	(3,352,674)	(3,044,923)
Interest income included in net interest cost	1,388,454	1,351,193
Contributions to the retirement fund	2,246,678	1,889,099
Benefits paid	(454,680)	(385,054)
At December 31	₱27,213,457	₱27,385,679

Changes in the amounts recognized in the consolidated statements of financial position for net pension liabilities follows:

	2022	2021
At January 1	₱34,773,836	₱29,529,558
Pension expense	7,851,890	8,287,188
Remeasurement loss (gain)	3,352,674	2,115,812
Benefits paid	—	(3,269,623)
Contribution to the retirement fund	(2,246,678)	(1,889,099)
At December 31	₱43,731,722	₱34,773,836

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

	2022	2021
Cash and cash equivalents	₱11,417,171	₱8,005,290
Investments in government securities	15,718,407	19,241,227
Accrued interest income and others	116,369	156,989
Total assets	27,251,947	27,403,506
Total liabilities	38,490	17,827
Fair value of plan assets	₱27,213,457	₱27,385,679

The Parent Company expects to contribute to the retirement fund in 2023.

The principal assumptions used in determining pension benefit obligation for the Group's plans as of December 31 2022 and 2021 are shown below:

Discount rate	5.07–5.11%
Future salary increase	5.00–6.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the present value of the defined benefit obligation of the most recent actuarial valuation report as of December 31, 2022 and 2021 assuming all other assumptions were held constant:

	Increase (Decrease)	Present Value Change of Defined Benefit Obligation	
		2022	2021
Discount rate	+100 basis points	(₱3,508,771)	(₱3,557,134)
	–100 basis points	4,411,087	4,179,977
Future salary increase rate	+100 basis points	₱4,933,839	₱4,399,616
	–100 basis points	(4,115,290)	(3,822,378)



The weighted average duration of the benefit payments ranges from 15.20–20.75 years as of December 31, 2022 and 2021. The expected benefit payment assumes that all actuarial assumptions will materialize. Shown below is the maturity analysis of the undiscounted benefit payments as of December 31:

Plan Year	2022	2021
Less than one year	₱9,500,355	₱26,481,733
One year to less than five years	16,423,496	17,544,580
Five years to less than 10 years	21,125,715	23,616,478
10 years to less than 15 years	20,380,392	23,515,193
15 years to less than 20 years	31,104,480	42,504,527
20 years and above	90,890,770	109,354,523

18. Equity

Capital Stock

There were no changes in the Parent Company's authorized, issued and outstanding common shares as of December 31, 2022 and 2021:

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

On various dates in 2002 and 2012, the Parent Company registered with SEC its 1,569,491,900 common shares that were offered to the public at an issue price of ₱1.80 per share. Gross proceeds from this issuance of new shares amounted to ₱2.8 billion. As of December 31, 2022, the Parent Company has 707 stockholders including 51 depository participants counted as one stockholder each.

As of December 31, 2022 and 2021, the Parent Company complied with the Minimum Public Ownership requirement of the PSE for listed entities.

Retained Earnings

Retained earnings are also restricted for dividend declaration to the extent of the accumulated equity in net earnings of associates amounting to ₱2.6 billion and ₱2.7 billion as of December 31, 2022 and 2021, respectively, until actually declared as dividends by the associates. Retained earnings is further restricted for dividend declaration to the extent of the acquisition price of the treasury shares amounting to ₱131.0 million as of December 31, 2022 and 2021.

Appropriation

On November 28, 2018, the Board of Directors of the Parent Company approved the following: (i) reversal of retained earnings appropriated on November 20, 2017 amounting to ₱850.0 million for the construction of a CFBC coal-fired thermal power plant with a capacity of at least 300 MW due to the adverse Supreme Court decision that led to the return of the Naga Power Plant Complex to PSALM pursuant to a Memorandum of Agreement and Certificate of Turnover executed between the Parent Company and PSALM on July 9, 2018 and July 13, 2018, respectively (see Note 29); (ii) reversal of retained earnings appropriated on November 20, 2017 amounting to ₱500.0 million for two run-of-river hydro-electric power plant projects in Palawan due to unsuccessful conclusion of final studies/negotiations; and (iii) appropriation of ₱1.5 billion out of the unappropriated retained earnings of the Parent Company for the acquisition of a 100% ownership interest in a power generation company and for IBohol Power Project that will serve the long-term power requirements of three distribution utilities in Bohol within the years 2024–2033.



In January 2019, the Parent Company lost in its bid to acquire the power generation company. Consequently, on April 4, 2019, the Board of Directors of the Parent Company approved the reversal of a portion of its 2018 appropriation amounting to ₱1.0 billion.

On November 25, 2019, the Board of Directors of the Parent Company approved the following: (i) appropriation of retained earnings amounting to ₱1.3 billion for the construction and operation of new generating power plant capacity to supply 39 MW full demand requirements in the mainland of Occidental Mindoro starting May 25, 2022, (ii) appropriation of retained earnings amounting to ₱1.0 billion to invest in SPC Island Power Corporation for the 44.2 MW expansion of Bohol Diesel Power Plant in the years 2020 – 2021, and (iii) confirmation of the 2018 appropriation of retained earnings amounting to ₱500.0 million for IBohol Power Project that will serve the long-term power requirements of three distribution utilities in Bohol starting December 26, 2023.

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

Dividends

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

Declared By	Date of Declaration	Record Date	Amount	
			Gross (in millions)	Per Share
2022				
SPC	May 31, 2022	June 15, 2022	₱299.3	₱0.20
SLCI	November 16, 2022	November 18, 2022	12.6	0.40
SECI	November 16, 2022	November 18, 2022	14.2	0.75
BLCI	December 7, 2022	December 22, 2022	11.3	0.15
SIPC	December 12, 2022	December 15, 2022	190.0	3.80 (common)
2021				
SPC	April 7, 2021	April 23, 2021	₱598.6	₱0.40
	May 28, 2021	June 14, 2021	897.9	0.60
	December 9, 2021	December 23, 2021	823.1	0.55
SIPC	December 9, 2021	December 15, 2021	350.0	14.0 (common)
BLCI	June 2, 2021	June 7, 2021	11.3	0.15
	December 1, 2021	December 7, 2021	11.3	0.15
2020				
SPC	May 7, 2020	May 22, 2020	₱598.6	₱0.40
	December 2, 2020	December 21, 2020	598.6	0.40
SIPC	December 2, 2020	December 16, 2020	300.0	12.0 (common)
BLCI	May 27, 2020	June 1, 2020	20.0	0.27
	November 4, 2020	November 15, 2020	37.5	0.50
SECI	October 2, 2020	October 15, 2020	18.9	1.00
SLCI	October 2, 2020	October 15, 2020	23.0	0.73



Non-controlling Interest

As of December 31, 2022 and 2021, the Group has 53.66% direct and indirect ownership interest in BLCI which is primarily engaged in the supply and distribution of electricity in the area presently comprised by Tagbilaran City, Bohol.

The summarized financial information of BLCI as of December 31 is provided below:

	2022	2021
Statements of financial position:		
Current assets	₱481,930,317	₱338,629,153
Noncurrent assets	304,946,293	307,090,467
Current liabilities	326,291,933	162,772,885
Noncurrent liabilities	237,361,170	268,259,416
Equity	223,223,507	214,687,319
Statements of comprehensive income:		
Revenue	1,354,150,549	973,658,521
Costs and expenses	1,352,813,155	976,175,652
Net income	19,109,806	11,425,389
Total comprehensive income	19,786,188	11,513,905
Net income attributable to non-controlling interest	9,288,398	5,294,526
Total comprehensive income attributable to non-controlling interest	9,168,920	5,335,543
Accumulated non-controlling interest	103,441,773	99,486,102

As of December 31, 2022 and 2021, total non-controlling interest amounted to ₱132.5 million and ₱136.4 million, respectively.

Capital Management

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2022 and 2021.

The Group considers its total equity attributable to equity holders of the Parent, excluding other comprehensive income (loss), as its core capital and is not subject to any externally imposed capital requirements. As of December 31, 2022 and 2021, the Group's core capital amounted as follows:

	2022	2021
Capital stock	₱1,569,491,900	₱1,569,491,900
Additional paid-in capital	86,810,752	86,810,752
Retained earnings	8,727,417,031	7,754,370,912
Treasury stock	(131,008,174)	(131,008,174)
	₱10,252,711,509	₱9,279,665,390



19. Cost of Operations

	2022	2021	2020
Fuel, lubricants and chemicals (see Note 9)	₱1,782,032,700	₱758,703,944	₱316,777,057
Purchased power (see Notes 5 and 24)	1,210,261,754	908,258,790	852,689,877
Personnel costs (see Note 21)	125,654,648	119,083,444	110,603,428
Depreciation and amortization (see Note 22)	79,616,613	77,780,037	84,936,282
Spares, materials and supplies (see Note 9)	35,669,642	41,023,244	32,483,605
Repairs and maintenance	21,664,090	13,085,748	13,757,277
Others (see Note 24)	35,273,474	34,556,607	33,143,688
	₱3,290,172,921	₱1,952,491,814	₱1,444,391,214

20. General and Administrative Expenses

	2022	2021	2020
Business development	₱63,360,648	₱21,891,882	₱24,447,884
Personnel costs (see Note 21)	61,867,788	57,820,098	51,823,926
Directors' fees	17,604,926	16,073,792	17,443,813
Professional fees	17,559,238	15,190,694	19,428,941
Shared expenses	15,349,154	16,799,664	14,962,804
Insurance	15,050,879	14,468,428	14,713,337
Taxes, licenses and regulatory charges	11,424,430	11,634,226	10,493,090
Rentals (see Notes 5, 29 and 30)	6,627,758	3,157,626	3,377,925
Depreciation and amortization (see Note 22)	4,643,632	9,194,380	9,278,314
Repairs and maintenance	4,194,748	3,591,457	4,372,742
Transportation and travel	3,868,651	1,919,563	3,433,891
Power and water	3,640,408	2,773,220	2,870,460
Communications	3,284,473	3,612,217	4,136,956
Janitorial and security	2,695,588	2,790,972	2,397,475
(Forward)			
Office supplies	₱2,330,079	₱2,188,068	₱2,432,996
Corporate social responsibility	2,069,438	2,017,035	4,901,945
Provisions (see Notes 7, 8 and 11)	2,007,340	9,829,183	2,905,102
Association dues	1,399,213	2,078,264	1,766,897
Supervision and regulation	750,000	750,000	750,000
Entertainment, amusement and recreation	512,373	162,806	362,893
Trainings and seminars	467,597	362,517	108,637
Freight and handling	242,082	282,170	235,173
Others	8,357,817	7,155,406	6,792,311
	₱249,308,260	₱205,743,668	₱203,437,512



Provisions include provision for credit losses (see Note 7).

Others include casualty losses in 2021 amounting to ₱2.1 million recognized as a result of typhoon Odette.

21. Personnel Costs

	2022	2021	2020
Salaries and wages	₱128,128,156	₱118,287,194	₱113,208,543
Retirement (see Note 17)	7,851,890	8,287,188	6,702,311
Other employee benefits	51,542,390	50,329,160	42,516,500
	₱187,522,436	₱176,903,542	₱162,427,354

22. Depreciation and Amortization

	2022	2021	2020
Depreciation of property, plant and equipment (see Notes 11 and 30):			
Cost of operations (see Note 19)	₱79,139,180	₱77,302,604	₱84,458,849
General and administrative (see Note 20)	4,035,381	8,586,129	8,670,063
	83,174,561	85,888,733	93,128,912
Amortization of franchise:			
Cost of operations (see Note 19)	477,433	477,433	477,433
Amortization of software costs:			
General and administrative (see Note 20)	608,251	608,251	608,251
	₱84,260,245	₱86,974,417	₱94,214,596

23. Unbundling of Rates

Unbundling of Electricity Bill

In compliance with EPIRA, BLCI started to bill its customers using the final unbundled rates approved by the ERC in May 2008 per ERC decision dated March 27, 2008. The Uniform Rate Filing Requirements (UFR) on the rate unbundling released by the ERC on October 30, 2001 specified that BLCI billing will have the following components: Generation Charge, Transmission Charge, System Loss Charge, Distribution Charge, Supply Charge, Metering Charge, and Interclass and Lifeline Subsidies. Local Franchise Taxes, the Power Act Reduction (PAR, for Residential Customers) and the Universal Charge are also separately indicated in the customer's billing statements. The Universal Charges, which are billed and collected merely on behalf of the national government agency, do not form part of BLCI's revenues.



The components of the unbundled bill presented below pertain only to those with recovery mechanism.

Unbundled Bill Component	Mechanism
Generation and System Loss Charges	<ul style="list-style-type: none"> Guidelines for the Automatic Adjustment of Generation Rates and System Loss Rates by Distribution Utilities (DU), as Amended (AGRA)
Transmission Charge	<ul style="list-style-type: none"> Guidelines for the Adjustment of Transmission Rates by DU (TRAM) Rules for Calculation of the Over or Under Recovery in the Implementation of Transmission Rates and the Corresponding System Loss Rates by DU
Inter-class Subsidy	<ul style="list-style-type: none"> Guidelines for a "True-Up" Mechanism of the Over or Under Recovery in the Implementation of Inter-class Cross Subsidy Removal by DU
Lifeline Rate/Subsidy	<ul style="list-style-type: none"> Guidelines for the Calculation of the Over or Under Recovery in the Implementation of Lifeline Rates by DU

For the years ended December 31, 2022, 2021 and 2020, BLCI's revenue from distribution of power amounted to ₱1,354.2 million, ₱973.7 million and ₱946.5 million, respectively (see Note 26).

Implementation of VAT

With the enactment of R.A. No. 9337, the ERC issued on November 7, 2005 Resolution No. 20, Series of 2005 which prescribed the Guidelines for Implementing the Recovery of VAT and Other Provisions of R.A. No. 9337 affecting the Power Industry. R.A. No. 9337 removes the 2% national franchise tax but imposes a VAT on generation, transmission, distribution, and supply of electricity. Similar to the local franchise tax, the VAT is a separate item in the customers' bills. The 12% VAT is imposed on electricity consumptions starting February 1, 2006.

24. Significant Contracts

The Group has the following significant contracts:

Parent Company

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

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



SIPC

SIPC and NGCP entered into a Connection Agreement on August 28, 2010, in order for SIPC's generation facilities to remain connected to the transmission system of the NGCP and to continue to avail of the transmission services. This agreement is subject to the terms and conditions for the connection of the generation facility to the transmission system pursuant to the revised rules, terms and conditions for the provision of Open Access Transmission Service. Total transmission charges, lodged in "Others" under "Cost of operations" amounted to ₱5.7 million, ₱5.8 million and ₱6.3 million in 2022, 2021 and 2020, respectively (see Note 19).

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

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

On July 3, 2019 and July 25, 2019, SIPC entered into an ASPA with NGCP for the supply of dispatchable reserve and contingency reserve under firm and non-firm arrangements from SIPC's Panay Diesel Power Plant. The term of this agreement is for a period of five (5) years commencing upon receipt of a final approval, or in the absence thereof, a provisional approval by the ERC. As of December 31, 2022, the ASPA is still for approval by ERC.

As of December 31, 2021, all of SIPC's power supply contracts for the supply of peaking power requirements have expired. Revenue generated from the PSC in 2021 that expired amounted to ₱6.8 million.

In December 2021, due to the major damages brought by Typhoon Odette on the power supply in Bohol, the Company entered in Emergency Power Sales Agreement with local distribution utilities to provide emergency power to the Province of Bohol until the transmission lines connecting the province to the Visayas power grid was completed in February 2022. Revenues generated from the EPSA in 2022 amounted to ₱75.5 million.

BLCI

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

Pursuant to Section 8 of R.A. No. 9136, the National Transmission Corporation (TransCo) was created and assumed the electrical transmission functions of the NPC. On November 13, 2006, BLCI and TransCo entered into a Transmission Service Agreement (TSA) to support the CSEE between BLCI and NPC. By virtue of R.A. No. 9511 dated December 1, 2008, the NGCP was granted a franchise to



engage in the business of conveying or transmitting electricity through high voltage backbone system of interconnected transmission lines, substations and related facilities and for other purposes. These activities were previously undertaken by TransCo.

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

Total power purchases from KEPCO SPC, NGCP, NPC's and PEMC/IEMOP, net of discounts, amounted to ₱1,254.9 million, ₱863.4 million, and ₱794.8 million in 2022, 2021 and 2020, respectively, and presented as "Purchased power" under "Cost of operations" in the consolidated statements of comprehensive income (see Note 19).

The outstanding payables to KEPCO SPC, NGCP and PEMC/IEMOP included under "Trade and other payables" (see Note 14), on purchased power amounted to ₱174.0 million and ₱51.1 million as of December 31, 2022 and 2021, respectively.

25. Income Tax

	2022	2021	2020
Current	₱93,336,400	₱77,005,217	₱125,379,407
Deferred	14,770,731	4,620,497	(2,126,082)
	₱108,107,131	₱81,625,714	₱123,253,325

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

	2022	2021	2020
Income before income tax	₱1,394,889,461	₱1,279,338,784	₱1,756,599,765
Provision for income tax computed at 25% and 20% for 2022 and 2021 and 30% for 2020	₱348,722,366	₱319,592,759	₱526,979,930
Adjustments to income tax resulting from:			
Equity in net earnings of associates	(231,338,576)	(216,962,474)	(364,036,470)
Net unrealized forex loss (gain)	17,014,161	(409,124)	(98,196)
Impact of OSD	(200,265)	(13,026,245)	(23,033,087)
Interest income already subjected to final tax	(6,949,552)	(8,608,745)	(15,493,374)
Others	(19,141,003)	1,039,543	(1,065,478)
	₱108,107,131	₱81,625,714	₱123,253,325



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

	2022	2021
Deferred income tax assets on:		
Asset retirement obligation	₱23,575,717	₱22,430,472
Right-of-use asset	2,846,922	—
Pension liabilities	7,474,725	6,541,368
Unrealized foreign exchange loss	330,425	106
	₱34,227,789	₱28,971,946
	2022	2021
Deferred income tax liabilities on:		
Excess of fair value over acquisition cost - property, plant and equipment and inventory	₱569,015	₱601,838
Lease liability	2,756,738	—
Unrealized forex exchange gain	17,326,346	23,684
	₱20,652,099	₱625,522

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

The Parent Company, SIPC and BLCI availed of the OSD in the computation of their taxable income in 2022, 2021 and 2020 with an effective tax rate of 15% in 2022 and 2021 and 18% in 2020.

26. Segment Information

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

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

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

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



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

The Group earned inter-segment revenues amounting to ₱70.2 million in 2022 and nil in 2021 and 2020, pertaining to the supply of emergency power by SPC and SIPC to BLCI.

2022						
	Before Eliminations					After Eliminations/ Consolidated
	Generation	Distribution	Others	Total	Eliminations	
Revenue	₱2,565,982,204	₱1,354,150,548	₱-	₱3,920,132,752	(₱70,160,929)	₱3,849,971,823
Income before income tax	1,645,872,826	28,209,580	9,907,042	1,683,989,448	(289,099,987)	1,394,889,461
Net income	1,545,931,257	20,044,018	9,907,042	1,575,882,317	(289,099,987)	1,286,782,330
Total assets	8,548,644,207	786,876,611	63,229,460	9,398,750,278	2,208,953,018	11,607,703,296
Property, plant and equipment (see Note 11)	473,583,345	259,866,612	-	733,449,957	1,267,905	734,717,862
Total liabilities	650,911,273	563,653,103	236,902	1,214,801,278	(6,583,898)	1,208,217,380
Depreciation and amortization (see Note 22)	57,800,909	26,459,336	-	84,260,245	-	84,260,245
Capital expenditures	13,035,579	60,839,249	-	73,874,828	(477)	73,874,351
2021						
	Before Eliminations					After Eliminations/ Consolidated
	Generation	Distribution	Others	Total	Eliminations	
Revenue	₱1,495,725,744	₱973,658,521	₱-	₱2,469,384,265	₱-	₱2,469,384,265
Income before income tax	1,897,868,015	17,604,966	4,889,220	1,920,362,201	(641,023,417)	1,279,338,784
Net income	1,822,421,878	11,425,389	4,889,220	1,838,736,487	(641,023,417)	1,197,713,070
Total assets	7,344,102,008	645,719,620	80,012,500	8,069,834,128	2,282,390,810	10,352,224,938
Property, plant and equipment (see Note 11)	505,488,253	225,009,267	-	730,497,520	1,268,382	731,765,902
Total liabilities	504,637,301	431,032,301	132,434	935,802,036	(5,936,033)	929,866,003
Depreciation and amortization (see Note 22)	61,537,016	25,437,401	-	86,974,417	-	86,974,417
Capital expenditures	27,818,771	42,958,309	-	70,777,080	-	70,777,080
2020						
	Before Eliminations					After Eliminations/ Consolidated
	Generation	Distribution	Others	Total	Eliminations	
Revenue	₱1,049,533,098	₱946,537,844	₱-	₱1,996,070,942	₱-	₱1,996,070,942
Income before income tax	2,199,377,721	51,270,341	26,661,280	2,277,309,342	(520,709,577)	1,756,599,765
Net income	2,090,835,118	36,559,619	26,661,280	2,154,056,017	(520,709,577)	1,633,346,440
Total assets	8,097,928,052	709,556,687	75,102,801	8,882,587,540	2,557,435,766	11,440,023,306
Property, plant and equipment (see Note 11)	538,610,286	209,804,715	-	748,415,001	1,268,382	749,683,383
Total liabilities	409,270,372	483,883,274	111,956	893,265,602	(8,514,120)	884,751,482
Depreciation and amortization (see Note 22)	72,192,334	21,712,199	-	93,904,533	310,063	94,214,596
Capital expenditures	18,457,862	31,006,109	-	49,463,971	-	49,463,971

The Group's revenue from contracts with customers is mainly from generation and distribution services. Set out below is the disaggregation of the Group's revenue from contracts with customer in 2022, 2021 and 2020:

2022			
	Generation	Distribution	Total
Revenue from power supply contracts and ancillary services	₱1,054,696,712	₱-	₱1,054,696,712
Revenue from market power trading	1,441,124,563	-	1,441,124,563
Revenue from distribution services (see Note 23)	-	1,354,150,548	1,354,150,548
Total revenue	₱2,495,821,275	₱1,354,150,548	₱3,849,971,823



	2021		
	Generation	Distribution	Total
Revenue from power supply contracts and ancillary services	₱799,436,314	₱-	₱799,436,314
Revenue from market power trading	696,289,430	-	696,289,430
Revenue from distribution services (see Note 23)	-	973,658,521	973,658,521
Total revenue	1,495,725,744	973,658,521	2,469,384,265
Revenue from management services presented as "Service income" (see Note 5)	40,002,385	-	40,002,385
Total	₱1,535,728,129	₱973,658,521	₱2,509,386,650

	2020		
	Generation	Distribution	Total
Revenue from power supply contracts and ancillary services	₱889,961,519	₱-	₱889,961,519
Revenue from market power trading	159,571,579	-	159,571,579
Revenue from distribution services (see Note 23)	-	946,537,844	946,537,844
Total revenue	1,049,533,098	946,537,844	1,996,070,942
Revenue from management services presented as "Service income" (see Note 5)	120,007,156	-	120,007,156
Total	₱1,169,540,254	₱946,537,844	₱2,116,078,098

Revenue from the Group's major customers, which account for 23%, 32%, 41% in 2022, 2021 and 2020, respectively, amounted to ₱906.6 million, ₱787.4 million and ₱816.2 million, respectively.

Eliminations

Eliminations are part of detailed reconciliations presented below:

Reconciliation of Net Income

	2022	2021	2020
Segment net income	₱1,575,882,321	₱1,838,736,487	₱2,154,056,017
Equity in net earnings of associates (see Note 10)	925,354,304	867,849,896	1,213,454,900
Dividend income from associates (see Note 10)	(1,004,673,517)	(1,146,799,813)	(1,381,016,911)
Dividend income from subsidiaries	(209,780,778)	(362,073,500)	(353,147,566)
Group net income	₱1,286,782,330	₱1,197,713,070	₱1,633,346,440

Reconciliation of Total Assets

	2022	2021
Segment assets	₱9,400,018,185	₱8,071,728,032
Inter-segment receivables	(15,222,759)	(14,575,375)
Investments in associates and subsidiaries	2,190,385,854	2,263,175,787
Goodwill	32,522,016	32,522,016
Group assets	₱11,607,703,296	₱10,352,850,460



Reconciliation of Total Liabilities

	2022	2021
Segment liabilities	₱1,214,801,278	₱936,427,558
Inter-segment payables	(6,583,898)	(5,936,033)
Group liabilities	₱1,208,217,380	₱930,491,525

Indicators

The following financial indicators are used, among others, by management to evaluate the performance of the Group as of and for the years ended December 31, 2022, 2021 and 2020:

	2022	2021	2020
For the years ended December 31:			
Earnings per share (see Note 27)	₱0.85	₱0.80	₱1.07
Share in net earnings of associates (see Note 10)	925,354,304	867,849,896	1,213,454,900
Return on equity (total comprehensive income divided by average total equity)	13.06%	11.99%	15.80%
Return on assets (total comprehensive income divided by average total assets)	11.80%	10.99%	14.52%
Cash flows:			
Net cash flows from operating activities	369,629,036	300,434,967	629,238,373
Net cash flows from investing activities	930,799,167	1,065,237,033	1,335,891,638
Net cash flows used in financing activities	(321,100,929)	(2,327,504,748)	(1,247,833,991)
As of December 31:			
Cash and cash equivalents (see Note 6)	₱4,031,421,593	₱2,984,110,635	₱3,944,306,886
Current ratio (total current assets including noncurrent assets held for sale divided by total current liabilities including liabilities directly associated with noncurrent assets held for sale)	6.52	7.21	9.71
Debt ratio (total liabilities divided by total assets)	0.10	0.09	0.08
Debt-to-equity ratio (total liabilities divided by total equity)	0.11	0.10	0.08
Solvency ratio (total comprehensive income before depreciation and amortization divided by total liabilities)	1.16	1.38	1.96



27. Earnings Per Share

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

	2022	2021	2020
Net income attributable to equity holders of the Parent	₱1,272,356,481	₱1,190,653,672	₱1,603,436,958
Weighted average number of common shares issued and outstanding	1,496,551,803	1,496,551,803	1,496,551,803
Basic/Diluted earnings per share	₱0.85	₱0.80	₱1.07

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

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

There are no potentially dilutive common shares issued as of December 31, 2022, 2021 and 2020.

28. Financial Risk Management Objectives and Policies

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

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

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

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

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates. The Group's policy is to manage its interest cost using the variable-rate debts. As of December 31, 2022 and 2021, the Group does not have a financial liability that is exposed to interest rate risk.



Liquidity Risk

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

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

		2022				
	Total	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days
Financial Assets						
At amortized cost:						
Cash and cash equivalents	₱4,031,421,593	₱4,031,421,593	₱-	₱-	₱-	₱-
Trade and other receivables						
NPC	-	-	-	-	-	-
Receivable from customers	593,891,475	369,709,365	46,790,364	24,642,283	13,110,124	139,639,339
Dividends receivable	-	-	-	-	-	-
Current portion of PSALM deferred adjustments	36,798,477	36,798,477	-	-	-	-
Due from related parties	2,689,294	249,598	16,787	15,000	131,842	2,276,067
Others	62,455,812	17,809,500	16,412,138	14,244,441	5,734,827	8,254,906
	695,835,058	424,566,940	63,219,289	38,901,724	18,976,793	150,170,312
PSALM deferred adjustments (included in "Other noncurrent assets")	35,571,861	-	-	-	-	35,571,861
	4,762,828,512	4,455,988,533	63,219,289	38,901,724	18,976,793	185,742,173
At FVOCI:						
Investment in proprietary club shares	13,000,000	-	-	-	-	13,000,000
	4,775,828,512	4,455,988,533	63,219,289	38,901,724	18,976,793	198,742,173
Financial Liabilities						
Trade and other payables						
Trade	520,165,764	478,726,389	5,812,963	3,567,007	1,558,500	30,500,905
Nontrade	46,975,567	4,754,292	3,141,306	3,066,540	3,066,554	32,946,875
Accrued expenses	49,082,493	38,740,025	121,898	301,058	211,743	9,707,769
Dividends payable	-	-	-	-	-	-
Due to related parties	502,642	-	-	-	-	502,642
	616,726,466	522,220,706	9,076,167	6,934,605	4,836,797	73,658,191
Customers' deposits	191,579,049	-	-	-	-	191,579,049
Lease liabilities	13,215,403	-	-	-	-	13,215,403
Other noncurrent liability	35,571,861	-	-	-	-	35,571,861
	857,092,779	522,220,706	9,076,167	6,934,605	4,836,797	314,024,504
Net Financial Assets (Liabilities)	₱3,918,735,733	₱3,933,767,827	₱54,143,122	₱31,967,119	₱14,139,996	(₱115,282,331)

		2021				
	Total	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days
Financial Assets						
At amortized cost:						
Cash and cash equivalents	₱2,984,110,635	₱2,984,110,635	₱-	₱-	₱-	₱-
Trade and other receivables						
NPC	1,015,262	-	-	-	-	1,015,262
Receivable from customers	307,274,236	156,633,651	44,133,687	13,797,096	10,952,451	81,757,351
Dividends receivable	79,999,911	79,999,911	-	-	-	-
Current portion of PSALM deferred adjustments	36,798,477	36,798,477	-	-	-	-
Due from related parties	2,190,509	79,314	15,000	18,450	72,762	2,004,983
Others	62,549,226	32,934,724	4,661,276	3,431,009	2,119,080	19,403,137
	489,827,621	306,446,077	48,809,963	17,246,555	13,144,293	104,180,733
PSALM deferred adjustments (included in "Other noncurrent assets")	72,370,338	-	-	-	-	72,370,338
	3,546,308,594	3,290,556,712	48,809,963	17,246,555	13,144,293	176,551,071
At FVOCI:						
Investment in proprietary club shares	8,000,000	-	-	-	-	8,000,000
	3,554,308,594	3,290,556,712	48,809,963	17,246,555	13,144,293	184,551,071

(Forward)



	2021					
	Total	Current	1 to 30 Days	31 to 60 Days	61 to 90 Days	Over 90 Days
Financial Liabilities						
Trade and other payables						
Trade	P329,057,824	P308,846,970	P7,172,718	P5,308,674	P1,980,569	P5,748,893
Nontrade	48,837,121	40,412,010	66,544	52,037	—	8,306,530
Accrued expenses	24,945,253	17,357,746	59,338	59,338	356,029	7,112,802
Dividends payable	4,342,484	4,342,484	—	—	—	—
Due to related parties	1,012,353	194,600	—	—	—	817,753
	408,195,035	371,153,810	7,298,600	5,420,049	2,336,598	21,985,978
Customers' deposits	186,776,397	—	—	—	—	186,776,397
Lease liabilities	2,662,317	—	—	—	—	2,662,317
Other noncurrent liability	72,370,338	—	—	—	—	72,370,338
	670,004,087	371,153,810	7,298,600	5,420,049	2,336,598	283,795,030
Net Financial Assets (Liabilities)	P 2,884,304,507	P2,919,402,902	P41,511,363	P11,826,506	P10,807,695	(P99,243,959)

Credit Risk

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

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

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

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

	2022		
	Maximum exposure	Offset	Exposure to credit risk
At amortized cost:			
Cash and cash equivalents (excluding cash on hand)	P4,030,740,465	(P9,507,428)	P4,021,233,037
Trade and other receivables	695,835,058	(60,342,329)	635,492,729
PSALM deferred adjustments (included in "Other noncurrent assets")	35,571,861	—	35,571,861
	P4,762,147,384	(P99,849,757)	P4,662,297,627
	2021		
	Maximum exposure	Offset	Exposure to credit risk
At amortized cost:			
Cash and cash equivalents (excluding cash on hand)	P2,983,125,816	(P9,020,940)	P2,974,104,876
Trade and other receivables	489,827,621	(115,381,160)	374,446,461
PSALM deferred adjustments (included in "Other noncurrent assets")	72,370,338	—	72,370,338
	P3,545,323,775	(P124,402,100)	P3,420,921,675



As of December 31, 2022 and 2021, the Group's significant concentration of credit risk pertains to its trade and other receivables and PSALM deferred adjustments amounting to ₱731.4 million and ₱562.2 million, respectively, and impaired financial assets, determined based on probability of collection, are adequately covered with allowance.

The following are the details of the Group's assessment of credit quality and the related ECLs as at December 31, 2022 and 2021:

General Approach

- *Cash and cash equivalents* - As of December 31, 2022 and 2021, the ECL relating to the cash and cash equivalents of the Group is minimal as these are deposited in reputable banks which have good bank standing, and is considered to have low credit risk.
- *Due from NPC/PSALM and other receivables* - As of December 31, 2022 and 2021, there were no individually impaired accounts. No ECL is recognized for these receivables since there were no history of default payments. This assessment is undertaken each financial year through examining the financial position of the parties and the markets in which the parties operate.

Simplified Approach

- *Trade and other receivables* - The Group applied the simplified approach using a 'provision matrix'. As of December 31, 2022 and 2021, the allowance for impairment losses as a result of performing collective and specific impairment test amounted to ₱45.7 million and ₱48.3 million. Management evaluated that the Parent Company's trade receivables are of high grade and of good credit quality.

2022					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱-	₱-	₱48,283,304	₱693,207,201	₱741,490,505
Less allowance*	-	-	(48,283,304)	2,627,857	(45,655,447)
Carrying amount	₱-	₱-	₱-	₱695,835,058	₱695,835,058

* Lifetime ECL using the simplified approach includes provision of allowance for the year and reversal of allowance amounting to ₱2.0 and ₱4.7 million, respectively.

2021					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱-	₱-	₱39,789,858	₱498,321,064	₱538,110,922
Less allowance	-	-	(39,789,858)	(8,493,443)	(48,283,301)
Carrying amount	₱-	₱-	₱-	₱489,827,621	₱489,827,621

The Group grades its financial assets as follows:

- *Cash and Cash Equivalents*: These are assessed as high grade since these are deposited in reputable banks which have good bank standing, thus credit risk is minimal.



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

Fair Value of Financial Assets and Financial Liabilities

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

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

- *Cash and Cash Equivalents, Trade and Other Receivables and Trade and Other Payable.* The carrying amounts of cash and cash equivalents, trade and other receivables and trade and other payables approximate their value due to the relatively short-term maturity of these financial instruments.
- *Investment in Proprietary Club Shares.* Market values have been used to determine the fair value of traded proprietary club shares.
- *Noncurrent Receivable (included in "Other Noncurrent Assets") and Other Noncurrent Liability.* The fair values of the noncurrent receivable and noncurrent liability are based on the net present value of cash flows using the prevailing market rate of interest. As of December 31, 2022 and 2021, the carrying values of the noncurrent receivable and noncurrent liability approximate their fair values.
- *Customers' Deposits.* The fair value of customers' deposits approximates the carrying value as (1) bill deposits earn interest at the prevailing market interest rate in accordance with regulatory guidelines and (2) the timing and related amounts of future cash flows relating to material deposits cannot be reasonably and reliably estimated for purposes of establishing their fair values using an alternative valuation technique.

As of December 31, 2022 and 2021, the Group considers its investment in proprietary club shares measured and carried at fair values of ₱13.0 million and of ₱8.0 million under Level 1 classification, respectively (see Notes 3 and 12). The Group also considers its noncurrent receivable amounting to ₱35.6 million and ₱72.4 million as of December 31, 2022 and 2021 respectively; noncurrent liability



amounting to ₱35.6 million and ₱72.4 million as of December 31, 2022 and 2021, respectively; and customers' deposits amounting to ₱191.6 million and ₱186.8 million as of December 31, 2022 and 2021, respectively, under the Level 3 classification.

During the reporting period ended December 31, 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

29. Other Matters

Electricity Power Industry Reform Act (EPIRA) of 2001

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

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

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

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

Land Lease Agreements (LLAs)

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

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



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

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

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

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

In 2017, SIPC exercised its option to purchase the optioned assets covering all the lots underlying the Bohol Diesel Power Plant with a total area of 27,527 square meters. The aggregate of the purchase price amounting to ₱35.6 million is shown as part of "Property, plant and equipment" account in the consolidated statements of financial position (see Note 11).

- *Berthing Area and Subtransmission Steel Post.* On June 23, 2022, the Parent Company entered into a 5-year lease agreement for a parcel of land with Philippine Ports Authority designated as berthing and subtransmission steel post area in the Port of Tapal, Bohol.

PSALM's Cost Recovery Adjustments

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



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

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

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

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

The current portion of the Group's PSALM deferred adjustments amounting to ₱36.8 million as of December 31, 2022 and 2021, respectively, is recorded under "Trade and other receivables" and the noncurrent portion amounting to ₱35.6 million and ₱72.4 million as of December 31, 2022 and 2021, respectively, are presented as part of "Other noncurrent assets", in the consolidated statements of financial position (see Notes 7 and 12). The current and noncurrent portions of the corresponding amounts due to PSALM was presented as part of "Nontrade" under "Trade and other payables" and "Other noncurrent liability" in the consolidated statement of financial position as of December 31, 2022 and 2021.

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

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

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

On December 1, 2015, the Parent Company filed its Motion for Reconsideration of the SC Decision dated September 28, 2015. In said Motion for Reconsideration, the Parent Company stressed that, as the owner of the LBGT and the lease on the land on which the LBGT stands, it has an interest in the whole of the Complex and not just within the leased premises. This is due to the fact that the Parent Company's payment for the LBGT necessarily includes payment for the RTT, the LBGT and the land



subject of the LBGT-LLA which forms part of the Complex, and the Parent Company shares in the use, upkeep and maintenance of the Co-Use Facilities within the Complex, thus, showing that the Parent Company's interest extends to the whole of the Complex.

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

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

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

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

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

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

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



Donation of ODPP to the Technical Education and Skills Development Authority (TESDA)

On December 9, 2021, the Board of Directors of SIPC approved the donation of ODPP to TESDA, a government agency tasked to manage and supervise technical education and skills development in the Philippines. This is in relation to SIPC's intention to promote education and welfare among the people in Olango Island and nearby areas. The donation, approximately worth ₱4.1 million of equipment, materials and related facilities, excludes land and fixed structures and improvements.

The Deed of Donation was executed on February 14, 2022.

Purchase of Power Barge 102 and 103

On September 15, 2021, SIPC entered into an Asset Purchase Agreement (APA) with AC Energy Corporation (ACEN) (Seller) for the purchase of PB 102 and 103 to obtain new and used engine spare parts and replacement equipment for the group's existing operating plant and power barge. Power Barge (PB) 102 and 103, are both 4x8MW oil-fired diesel barges located in Barangay Obrero, Iloilo City and Barangay Poblacion, Lapu-Lapu City, respectively, and are not in commercial operation. Completion of the transaction is subject to the satisfaction of the agreed conditions precedent, including applicable regulatory approvals. Under the APA, SIPC has the right to assign its rights to purchase PB 102 and 103 to SPC, its parent company. In a Board Resolution dated September 15, 2021, SIPC assigned its rights under the APA to SPC, with such assignment accepted by SPC on a Board Resolution dated the same day.

On February 22, 2022, the Deed of Absolute Sale for the purchase of PB 102 was executed between SPC and ACEN for a consideration amounting to ₱39.2 million, inclusive of VAT. On April 18, 2022, the Deed of Absolute Sale for the purchase of PB103 was executed between SPC and ACEN for the same consideration as PB102.

30. Lease Agreements

The Group has entered into various leases for rooms, office spaces, parking lots, sub transmission line steel post space, and parcels of land which include those with other landowners and those with respect to its LLA with PSALM (see Note 29). Leases of parcels of land generally have lease terms between 1–25 years. Lease terms for the other leased assets generally vary between five months to 4 years. Total rent expense charged to operations amounted to ₱6.6 million, ₱4.6 million and ₱4.0 million in 2022, 2021 and 2020, respectively (see Notes 19 and 20). Some of the lease contracts have expired in 2021 and 2020, and nil in 2022.

Set out below are the carrying amounts of the Company's right-of-use assets, presented as part of property, plant and equipment, and lease liabilities and the movements during the years ended December 31, 2022 and 2021:

	2022			
	Right-of-use Assets			Lease Liabilities
	Land	Office Space	Total	
At January 1	₱4,615,478	₱–	₱4,615,478	₱2,662,317
Additions	12,252,170	–	12,252,170	12,252,170
Depreciation expense	(1,570,489)	–	(1,570,489)	–
Interest expense	–	–	–	373,979
Payments	–	–	–	(3,900,774)
At December 31	₱15,297,159	₱–	₱15,297,159	₱11,387,692



2021				
	Right-of-use Assets			Lease Liabilities
	Land	Office Space	Total	
At January 1	P6,718,448	P2,405,921	P9,124,369	P6,172,755
Depreciation expense	(1,027,024)	(2,405,921)	(3,432,945)	—
Interest expense	—	—	—	112,059
Payments	—	—	—	(1,877,498)
Pre-termination	(1,075,946)	—	(1,075,946)	(1,744,999)
At December 31	P4,615,478	P—	P4,615,478	P2,662,317

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

	2022	2021
Depreciation expense of right-of-use assets	P1,570,489	P3,432,945
Interest expense on lease liabilities	373,979	112,059
Rent expense - short-term leases (see Notes 19 and 20)	6,627,758	4,586,277
	P8,572,226	P8,131,281

Shown below is the maturity analysis as of December 31, 2022 and 2021 of the undiscounted lease payments:

	2022	2021
One year	P2,490,088	P2,622,317
More than 1 years to 2 years	2,739,096	—
More than 2 years to 3 years	3,013,006	—
More than 3 years to 4 years	3,314,307	—
More than 4 years to 5 years	1,658,910	—
	P13,215,407	P2,622,317

31. Notes to the Consolidated Statements of Cash Flows

Changes in liabilities arising from financing activities are as follows:

2022						
	At January 1	Dividend Declaration	Dividend Attributable to NCI	Others	Cash Flows	At December 31
Dividends payable (see Note 18)	P4,342,484	P299,310,361	P18,263,772	P—	(P317,574,134)	P4,342,483
Lease liabilities* (see Note 30)	2,662,317	—	—	12,252,170	(3,526,795)	11,387,692
	P7,004,801	P299,310,361	P18,263,772	P12,252,170	(P321,100,929)	P15,730,175

* Others include the net effect of interest accrual for lease liabilities and payment for the same amount but classified as part of operating activities (see Note 30). Others also include additional lease liabilities recognized during the year.

2021						
	At January 1	Dividend Declaration	Dividend Attributable to NCI	Others	Cash Flows	At December 31
Dividends payable (see Note 18)	P—	P2,319,655,293	P10,426,500	P—	(P2,325,739,309)	P4,342,484
Lease liabilities* (see Note 30)	6,172,755	—	—	(1,744,999)	(1,765,439)	2,662,317
	P6,172,755	P2,319,655,293	P10,426,500	(P1,744,999)	(P2,327,504,748)	P7,004,801

* Others include the net effect of interest accrual for lease liabilities and payment for the same amount but classified as part of operating activities (see Note 30). Others also include the pre-termination of a lease contract during the year.



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

* Others include the net effect of interest accrual for lease liabilities and payment for the same amount but classified as part of operating activities (see Note 30).

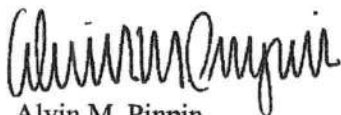


**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES**

The Board of Directors and the Stockholders
SPC Power Corporation
7th Floor, BDO Towers Paseo
Paseo de Roxas
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SPC Power Corporation and Subsidiaries as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, included in this Form 17-A, and have issued our report thereon dated March 30, 2023. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Alvin M. Pinpin

Partner

CPA Certificate No. 94303

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. 9564678, January 3, 2023, Makati City

March 30, 2023



SPC POWER CORPORATION AND SUBSIDIARIES

SCHEDULE A - FINANCIAL ASSETS

CASH, RECEIVABLES, FINANCIAL ASSETS AND OTHER SHORT-TERM INVESTMENTS

DECEMBER 31, 2022

Name of Issuing Entity and Description of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Statement of Financial Position/Notes	Value Based on Market Quotations at End of Reporting Period	Income Received and Accrued
At amortized cost:				
Cash and cash equivalents	—	P4,031,421,593	P4,031,421,593	P27,837,299
Trade and other receivables:				
Power Sector Assets and Liabilities Management Corporation (PSALM)	—	—	—	—
Receivable from customers	—	593,891,475	593,891,475	—
Current portion of PSALM deferred adjustments	—	36,798,477	36,798,477	—
Due from related parties	—	2,689,294	2,689,294	—
Dividend receivable	—	—	—	—
Others	—	62,455,812	62,455,812	—
		695,835,058	695,835,058	—
PSALM deferred adjustments (included in "Other noncurrent assets")	—	35,571,861	35,571,861	—
		4,762,828,512	4,762,828,512	27,837,299
Financial assets at fair value through other comprehensive income:				
Investment in proprietary club shares	1	13,000,000	13,000,000	—
Total financial assets	—	P4,775,828,512	P4,775,828,512	P27,837,299

See Note 28 of the Consolidated Financial Statements.

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Collections	Write Offs	Balance at End of Period		
					Current	Noncurrent	Total
- Not applicable -							

SPC POWER CORPORATION AND SUBSIDIARIES

SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED

DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS

DECEMBER 31, 2022

Name and Designation of Debtor	Balance at	Additions	Collections	Write Offs	Balance at End of Period		
	Beginning of Period				Current	Noncurrent	Total
SPC Electric Company, Inc.	₱15,922	₱77,951	(₱81,004)	₱-	₱12,869	₱-	₱12,869
Bohol Light Company, Inc.	223,607	316,170	(51,272)	-	488,505	-	488,505
SPC Island Power Corporation	138,849	903,532	(713,858)	-	328,523	-	328,523
SPC Malaya Power Corporation	1,676,183	19,588	(26,183)	-	1,669,588	-	1,669,588
SPC Light Company, Inc.	16,112	15,705	(19,528)	-	12,289	-	12,289
Cebu Naga Power Plant Corporation	176,962	40,189	-	-	217,151	-	217,151
	₱2,247,635	₱1,373,135	(₱891,845)	₱-	₱2,728,925	₱-	₱2,728,925

SPC POWER CORPORATION AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2022

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

SPC POWER CORPORATION AND SUBSIDIARIES

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

DECEMBER 31, 2022

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

SPC POWER CORPORATION AND SUBSIDIARIES

SCHEDULE F - GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2022

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

- Not applicable -

SPC POWER CORPORATION AND SUBSIDIARIES
SCHEDULE G - CAPITAL STOCK
DECEMBER 31, 2022

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown under Related Consolidated Statement of Financial Position Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Affiliates	Directors and Officers	Others
Capital stock	2,000,000,000	1,496,551,803	-	21,850,269	1,275,830,707	198,870,827

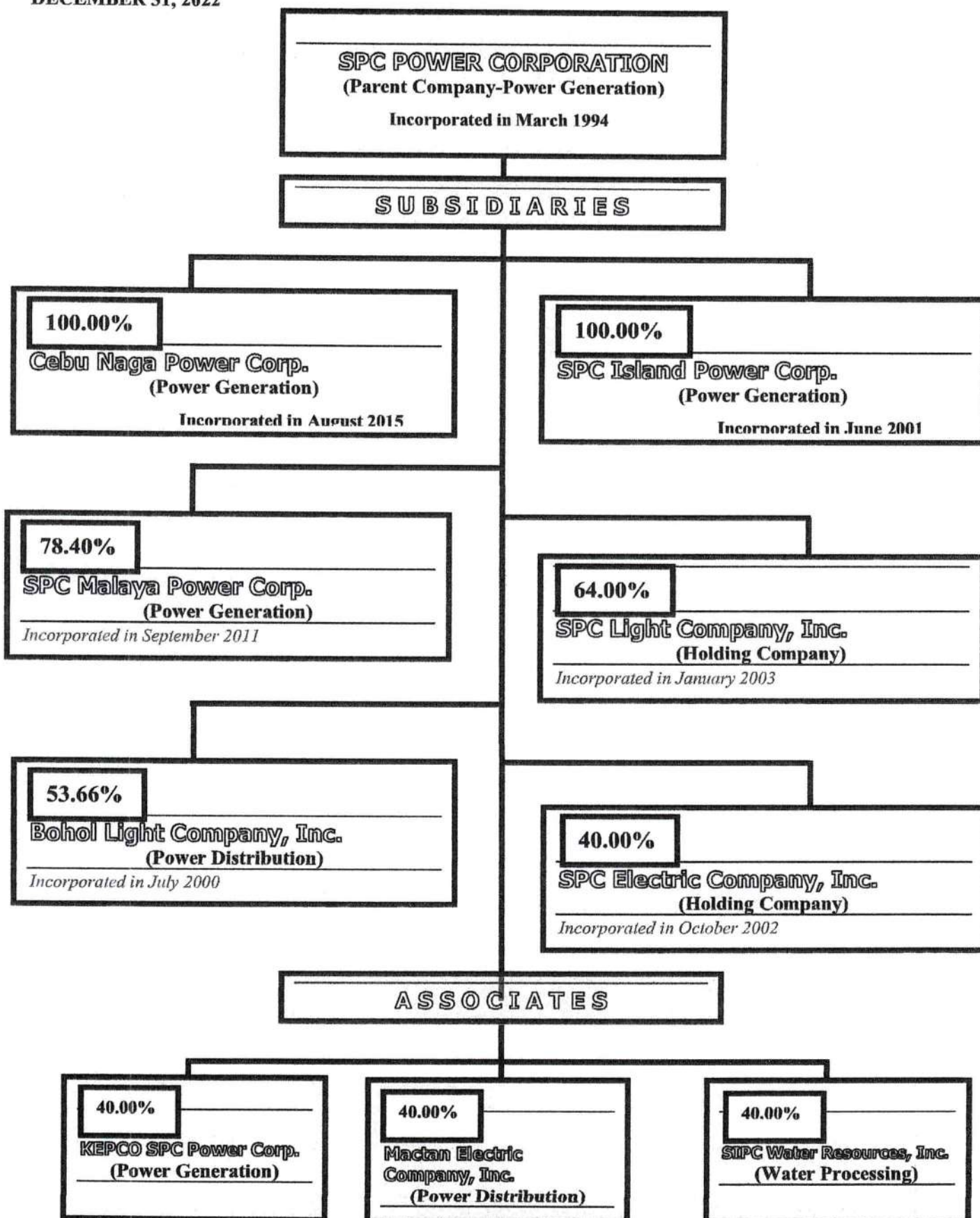
See Note 18 of the Consolidated Financial Statements.

SPC POWER CORPORATION
RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR
DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2022

Items	Amount
Unappropriated Retained Earnings, Beginning	₱3,044,861,443
Adjustments	
Deferred income tax assets that reduced the amount of provision for income tax	-
Unappropriated Retained Earnings, as Adjusted, Beginning	3,044,861,443
Net Income Based on the Face of Audited Financial Statements	1,196,413,793
Less: Non-actual/Unrealized Income Net of Tax	
Equity in net income of associate/joint venture	-
Unrealized foreign exchange loss - net (except those attributable to Cash and Cash Equivalents)	-
Unrealized actuarial gain	-
Fair value adjustment (M2M gains)	-
Fair value adjustment of Investment Property resulting to gain	-
Adjustment due to deviation from PFRS/GAAP-gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Deferred income tax assets that increased the amount of provision for income tax	-
Add: Non-actual Losses	
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP - loss	-
Loss on fair value adjustment of investment property (after tax)	-
Unrealized actuarial loss	-
Interest expense - lease liabilities	373,979
Interest expense - asset retirement obligation	-
Net Income Actual/Realized	1,196,787,772
Add (Less)	
Dividend declarations during the period	(299,310,361)
Appropriations of Retained Earnings during the period	-
Reversals of appropriations	-
Effects of prior period adjustments	-
Treasury shares	(131,008,174)
TOTAL RETAINED EARNINGS, END AVAILABLE FOR DIVIDEND DECLARATION	₱3,811,330,680

SPC POWER CORPORATION AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP DECEMBER 31, 2022

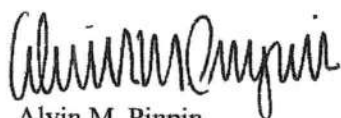


INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Board of Directors and the Stockholders
SPC Power Corporation
7th Floor, BDO Towers Paseo
Paseo de Roxas
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of SPC Power Corporation and Subsidiaries (the Group) as at December 31, 2022 and 2021, and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated March 30, 2023. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule of Financial Soundness Indicators, including their definitions, formulae, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

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. 9564678, January 3, 2023, Makati City

March 30, 2023



SPC POWER CORPORATION
FINANCIAL SOUNDNESS INDICATORS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022

Ratio	Formulae	2022	2021
Current Ratio	Total Current Assets divided by Total Current Liabilities	6.52	7.21
	Total Current Assets ₱5,295,735,699		
	Divide by: Total Current Liabilities 812,820,283		
	Current Ratio 6.52		
Acid Test Ratio	Quick Assets (<i>Total Current Assets less Inventories and Prepayments and Other Current Assets</i>) divided by Total Current Liabilities	5.82	6.36
	Total Current Assets ₱5,295,735,699		
	Less: Inventories 467,547,381		
	Prepayments and Other Current Assets 100,931,667		
	Quick Assets 4,727,256,651		
	Divide by: Total Current Liabilities 812,820,283		
	Acid Test Ratio 5.82		
Solvency Ratio	Total Comprehensive Income before Depreciation and Amortization divided by Total Liabilities	1.14	1.38
	Total Comprehensive Income ₱1,294,701,106		
	Add: Depreciation and Amortization 84,260,245		
	1,378,961,351		
	Divide by: Total Liabilities 1,208,217,380		
	Solvency Ratio 1.14		
Debt-to-Equity Ratio	Total Liabilities divided by Total Equity	0.12	0.10
	Total Liabilities ₱1,208,217,380		
	Divide by: Total Equity 10,399,485,916		
	Debt-to-Equity Ratio 0.12		
Asset-to-Equity Ratio	Total Assets divided by Equity Attributable to Parent	1.13	1.11
	Total Assets ₱11,607,703,296		
	Divide by: Equity Attributable to Parent 10,267,003,434		
	Asset-to-Equity Ratio 1.13		

Ratio	Formulae	2022	2021																				
Interest Rate Coverage Ratio	<p>Earnings before Income Tax, Depreciation and Amortization (<i>Net Income plus Provision for Income Tax, Interest Expense, Depreciation and Amortization less Interest Income</i>) divided by Interest Expense</p> <table><tr><td>Net Income</td><td>₱1,286,782,330</td></tr><tr><td>Add: Provision for Income Tax</td><td>108,107,131</td></tr><tr><td>Interest Expense</td><td>5,028,156</td></tr><tr><td></td><td>1,399,917,617</td></tr><tr><td>Less: Interest Income</td><td>27,837,299</td></tr><tr><td>EBIT</td><td>1,372,080,318</td></tr><tr><td>Add: Depreciation and Amortization</td><td>84,260,245</td></tr><tr><td>EBITDA</td><td>1,456,340,563</td></tr><tr><td>Divide by: Interest Expense</td><td>5,028,156</td></tr><tr><td>Interest Expense Coverage Ratio</td><td>289.64</td></tr></table>	Net Income	₱1,286,782,330	Add: Provision for Income Tax	108,107,131	Interest Expense	5,028,156		1,399,917,617	Less: Interest Income	27,837,299	EBIT	1,372,080,318	Add: Depreciation and Amortization	84,260,245	EBITDA	1,456,340,563	Divide by: Interest Expense	5,028,156	Interest Expense Coverage Ratio	289.64	289.64	298.88
Net Income	₱1,286,782,330																						
Add: Provision for Income Tax	108,107,131																						
Interest Expense	5,028,156																						
	1,399,917,617																						
Less: Interest Income	27,837,299																						
EBIT	1,372,080,318																						
Add: Depreciation and Amortization	84,260,245																						
EBITDA	1,456,340,563																						
Divide by: Interest Expense	5,028,156																						
Interest Expense Coverage Ratio	289.64																						
Return on Equity	<p>Total Comprehensive Income divided by Average Total Equity (<i>Total Equity PY + Total Equity CY divided by 2</i>)</p> <table><tr><td>Total Comprehensive Income</td><td>₱1,294,701,106</td></tr><tr><td>Total Equity CY</td><td>10,399,485,916</td></tr><tr><td>Total Equity PY</td><td>9,422,358,935</td></tr><tr><td>Average Total Equity</td><td>9,910,922,426</td></tr><tr><td>Return on Equity</td><td>13.06%</td></tr></table>	Total Comprehensive Income	₱1,294,701,106	Total Equity CY	10,399,485,916	Total Equity PY	9,422,358,935	Average Total Equity	9,910,922,426	Return on Equity	13.06%	13.06%	11.99%										
Total Comprehensive Income	₱1,294,701,106																						
Total Equity CY	10,399,485,916																						
Total Equity PY	9,422,358,935																						
Average Total Equity	9,910,922,426																						
Return on Equity	13.06%																						
Return on Assets	<p>Total Comprehensive Income divided by Average Total Assets (<i>Total Assets PY + Total Assets CY divided by 2</i>)</p> <table><tr><td>Total Comprehensive Income</td><td>₱1,294,701,106</td></tr><tr><td>Total Assets CY</td><td>11,607,703,296</td></tr><tr><td>Total Assets PY</td><td>10,352,850,460</td></tr><tr><td>Average Total Assets</td><td>10,980,276,878</td></tr><tr><td>Return on Assets</td><td>11.79%</td></tr></table>	Total Comprehensive Income	₱1,294,701,106	Total Assets CY	11,607,703,296	Total Assets PY	10,352,850,460	Average Total Assets	10,980,276,878	Return on Assets	11.79%	11.79%	10.99%										
Total Comprehensive Income	₱1,294,701,106																						
Total Assets CY	11,607,703,296																						
Total Assets PY	10,352,850,460																						
Average Total Assets	10,980,276,878																						
Return on Assets	11.79%																						
Net Profit Margin	<p>Net Income Attributable to Parent divided by Revenue</p> <table><tr><td>Net Income Attributable to Parent</td><td>₱1,272,356,481</td></tr><tr><td>Divide by: Revenue</td><td>3,849,971,823</td></tr><tr><td>Net Income Margin</td><td>33.05%</td></tr></table>	Net Income Attributable to Parent	₱1,272,356,481	Divide by: Revenue	3,849,971,823	Net Income Margin	33.05%	33.05%	48.22%														
Net Income Attributable to Parent	₱1,272,356,481																						
Divide by: Revenue	3,849,971,823																						
Net Income Margin	33.05%																						

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 , B D O T o w e r s P a s e o , 8
7 4 1 , P a s e o d e R o x a s , M a k a t i C i
t y , 1 2 0 9

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

info@spcpower.com

Company's Telephone Number

(032) 232 0377

Mobile Number

N/A

No. of Stockholders

707

Annual Meeting (Month / Day)

06/15

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

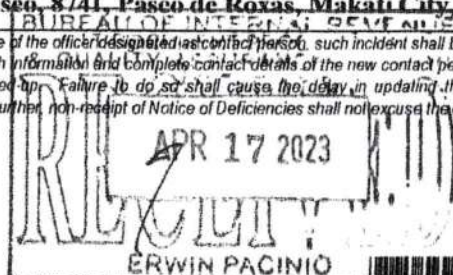
(0917) 323 1469

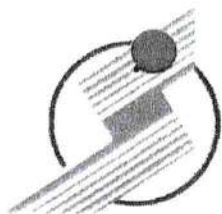
CONTACT PERSON'S ADDRESS

7th Floor, BDO Towers Paseo, 8741, Paseo de Roxas, Makati City, 1209

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.





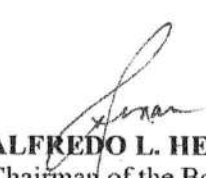
SPC Power Corporation

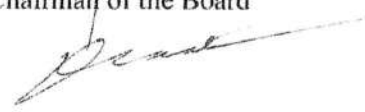
STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of **SPC POWER CORPORATION** is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2022. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited, to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

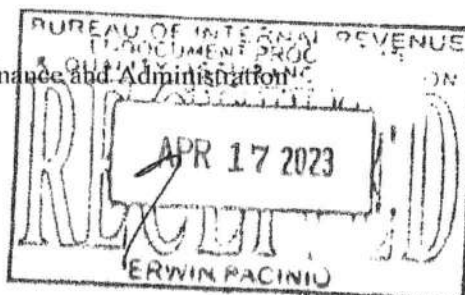
In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2022 and the accompanying Annual Income Tax Return are in accordance with the books and records of SPC Power Corporation complete and correct in all material respects. Management likewise affirms that:

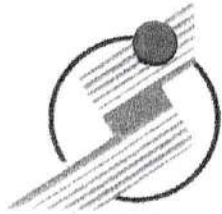
- a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the Company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances;
- c) SPC Power Corporation has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.


ALFREDO L. HENARES
Chairman of the Board


DENNIS T. VILLAREAL
Chief Executive Officer/President


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





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, 2022 and 2021, 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.

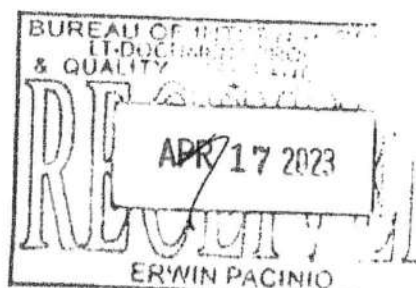
SyCip Gorres Velayo & Co., the independent auditor appointed by the stockholders, has audited the financial statements of the Parent Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion 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 30th day of March 2023.



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
SPC Power Corporation
7th Floor, BDO Towers Paseo
Paseo de Roxas
Makati 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, 2022 and 2021, 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, 2022, and notes to the parent company financial statements, including a summary of significant accounting policies.

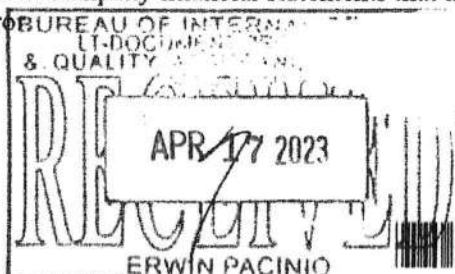
In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2022 and 2021, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2022, 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.

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

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

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

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

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

SYCIP GORRES VELAYO & CO.

Alvin M. Pinpin

Partner

CPA Certificate No. 94303

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

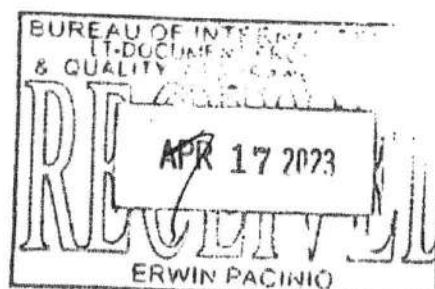
SEC Firm Accreditation No. 0001-SEC (Group A)

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. 9564678, January 3, 2023, Makati City

March 30, 2023





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- 3 -

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

SYCIP GORRES VELAYO & CO.

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