

COVER SHEET

for

AUDITED FINANCIAL STATEMENTS

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COMPANY NAME

[illegible]**PRINCIPAL OFFICE** (No. / Street / Barangay / City / Town / Province)[illegible]

A	A	P	F	S
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C	R	M	D
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N	/	A	
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COMPANY INFORMATION

info@spcpower.com

(032) 232 0377

	N/A
--	-----

757

05/30

12/31

CONTACT PERSON INFORMATION	
NAME	_____
PHONE	_____
EMAIL	_____
ADDRESS	_____
CITY	_____
STATE	_____
ZIP	_____

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

Niño Ray Aguirre

info@spcpower.com

(032) 810 4476

(0917) 802 9343

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.



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Sat 4/13/2024 6:15 PM

To: Finance <finance@spcpower.com>

Cc: Niño Ray D. Aguirre <ndaguirre@spcpower.com>

Hi SPC POWER CORPORATION,

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Transaction Code: **AFS-0-M2SN3TWV02YZZVXZ4NYMRR3Z309BG78CE**

Submission Date/Time: **Apr 13, 2024 06:15 PM**

Company TIN: **003-868-048**

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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, 2023 and 2022, 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


NIÑO RAY D. AGUIRRE
Treasurer/Vice President - Finance

Signed this 11th day of April 2024.



SPC Power Corporation

APR 16 2024

SUBSCRIBED AND SWORN TO before me this _____ day of April 2024 at Makati City; Affiants exhibited to me their Passport Nos. as follows:

<u>Names</u>	<u>CTC/Passport No.</u>	<u>Date of Issue</u>	<u>Place of Issue</u>
Alfredo L. Henares	P5099307B	March 11, 2020	DFA NCR East
Dennis T. Villarcal	P8767960A	September 17, 2018	DFA Manila
Niño Ray D. Aguirre	P2916565C	January 13, 2023	DFA Manila

Doc. No. 90
Page No. 19
Book No. 15
Series of 2024.

ATTY. JOEL FERRER FLORES
Notary Public for Makati City
Until December 31, 2024
Appointment No. M-115(2023-2024)
Roll Of Attorney No. 77376
MCLE Compliance VIII No.0001393
Jan. 3, 2023 until Apr. 12, 2028
PTR NO.10073945/Jan. 2, 2024/Makati City
IBP No.330740/Jan. 2, 2024/Pasig City
107 Batuan St., Guadalupe Nuevo, Makati City

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, 2023 and 2022, 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, 2023, and notes to the parent company financial statements, including material accounting policy information.

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, 2023 and 2022, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2023, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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



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

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

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

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

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

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



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

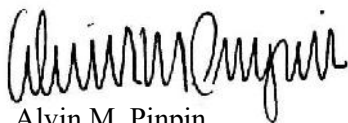
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

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

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

SYCIP GORRES VELAYO & CO.



Alvin M. Pinpin

Partner

CPA Certificate No. 94303

Tax Identification No. 198-819-157

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

BIR Accreditation No. 08-001998-070-2023, October 23, 2023, valid until October 22, 2026

PTR No. 10079991, January 6, 2024, Makati City

April 11, 2024



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

	December 31	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents (Note 6)	₱3,759,794,015	₱3,587,754,678
Trade and other receivables (Note 7)	183,094,611	125,455,760
Inventories (Note 8)	111,832,064	131,180,641
Prepayments and other current assets (Note 9)	22,149,105	27,334,209
Total Current Assets	4,076,869,795	3,871,725,288
Noncurrent Assets		
Investments in associates (Note 10)	2,852,465,368	2,852,465,368
Investments in subsidiaries (Note 11)	341,177,829	341,177,829
Property, plant and equipment (Note 12)	367,488,888	373,891,495
Other noncurrent assets (Notes 13 and 25)	31,421,496	35,519,149
Total Noncurrent Assets	3,592,553,581	3,603,053,841
TOTAL ASSETS	₱7,669,423,376	₱7,474,779,129
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Note 14)	₱355,757,777	₱156,070,448
Income tax payable	—	3,718,858
Current portion of lease liabilities (Note 23)	2,200,254	1,828,196
Total Current Liabilities	357,958,031	161,617,502
Noncurrent Liability		
Pension liability (Note 21)	6,616,493	13,640,838
Deferred income tax liability (Note 20)	14,667,949	16,923,976
Lease liabilities - net of current portion (Note 23)	7,359,242	9,559,496
Total Noncurrent Liabilities	28,643,684	40,124,310
Total Liabilities	386,601,715	201,741,812
Equity		
Capital stock - ₱1 par value (Note 15)		
Authorized - 2,000,000,000 shares		
Issued - 1,569,491,900 shares	1,569,491,900	1,569,491,900
Additional paid-in capital	86,810,752	86,810,752
Retained earnings (Note 15):		
Appropriated	—	1,800,000,000
Unappropriated	5,745,686,489	3,941,964,875
Other comprehensive income:		
Remeasurement of retirement benefits obligations (Note 21)	(1,509,306)	(5,572,036)
Net unrealized valuation gains on financial asset at fair value through other comprehensive income (FVOCI) (Note 13)	13,350,000	11,350,000
Treasury stock at cost - 72,940,097 shares (Note 15)	(131,008,174)	(131,008,174)
Total Equity	7,282,821,661	7,273,037,317
TOTAL LIABILITIES AND EQUITY	₱7,669,423,376	₱7,474,779,129

See accompanying Notes to Parent Company Financial Statements.



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

	Years Ended December 31		
	2023	2022	2021
REVENUE			
Operating fees (Note 25)	₱1,028,440,475	₱720,908,368	₱519,107,948
COST OF SERVICES			
Plant operations (Notes 16 and 25)	814,107,863	629,973,619	353,744,937
GROSS PROFIT	214,332,612	90,934,749	165,363,011
GENERAL AND ADMINISTRATIVE EXPENSES (Note 17)	229,171,867	195,776,658	147,217,973
OTHER INCOME (CHARGES)			
Dividend income (Notes 5, 10 and 11)	205,984,776	1,209,880,065	1,505,777,276
Service income (Note 5)	—	—	40,002,385
Interest income (Note 6)	148,666,114	26,934,920	31,621,618
Interest expense (Notes 23 and 24)	(661,891)	(373,979)	(112,059)
Net foreign exchange gain (loss)	(8,162,250)	93,624,980	7,515,308
Others - net (Note 5)	2,595,059	6,159,117	126,220
	348,421,808	1,336,225,103	1,584,930,748
INCOME BEFORE INCOME TAX	333,582,553	1,231,383,194	1,603,075,786
PROVISION FOR INCOME TAX (Note 20)	30,550,579	34,969,401	27,681,501
NET INCOME	303,031,974	1,196,413,793	1,575,394,285
OTHER COMPREHENSIVE INCOME			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurement gain (loss) on retirement benefits obligations, net of tax effect (Note 21)	4,062,730	(3,352,674)	(5,142,195)
Unrealized valuation gain on financial asset at FVOCI (Note 13)	2,000,000	5,000,000	600,000
	6,062,730	1,647,326	(4,542,195)
TOTAL COMPREHENSIVE INCOME	₱309,094,704	₱1,198,061,119	₱1,570,852,090
EARNINGS PER SHARE (BASIC/DILUTED)			
(Note 15)	₱0.20	₱0.80	₱1.05

See accompanying Notes to Parent Company Financial Statements.



SPC POWER CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

	Other Comprehensive Income (Loss)							
			Retained Earnings (Note 15)		Remeasurement of Retirement Benefits Obligations (Note 21)	Net Unrealized Valuation Gains on Financial Assets at FVOCI (Note 13)	Treasury Stock at Cost (Note 15)	
	Capital Stock (Note 15)	Additional Paid-in Capital	Appropriated	Unappropriated				Total
At January 1, 2023	₱1,569,491,900	₱86,810,752	₱1,800,000,000	₱3,941,964,875	(₱5,572,036)	₱11,350,000	(₱131,008,174)	₱7,273,037,317
Total comprehensive income	—	—	—	303,031,974	4,062,730	2,000,000	—	309,094,704
Reversal of appropriation (Note 15)	—	—	(1,800,000,000)	1,800,000,000	—	—	—	—
Cash dividends (Note 15)	—	—	—	(299,310,360)	—	—	—	(299,310,360)
At December 31, 2023	₱1,569,491,900	₱86,810,752	₱—	₱5,745,686,489	(₱1,509,306)	₱13,350,000	(₱131,008,174)	₱7,282,821,661
At January 1, 2022	₱1,569,491,900	₱86,810,752	₱1,800,000,000	₱3,044,861,443	(₱2,219,362)	₱6,350,000	(₱131,008,174)	₱6,374,286,559
Total comprehensive income	—	—	—	1,196,413,793	(3,352,674)	5,000,000	—	1,198,061,119
Cash dividends (Note 15)	—	—	—	(299,310,361)	—	—	—	(299,310,361)
At December 31, 2022	₱1,569,491,900	₱86,810,752	₱1,800,000,000	₱3,941,964,875	(₱5,572,036)	₱11,350,000	(₱131,008,174)	₱7,273,037,317
At January 1, 2021	₱1,569,491,900	₱86,810,752	₱1,800,000,000	₱3,789,122,453	₱2,922,833	₱5,750,000	(₱131,008,174)	₱7,123,089,764
Reversal of appropriation (Note 15)	—	—	—	1,575,394,285	(5,142,195)	600,000	—	1,570,852,090
Cash dividends (Note 15)	—	—	—	(2,319,655,295)	—	—	—	(2,319,655,295)
At December 31, 2021	₱1,569,491,900	₱86,810,752	₱1,800,000,000	₱3,044,861,443	(₱2,219,362)	₱6,350,000	(₱131,008,174)	₱6,374,286,559

See accompanying Notes to Parent Company Financial Statements.



SPC POWER CORPORATION
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱333,582,553	₱1,231,383,194	₱1,603,075,786
Adjustments for:			
Dividend income (Notes 5, 10 and 11)	(205,984,776)	(1,209,880,065)	(1,505,777,276)
Interest income (Note 6)	(148,666,114)	(26,934,920)	(31,621,618)
Depreciation and amortization (Notes 12 and 19)	46,021,632	40,289,703	41,506,177
Net unrealized foreign exchange gain (loss)	8,401,870	(68,056,643)	(1,474,738)
Net changes in pension liability (Note 21)	(2,961,615)	1,797,290	2,011,879
Interest expense (Notes 23 and 24)	661,891	373,979	112,059
Gain on disposal of assets	—	—	(71,429)
Operating income before working capital changes	31,055,441	(31,027,462)	107,760,840
Decrease (increase) in:			
Trade and other receivables	(57,638,851)	73,592,477	(38,435,651)
Inventories	19,348,577	(50,993,444)	(9,863,220)
Prepayments and other current assets	3,420,103	(7,414,504)	(6,153,984)
Increase (decrease) in trade and other payables	87,664,495	(2,752,505)	73,664,894
Net cash generated from operations	83,849,765	(18,595,438)	126,972,879
Interest received	148,666,114	26,934,920	31,621,618
Income taxes paid	(36,525,464)	(21,205,197)	(32,786,761)
Interest paid (Notes 23 and 24)	(661,891)	(373,979)	(112,059)
Net cash flows from (used in) operating activities	195,328,524	(13,239,694)	125,695,677
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash dividends received (Notes 5, 10 and 11)	205,984,776	1,209,880,065	1,421,288,616
Additions to property, plant and equipment (Note 12)	(39,010,774)	(1,422,842)	(22,140,036)
Cash inflows (outflows) arising from advances to suppliers and contractors (Notes 13 and 25)	5,489,402	2,807,098	(10,686,707)
Proceeds from disposal of property and equipment (Note 12)	—	—	71,429
Net cash flows from investing activities	172,463,404	1,211,264,321	1,388,533,302

(Forward)



	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash dividends paid (Note 15)	(P185,522,525)	(P299,310,361)	(P2,319,655,295)
Payment of principal portion of lease liabilities (Note 24)	(1,828,196)	(3,526,795)	(1,765,439)
Cash flows used in financing activities	(187,350,721)	(302,837,156)	(2,321,420,734)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	180,441,207	895,187,471	(807,191,755)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(8,401,870)	68,056,643	1,474,738
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,587,754,678	2,624,510,564	3,430,227,581
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 6)	P3,759,794,015	P3,587,754,678	P2,624,510,564

See accompanying Notes to Parent Company Financial Statements.



SPC POWER CORPORATION

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

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

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

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

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

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

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

On January 4, 2017, the SEC approved the Parent Company's amendment to the Articles of Incorporation to engage in the business of selling, brokering, marketing, or aggregating electricity to the end users.

On June 9, 2022, the SEC approved the Parent Company's amendment to the Articles of Incorporation to engage in the business of renewable energy including the exploration, development and utilization of renewable energy resources, such as but not limited to biomass, solar, wind, hydro, geothermal, ocean energy sources or hybrid systems.

On June 19, 2022, the SEC approved the change in the Parent Company's principal office address from 7th Floor, Cebu Holdings Center, Archbishop Reyes Avenue, Cebu Business Park, Cebu City to 7th FL BDO Towers Paseo, 8741, Paseo de Roxas, Makati City, 1209.



The financial statements of the Parent Company were authorized for issue by the BOD on April 11, 2024.

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

Basis of Preparation

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

The Parent Company also prepares and issues consolidated financial statements for the same period as the separate financial statements presented in accordance with Philippine Financial Reporting Standards (PFRSs). These may be obtained at 7th FL BDO Towers Paseo, 8741, Paseo de Roxas, Makati City, 1209.

Statement of Compliance

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

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following new and revised standards and Philippine Interpretations which were applied starting January 1, 2023. The Parent Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, the adoption did not have any significant impact on the financial statements of the Parent Company.

Effective beginning on or after January 1, 2023

- Amendments to Philippine Accounting Standards (PAS) 1 and PFRS Practice Statement 2, Disclosure of Accounting Policies

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

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

The amendments to the Practice Statement provide non-mandatory guidance.

- Amendments to PAS 8, Definition of Accounting Estimates

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



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

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

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

- Amendments to PAS 12, International Tax Reform - Pillar Two Model Rules

The amendments introduce a mandatory exception in PAS 12 from recognizing and disclosing deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments also clarify that PAS 12 applies to income taxes arising from tax law enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organization for Economic Cooperation and Development including tax law that implements qualified domestic minimum top-up taxes. Such tax legislation, and the income taxes arising from it, are referred to as 'Pillar Two legislation' and 'Pillar Two income taxes', respectively.

The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon adoption of the amendments in June 2023.

Meanwhile, the disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after January 1, 2023.

Standard Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, Classification of Liabilities as Current or Noncurrent
- Amendments to PFRS 16, Lease Liability in a Sale and Leaseback
- Amendments to PAS 7 and PFRS 7, Disclosures: Supplier Finance Arrangements

Effective beginning on or after January 1, 2025

- PFRS 17, Insurance Contracts
- Amendments to PAS 21, Lack of exchangeability

Deferred effectivity

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



3. Summary of Material Accounting Policies

Cash and Cash Equivalents

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

Financial Instruments - Classification and Measurement

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

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

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

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

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

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



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

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

As at December 31, 2023 and 2022, the Parent Company has financial assets at amortized cost consisting of cash and cash equivalents and trade and other receivables (see Notes 5, 6 and 7).

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

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

As at December 31, 2023 and 2022, the Parent Company’s financial assets at FVOCI includes proprietary golf club shares recorded as part of “Other noncurrent assets” (see Notes 13 and 22).

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

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



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

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

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

Impairment of Financial Assets

The Parent Company uses the single, forward-looking "expected loss" impairment model and recognizes ECL for the following financial assets:

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

No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

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

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

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



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

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

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

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

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

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

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

Derecognition of Financial Assets and Liabilities

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

- the rights to receive cash flows from the asset have expired;
- the Parent Company retains the right to receive cash flows from the asset.

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



Fair Value Measurement

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

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

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

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

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

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

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

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

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

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

Inventories

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

Investments in Associates and Subsidiaries

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



Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

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



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

Equity

Treasury Shares. These own equity instruments which are reacquired are recognized at cost and deducted from equity. No gain or loss is recognized in the parent company statement of comprehensive income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments.

Retained Earnings. Retained earnings include cumulative balance of periodic net income or loss, dividend contribution and prior period adjustments. Dividends are recognized as liability and deducted from retained earnings when they are declared.

Revenue Recognition

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

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

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

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

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

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



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

Cost and Expense Recognition

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

Leases

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

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

Lease liabilities. At the commencement date of the lease, the Parent Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term.

In calculating the present value of lease payments, the Parent Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

Pension Expense

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

The net defined benefit liability is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets.

Defined benefit costs comprise the following:

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

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

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



Remeasurements comprising actuarial gains and losses and return on plan assets are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to parent company statement of comprehensive income in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Parent Company, nor can they be paid directly to the Parent Company. Fair value of plan assets is based on market price information.

Income Tax

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

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

Related Party Transactions

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

Provisions

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

Foreign Currency-Denominated Transactions

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

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

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



Earnings per Share

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

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

Segment Reporting

For management purposes, the Parent Company is organized into business units based on their services and has only one single operating segment as of December 31, 2021 and 2020. No operating segments have been aggregated to form the Parent Company's single operating segment. Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the parent company financial statements.

4. **Significant Accounting Judgments and Estimates**

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

Judgments

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

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

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

Significant judgments in revenue recognition are as follows:

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



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

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

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

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

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

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

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



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

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

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

Estimates and Assumptions

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

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

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

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

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



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

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

An increase in the Parent Company's allowance for expected credit losses of trade and other receivables will increase the Parent Company's recorded expenses and decrease current assets. As of December 31, 2023 and 2022, allowance for expected credit losses amounted to ₱4.2 million and ₱4.6 million, respectively (see Notes 5 and 7). These receivables, net of allowance for expected credit losses, amounted to ₱64.7 million and ₱53.2 million as of December 31, 2023 and 2022, respectively (see Note 8).

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

The Parent Company recognized depreciation expense amounting to ₱45.4 million, ₱39.7 million and ₱40.9 million in 2023, 2022 and 2021, respectively (see Notes 8 and 19). As of December 31, 2023 and 2022, the aggregate net book values of property, plant and equipment subjected to depreciation amounted to ₱367.5 million and ₱373.9 million, respectively (see Note 12).

Estimating Incremental Borrowing Rate (IBR). The Parent Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its IBR to measure lease liabilities. The IBR is the rate of interest that the Parent Company would have to pay to borrow a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in similar economic environment. The IBR therefore reflects what the Parent Company 'would have to pay', which requires estimation when no observable rates are available. The Parent Company estimates the IBR using observable inputs such as market interest rates when available and is required to make certain entity-specific estimates such as the Parent Company's credit rating.

The carrying amount of the right-of-use assets as of December 31, 2023 and 2022 amounted to ₱8.6 million and ₱11.0 million, respectively. Lease liabilities as of December 31, 2023 and 2022 amounted to ₱9.6 million and ₱11.4 million, respectively (see Note 23).

5. Related Party Transactions

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



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

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

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

- Management services rendered to SIPC where management fee earned by the Parent Company amounted to nil in 2023 and 2022 and ₱0.1 million in 2021 is included as part of "Others - net" in the parent company statements of comprehensive income.
- Extension of noninterest-bearing advances to SIPC for working capital requirements and receivables relating to the purchase of inventories made by the Parent Company on behalf of SIPC. Outstanding receivables related to these transactions amounted to ₱0.7 million and ₱0.3 million as of December 31, 2023 and 2022, respectively.
- Extension of noninterest-bearing advances to Bohol Light Company, Inc. (BLCI) for working capital requirements. Outstanding advances amounted to ₱0.3 million and ₱0.5 million as of December 31, 2023 and 2022, respectively.
- Cash dividends earned from subsidiaries, SIPC, BLCI, SPC Electric Company, Inc.(SECI), and SPC Light Company, Inc. (SLCI) amounted to ₱6.0 million, ₱205.2 million and ₱359.0 million in 2023, 2022 and 2021, respectively (see Note 11).
- Rendering of management and other services to Mactan Electric Company, Inc. (MECO), an associate, amounting to nil in 2023 and 2022 and ₱40.0 million in 2021 are recorded as "Service income" in the parent company statements of comprehensive income. The management and other services agreement has been discontinued in 202.
- Extension of short-term, noninterest-bearing advances to KEPCO SPC Power Corporation (KEPCO SPC), an associate, for the development of the 2x100 MW Circulating Fluidized Bed Combustion (CFBC) Boiler Coal-Fired Power Plant in Naga, Cebu. Outstanding advances to KEPCO SPC amounted to ₱0.8 million as of December 31, 2023 and 2022.
- Cash dividends received from associates (KEPCO SPC and MECO) amounted to ₱200 million, ₱1,004.7 million and ₱1,146.8 million in 2023, 2022 and 2021, respectively (see Note 10).
- Rentals on office spaces from SPEC Properties, Inc. (SPEC) and SII Properties Development Corporation (SPDC) with lease terms ranging from 2–3 years amounted to ₱4.5 million 2023 and ₱4.4 million in 2022 and 2021. Upon adoption of PFRS 16, lease liabilities were recognized on the unpaid rentals until the end of lease term for these office spaces.
- Extension/availment of noninterest-bearing advances to/from related parties for working capital requirements.



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

2023				
Category	Transaction	Outstanding Balance - Receivable (Payable)	Terms	Conditions
Subsidiaries				
Extension (availment) of advances:				
SIPC**	₱2,427,874	₱675,535	60-day; Noninterest-bearing	Unsecured; No impairment
SIPC***	345,766	(141,970)	60-day; Noninterest-bearing	Unsecured
BLCI**	161,866	332,400	60-day; Noninterest-bearing	Unsecured; No impairment
BLCI***	62,026	(191,277)	60-day; Noninterest-bearing	Unsecured
SMPC**	21,155	32,604	60-day; Noninterest-bearing	Unsecured; No impairment
SECI**	20,668	6,010	60-day; Noninterest-bearing	Unsecured; No impairment
SLCI**	21,009	6,451	60-day; Noninterest-bearing	Unsecured; No impairment
CNPC**	109,111	326,261	60-day; Noninterest-bearing	Unsecured; No impairment
Dividend income (see Note 11):				
BLCI	5,984,999	5,984,999	Due and demandable	Unsecured; No impairment
Associates				
Extension of advances:				
KEPCO SPC	—	763,112	60-day; Noninterest-bearing	Unsecured; No impairment
MECO	—	939	60-day; Noninterest-bearing	Unsecured; No impairment
Dividend income (see Note 10):				
MECO	199,999,778	39,999,955	Due and demandable	Unsecured; No impairment
Affiliates (Companies Under Common Ownership)				
Lease of office space:****				
SPEC	3,651,136	(912,784)	30-day; Noninterest-bearing;	Unsecured
SPDC	801,426	(200,357)	30-day; Noninterest-bearing; 3% annual escalation	Unsecured
Extension (availment) of advances:				
Bohol Water Utilities, Inc. (BWUI)**	148,992	256,035	60-day; Noninterest-bearing	Unsecured; No impairment
SPDC**	162,543	576,063	60-day; Noninterest-bearing	Unsecured; No impairment
Salcon International, Inc. (SII)**	246,450	428,386	60-day; Noninterest-bearing	Unsecured; No impairment
Salcon Philippines, Inc. (SPI)**	81,770	59,895	60-day; Noninterest-bearing	Unsecured; No impairment
Salcon Philippines, Inc. (SPI)***	—	5,600		
SIPC Water Resources, Inc. (SWRI)**	—	223,586	60-day; Noninterest-bearing	Unsecured; No impairment
Western Panay Hydropower Corp. (WPHC)**	127,622	362,765	60-day; Noninterest-bearing	Unsecured; No impairment
SPEC**	159,931	67,883	60-day; Noninterest-bearing	Unsecured; No impairment
KV Holdings, Inc.**	24,745	10,825	60-day; Noninterest-bearing	Unsecured; No impairment
KEPCO Philippines Holdings, Inc.***	—	(497,043)	60-day; Noninterest-bearing	Unsecured

* Under "Trade and other receivables"

** Under "Due from related parties"

*** Under "Due to related parties"

**** Under "Lease liabilities"



2022				
Category	Transaction	Outstanding Balance - Receivable (Payable)	Terms	Conditions
Subsidiaries				
Extension (availment) of advances:				
SIPC**	₱903,532	₱328,523	60-day; Noninterest-bearing	Unsecured; No impairment
SIPC***	1,672,358	(189,179)	60-day; Noninterest-bearing	Unsecured
BLCI**	316,170	468,893	60-day; Noninterest-bearing	Unsecured; No impairment
BLCI***	—	(129,251)	60-day; Noninterest-bearing	Unsecured
SMPC**	19,588	19,588	60-day; Noninterest-bearing	Unsecured; No impairment
SECI**	77,952	12,869	60-day; Noninterest-bearing	Unsecured; No impairment
SLCI**	15,705	12,289	60-day; Noninterest-bearing	Unsecured; No impairment
CNPC**	40,189	217,151	60-day; Noninterest-bearing	Unsecured; No impairment
Dividend income (see Note 11):				
SIPC	189,999,981	—	Due and demandable	Unsecured
BLCI	4,488,749	4,488,749	Due and demandable	Unsecured; No impairment
SECI	5,674,139	—	Due and demandable	Unsecured; No impairment
SLCI	5,043,679	—	Due and demandable	Unsecured; No impairment
Associates				
Extension of advances:				
KEPCO SPC**	—	763,112	60-day; Noninterest-bearing	Unsecured; No impairment
MECO	—	939	60-day; Noninterest-bearing	Unsecured; No impairment
Dividend income (see Note 10):				
KEPCO SPC	964,673,562	—	Due and demandable	Unsecured
MECO	39,999,956	—	Due and demandable	Unsecured; No impairment
Affiliates (Companies Under Common Ownership)				
Lease of office space:****				
SPEC	3,651,136	—	30-day; Noninterest-bearing;	Unsecured
SPDC	778,084	—	30-day; Noninterest-bearing; 3% annual escalation	Unsecured
Extension (availment) of advances:				
Bohol Water Utilities, Inc. (BWUI)**	45,638	107,043	60-day; Noninterest-bearing	Unsecured; No impairment
SPDC**	90,729	507,410	60-day; Noninterest-bearing	Unsecured; No impairment
Salcon International, Inc. (SII)**	42,199	181,935	60-day; Noninterest-bearing	Unsecured; No impairment
Salcon Philippines, Inc. (SPI)**	44,041	171,516	60-day; Noninterest-bearing	Unsecured; No impairment
SIPC Water Resources, Inc. (SWRI)**	—	223,586	60-day; Noninterest-bearing	Unsecured; No impairment
Western Panay Hydropower Corp. (WPHC)**	108,565	235,143	60-day; Noninterest-bearing	Unsecured; No impairment
SPEC**	101,810	304,756	60-day; Noninterest-bearing	Unsecured; No impairment
KV Holdings, Inc.**	30,109	7,789	60-day; Noninterest-bearing	Unsecured; No impairment
KEPCO Philippines Holdings, Inc.***	—	(497,043)	60-day; Noninterest-bearing	Unsecured

* Under "Trade and other receivables"

** Under "Due from related parties"

*** Under "Due to related parties"

**** Under "Lease liabilities"



2021				
Category	Transaction	Outstanding Balance - Receivable (Payable)	Terms	Conditions
Subsidiaries				
Management services:				
SIPC*	₱102,679	₱-	60-day; Noninterest-bearing	Unsecured
Extension (availment) of advances:				
SIPC**	324,572	138,849	60-day; Noninterest-bearing	Unsecured; No impairment
SIPC***	69,090	(22,606)	60-day; Noninterest-bearing	Unsecured
BLCI**	168,856	203,996	60-day; Noninterest-bearing	Unsecured; No impairment
BLCI***	-	(129,251)	60-day; Noninterest-bearing	Unsecured
SMPC**	8,014	26,183	60-day; Noninterest-bearing	Unsecured; No impairment
SECI**	9,864	15,922	60-day; Noninterest-bearing	Unsecured; No impairment
SLCI**	9,164	16,112	60-day; Noninterest-bearing	Unsecured; No impairment
CNPC**	17,807	176,962	60-day; Noninterest-bearing	Unsecured; No impairment
Dividend income (see Note 11):				
SIPC	349,999,965	-	Due and demandable	Unsecured
BLCI	8,977,497	4,488,749	Due and demandable	Unsecured; No impairment
Associates				
Management services:				
MECO	40,002,385	-	60-day; Noninterest-bearing	Unsecured
Extension of advances:				
KEPCO SPC**	-	763,112	60-day; Noninterest-bearing	Unsecured; No impairment
MECO	939	939	60-day; Noninterest-bearing	Unsecured; No impairment
Dividend income (see Note 10):				
KEPCO SPC	1,026,799,946	-	Due and demandable	Unsecured
Affiliates (Companies Under Common Ownership)				
Lease of office space: ****				
SPEC	3,651,136	(2,738,352)	30-day; Noninterest-bearing;	Unsecured
SPDC	765,946	(572,066)	30-day; Noninterest-bearing; 3% annual escalation	Unsecured
Extension (availment) of advances:				
Bohol Water Utilities, Inc. (BWUI)**	146,762	212,695	60-day; Noninterest-bearing	Unsecured; No impairment
SPDC**	94,042	416,681	60-day; Noninterest-bearing	Unsecured; No impairment
SPDC***	294,551	(509,711)	60-day; Noninterest-bearing	Unsecured
Salcon International, Inc. (SII)**	51,184	139,736	60-day; Noninterest-bearing	Unsecured; No impairment
Salcon Philippines, Inc. (SPI)**	45,500	127,475	60-day; Noninterest-bearing	Unsecured; No impairment
SIPC Water Resources, Inc. (SWRI)**	30,041	223,586	60-day; Noninterest-bearing	Unsecured; No impairment
Western Panay Hydropower Corp. (WPHC)**	29,041	126,578	60-day; Noninterest-bearing	Unsecured; No impairment
SPEC**	70,197	202,945	60-day; Noninterest-bearing	Unsecured; No impairment
KV Holdings, Inc.**	8,564	26,111	60-day; Noninterest-bearing	Unsecured; No impairment
KEPCO Philippines Holdings, Inc.***	-	(497,043)	60-day; Noninterest-bearing	Unsecured

* Under "Trade and other receivables"

** Under "Due from related parties"

*** Under "Due to related parties"

**** Under "Lease liabilities"



These transactions with related parties are generally settled in cash.

Compensation and Benefits of Key Management Personnel

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

	2023	2022	2021
Short-term benefits	₱45,644,523	₱47,107,848	₱40,318,914
Post-employment benefits	711,839	629,884	512,154
	₱46,356,362	₱47,737,732	₱40,831,068

6. Cash and Cash Equivalents

	2023	2022
Cash on hand	₱246,281	₱290,996
Cash in banks	274,970,130	1,375,044,432
Short-term investments	3,484,577,604	2,212,419,250
	₱3,759,794,015	₱3,587,754,678

Cash in banks earn interest at the respective bank deposit rates of 0.025% to 6%, 0.025% to 2.25% , and 0.025% to 1.75% in 2023, 2022 and 2021, respectively. Short-term investments are made for varying periods of up to three months or less, depending on the immediate cash requirements of the Parent Company, and earn interest at the prevailing short-term investment rates of short-term rates of 5.45% to 6.15%, 0.35% to 3.3%, and 0.125% to 1.6% in 2023, 2022 and 2021, respectively. Total interest income earned amounted to ₱148.7 million, ₱26.9 million and ₱31.6 million in 2023, 2022 and 2021, respectively.

7. Trade and Other Receivables

	2023	2022
Receivable from customers:		
Independent Electricity Market Operator of the Philippines Inc. (IEMOP) (net of allowance for impairment of ₱4.2 million and ₱4.6 million in 2023 and 2022, respectively)	₱64,667,032	₱53,244,481
National Grid Corporation of the Philippines (NGCP)	27,237,039	19,095,712
Dividend receivable (see Note 5)	45,984,954	4,488,749
Interest receivable	17,229,397	5,589,472
Advances to officers and employees	11,336,508	25,509,551
Due from related parties (see Note 5)	4,128,750	3,562,542
Others	12,510,931	13,965,253
	₱183,094,611	₱125,455,760

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



Advances to officers and employees are noninterest-bearing and are subject to liquidation within the next two to twelve months.

Others mainly consist of nontrade receivables from various third parties from sale of sludge materials.

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

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

	2023	2022
At January 1	₱4,599,036	₱6,892,930
Reversal of allowance	(412,952)	(2,293,894)
At December 31	₱4,186,084	₱4,599,036

8. Inventories

	2023	2022
On hand - at cost:		
Fuel	₱54,184,050	₱62,403,068
Materials and supplies	57,630,895	67,242,960
In transit - at cost	17,119	1,534,613
	₱111,832,064	₱131,180,641

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

Cost of inventories used in operations recognized as part of "Cost of services" amounted to ₱734.3 million, ₱553.9 million and ₱283.1 million in 2023, 2022 and 2021, respectively, in the parent company statements of comprehensive income (see Note 16).

9. Prepayments and Other Current Assets

	2023	2022
Prepaid income tax - Creditable EWT	₱13,522,855	₱5,670,539
Prepaid insurance	4,988,260	4,428,583
Prepaid rent	2,530,738	2,505,705
Refundable deposits	1,087,712	1,140,710
Input VAT	19,540	12,874,824
Deferred input tax	—	509,738
Others	—	204,110
	₱22,149,105	₱27,334,209

Others pertain mostly to advances and refundable deposits.



10. Investments in Associates

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

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

KEPCO SPC

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

	2023	2022
Statements of financial position:		
Current assets	₱5,025,272,862	₱3,648,061,247
Noncurrent assets	7,431,058,522	8,134,819,864
Current liabilities	1,018,887,600	1,079,104,218
Noncurrent liabilities	177,871,046	169,135,312
Equity	11,259,572,738	10,534,641,581
	2023	2022
Statements of comprehensive income:		
Revenue	₱9,491,824,536	₱10,685,730,574
Gross profit	1,612,378,636	2,954,375,631
Net income	730,593,462	1,895,967,997
Other comprehensive income (loss)	(5,662,304)	6,943,469
Total comprehensive income	724,931,158	1,902,911,466

KEPCO SPC declared and paid cash dividends to the Parent Company amounting to nil, ₱964.7 million and ₱1,026.8 million in 2023, 2022 and 2021, respectively (see Note 5).

MECO

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

	2023	2022
Statements of financial position:		
Current assets	₱3,420,169,230	₱3,272,422,195
Noncurrent assets	3,822,420,452	3,737,587,700
Current liabilities	938,870,145	1,056,351,577
Noncurrent liabilities	2,647,655,706	2,506,399,191
Equity	3,656,063,831	3,447,259,127
Revaluation increment on property, plant and equipment, and others	376,509,006	401,016,994

(Forward)



	2023	2022
Statements of comprehensive income:		
Revenue	₱7,206,586,540	₱7,524,368,045
Gross profit	481,187,003	214,305,875
Net income	704,620,130	383,002,350
Other comprehensive income (loss)	(3,984,755)	9,379,733
Total comprehensive income	700,635,375	392,382,083
Income after adjustment of depreciation on appraisal increase and others	737,297,447	417,417,764

MECO declared and paid cash dividends to the Parent Company amounting to ₱200.0 million, ₱40.0 million and ₱120.0 million in 2023, 2022 and 2021, respectively (see Note 5).

Based on management's assessment, there were no indicators of impairment. No impairment loss was recognized in 2023, 2022 and 2021.

11. Investments in Subsidiaries

Details of the Parent Company's investments in subsidiaries as of December 31, 2023 and 2022 are as follows:

	Principal Activity	% of Ownership		Total	Amount
		Direct	Indirect		
SIPC	Power generation	100.00%	—	100.00%	₱274,999,995
BLCI	Power distribution	39.90%	13.76%	53.66%	45,653,125
SLCI	Holding company	40.00%	24.00%	64.00%	12,609,198
SECI	Holding company	40.00%	—	40.00%	7,565,518
CNPC	Power generation	100.00%	—	100.00%	249,995
SMPC	Power generation	40.00%	38.40%	78.40%	99,998
					₱341,177,829

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

Declared By	Date of Declaration	Record Date	Amount	
			Gross (in millions)	Per Share
2023				
BLCI	November 30, 2023	December 15, 2023	₱5.9	₱0.20
2022				
SIPC	December 12, 2022	December 15, 2022	₱190.0	₱3.80 (common)
BLCI	December 7, 2022	December 22, 2022	11.3	0.15
SLCI	November 16, 2022	November 18, 2022	12.6	0.40
SECI	November 16, 2022	November 18, 2022	14.2	0.75
2021				
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

No impairment loss on the Parent Company's investment in subsidiaries was recognized in 2023, 2022 and 2021.



12. Property, Plant and Equipment

2023						
	Buildings, Plant Machinery and Equipment	Motor Vehicles	Furniture and Office Equipment	Partitions and Air Conditioners	Right-of-use Assets (see Note 23)	Total
Cost						
At January 1	₱505,532,832	₱19,282,806	₱12,656,557	₱1,184,635	₱12,252,170	₱550,909,000
Additions	1,230,830	10,855,357	873,616	26,050,971	—	39,010,774
At December 31	506,763,662	30,138,163	13,530,173	27,235,606	12,252,170	589,919,774
Accumulated Depreciation and Amortization						
At January 1	146,477,123	16,775,407	11,498,537	1,041,221	1,225,217	177,017,505
Depreciation and amortization (see Note 19)	36,442,034	2,370,838	610,683	3,539,392	2,450,434	45,413,381
At December 31	182,919,157	19,146,245	12,109,220	4,580,613	3,675,651	222,430,886
Net Book Value	₱323,844,505	₱10,991,918	₱1,420,953	₱22,654,993	₱8,576,519	₱367,488,888

2022						
	Buildings, Plant Machinery and Equipment	Motor Vehicles	Furniture and Office Equipment	Partitions and Air Conditioners	Right-of-use Assets (see Note 23)	Total
Cost						
At January 1	₱504,588,541	₱19,211,465	₱12,249,347	₱1,184,635	₱—	₱537,233,988
Additions	944,291	71,341	407,210	—	12,252,170	13,675,012
At December 31	505,532,832	19,282,806	12,656,557	1,184,635	12,252,170	550,909,000
Accumulated Depreciation and Amortization						
At January 1	110,233,272	15,184,926	10,944,113	973,742	—	137,336,053
Depreciation and amortization (see Note 19)	36,243,851	1,590,481	554,424	67,479	1,225,217	39,681,452
At December 31	146,477,123	16,775,407	11,498,537	1,041,221	1,225,217	177,017,505
Net Book Value	₱359,055,709	₱2,507,399	₱1,158,020	₱143,414	₱11,026,953	₱373,891,495

There are no property, plant and equipment which the Parent Company has restricted title or that are pledged as security for liabilities, nor are there any amounts of contractual commitments for the acquisition of property, plant and equipment as of December 31, 2023 and 2022.

13. Other Noncurrent Assets

	2023	2022
Investment in proprietary club shares	₱15,000,000	₱13,000,000
Project development costs	5,413,176	10,916,681
Software costs (net of accumulated amortization of ₱4.9 million and ₱4.3 million in 2023 and 2022, respectively) (see Note 19)	1,216,504	1,824,755
Advances to suppliers and contractors	2,803,719	2,789,616
Others	6,988,097	6,988,097
	₱31,421,496	₱35,519,149

Project developments costs pertain to due diligence, legal and consultancy services, and other expenditures incurred in relation to the Company's acquisitions as discussed in Note 25.



In 2023, 2022 and 2021, the Parent Company recognized “Unrealized valuation gain on financial asset at FVOCI” amounting to ₱2.0 million, ₱5.0 million and ₱0.6 million, respectively, in the parent company statements of comprehensive income for its investment in proprietary club shares.

The following table shows the movement of software costs:

	2023	2022
Acquisition Cost	₱6,082,514	₱6,082,514
Accumulated Amortization		
At January 1	4,257,759	3,649,508
Amortization (see Notes 17 and 19)	608,251	608,251
At December 31	4,866,010	4,257,759
Net Book Value	₱1,216,504	₱1,824,755

14. Trade and Other Payables

	2023	2022
Trade	₱108,815,952	₱103,823,196
Nontrade	123,145,720	39,244,035
Dividends payable	113,787,835	—
Accrued expenses:		
Withholding taxes and other statutory liabilities	3,153,805	3,743,053
Accrued rent	2,111,138	632,304
Terminal leave pay	—	5,979,755
Others	3,907,437	1,827,033
Due to related parties (see Note 5)	835,890	821,072
	₱355,757,777	₱156,070,448

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

Nontrade payables include accrual for deferred output tax of ₱35.9 million and ₱25.2 million as of December 31, 2023 and 2022, respectively, and various accounts with nontrade suppliers and contractors.

15. Equity

Capital Stock

There were no changes in the Parent Company’s authorized, issued and outstanding common shares as of December 31, 2023 and 2022:

	2023		2022	
	No. of shares	Amount	No. of shares	Amount
Capital stock - ₱1 par value				
Authorized	2,000,000,000	₱2,000,000,000	2,000,000,000	₱2,000,000,000
Isused and outstanding:				
At January 1 and December 31	1,569,491,900	₱1,569,491,900	1,569,491,900	₱1,569,491,900
Treasury shares	(72,940,097)	(131,008,174)	(72,940,097)	(131,008,174)
	1,496,551,803	₱1,438,483,726	1,496,551,803	₱1,438,483,726



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, 2023, the Parent Company has 757 stockholders including 51 depository participants counted as one stockholder each.

As of December 31, 2023 and 2022, the Parent Company complied with the Minimum Public Ownership requirement of the PSE for listed entities.

Dividends

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

Date of Declaration	Record Date	Payment Date	Amount	
			Gross (in millions)	Per Share
2023				
July 26, 2023	August 9, 2023	August 23, 2023	₱299.3	₱0.20
2022				
May 31, 2022	June 15, 2022	June 24, 2022	₱299.3	₱0.20
2021				
April 7, 2021	April 23, 2021	April 30, 2021	₱598.6	₱0.40
May 28, 2021	June 14, 2021	June 22, 2021	897.9	0.60
December 9, 2021	December 23, 2021	December 27, 2021	823.1	0.55

Retained Earnings

Retained earnings are also restricted for dividend declaration to the extent of the acquisition price of the treasury shares amounting to ₱131.0 million as of December 31, 2023 and 2022.

Appropriation

In 2019, the BOD 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 million for 1Bohol Power Project that will serve the long-term power requirements of three distribution utilities in Bohol starting December 26, 2023.

On December 2, 2020, the 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 1Bohol Power Project that will serve the long-term power requirements of three distribution utilities in Bohol starting December 26, 2023.



On July, 26, 2023, the Board of Directors of the Parent Company approved the following: (i) reversal 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, and (ii) the reversal of ₱500.0 million appropriation for One Bohol Power Project that will serve the long-term power requirements of the three distribution utilities in Bohol starting December 26, 2023, the contract of which was already awarded to Energy Development Corporation.

Earnings per Share

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

	2023	2022	2021
Net income	₱303,031,974	₱1,196,413,793	₱1,575,394,285
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	₱0.20	₱0.80	₱1.05

There are no potentially dilutive common stocks issued as of December 31, 2023, 2022 and 2021.

Capital Management

The Parent Company considers the following as its core economic capital and is not subject to any externally imposed capital requirements. As of December 31, 2023 and 2022, the Parent Company's core capital amounted as follows:

	2023	2022
Capital stock	₱1,569,491,900	₱1,569,491,900
Additional paid-in capital	86,810,752	86,810,752
Retained earnings	5,745,686,489	5,741,964,875
Treasury stock	(131,008,174)	(131,008,174)
	₱7,270,980,967	₱7,267,259,353

16. Plant Operations

	2023	2022	2021
Fuel, lubricants and chemicals (see Note 8)	₱721,123,427	₱544,406,930	₱270,659,568
Depreciation (see Note 19)	38,892,468	37,469,068	35,131,169
Personnel costs (see Note 18)	23,690,644	21,345,112	20,733,190
Spares, materials and supplies (see Note 8)	13,192,761	9,515,617	12,415,583
Repairs and maintenance	4,771,657	5,132,289	2,636,872
Purchased power	3,900,008	5,603,097	3,846,572
Taxes and licenses	131,116	86,716	528,687
Others (see Note 25)	8,405,782	6,414,790	7,793,296
	₱814,107,863	₱629,973,619	₱353,744,937



17. General and Administrative Expenses

	2023	2022	2021
Personnel costs (see Note 18)	₱64,592,700	₱54,946,611	₱49,368,334
Business development	55,077,424	60,654,276	18,903,369
Shared expenses	26,597,373	15,349,154	16,799,664
Professional fees	16,209,175	12,287,279	10,808,450
Directors' fees	13,619,881	13,663,315	11,648,792
Insurance	8,196,371	7,595,165	7,128,149
Taxes and licenses	7,789,798	3,423,312	4,483,867
Depreciation and amortization (see Note 19)	7,129,164	2,820,635	6,375,008
Rentals (see Notes 5 and 23)	6,282,648	6,627,758	3,157,626
Repairs and maintenance	5,864,686	2,992,568	3,145,072
Transportation and travel	2,886,849	2,434,358	1,234,975
Communications	2,110,575	1,919,259	2,044,361
Association dues	2,103,820	1,399,213	2,078,264
Corporate social responsibility	938,263	1,433,842	1,417,610
Office supplies	819,355	696,931	689,321
Power and water	716,501	645,977	434,387
Freight and handling	117,925	115,820	107,399
Entertainment, amusement and recreation	400,967	95,026	29,035
Provisions for impairment losses (see Note 7)	—	—	3,178,892
Others	7,718,392	6,676,159	4,185,398
	₱229,171,867	₱195,776,658	₱147,217,973

Business development expenses pertains to various studies conducted in the market, including marketing expenses.

18. Personnel Costs

	2023	2022	2021
Salaries and wages	₱53,791,669	₱50,862,194	₱46,015,929
Pension expense (see Note 21)	5,298,277	4,043,958	3,900,978
Other employee benefits	29,193,398	21,385,571	20,184,617
	₱88,283,344	₱76,291,723	₱70,101,524

19. Depreciation and Amortization

	2023	2022	2021
Depreciation of property, plant and equipment			
Plant operations (see Note 16)	₱38,892,468	₱37,469,068	₱35,131,169
General and administrative (see Note 17)	6,520,913	2,212,384	5,766,757
	45,413,381	39,681,452	40,897,926
Amortization of software costs:			
General and administrative (see Note 17)	608,251	608,251	608,251
	₱46,021,632	₱40,289,703	₱41,506,177



20. Income Tax

The Company's provision for current income tax represents regular corporate income tax in 2023 and 2022.

	2023	2022
Current	₱32,806,606	₱18,045,425
Deferred	(2,256,027)	16,923,976
	₱30,550,579	₱34,969,401

On July 7, 2008, R.A. 9504, which amended the provisions of the 1997 Tax Code, became effective. It includes provisions relating to the availment of the OSD. Corporations, except for nonresident foreign corporations, may now elect to claim standard deduction in an amount not exceeding 40% of their gross income. A corporation must signify in its returns its intention to avail of the OSD. If no indication is made, it shall be considered as having availed of the itemized deductions. The availment of the OSD shall be irrevocable for the taxable year for which the return is made. On November 26, 2008, the BIR issued Revenue Regulations 16-2008 for the implementing guidelines of the law. In 2023, 2022 and 2021, the Parent Company availed of the OSD in the computation of its taxable income.

The reconciliation between the amounts of provision for income tax computed at the statutory tax rate to provision for income tax in the parent company statements of comprehensive income for the years ended December 31, 2023, 2022 and 2021 follows:

	2023	2022	2021
Income before income tax	₱333,582,553	₱1,231,383,194	₱1,603,075,786
Provision for income tax computed at 25%	₱83,395,638	₱307,845,799	₱400,768,947
Adjustments to income tax resulting from:			
Nontaxable dividend income	(51,496,194)	(302,470,016)	(376,444,319)
Net unrealized forex gain (loss)	(2,100,467)	—	368,684
Interest income already subjected to final tax	(37,166,529)	(6,733,730)	(7,905,405)
Impact of OSD	35,919,651	36,790,134	15,572,945
Others	1,998,480	(462,786)	(4,679,351)
	₱30,550,579	₱34,969,401	₱27,681,501

The net deferred income tax liability as at December 31 relate to the following:

	2023	2022
Deferred income taxes recognized in net income:		
Deferred income tax assets:		
Lease liability	₱2,389,874	₱2,846,923
Unrealized foreign exchange loss - net	2,100,467	—
	4,490,341	2,846,923
Deferred income tax liabilities:		
Right of use asset	19,158,290	2,756,738
Unrealized foreign exchange gain - net	—	17,014,161
	19,158,290	19,770,899
	₱14,667,949	₱16,923,976



As of December 31, 2023 and 2022, the Company has unrecognized deferred tax asset related to its allowance for impairment of receivables and pension liability amounting to ₱2.7 million and ₱4.6 million, respectively, because management believes that these items may have no possible future deductible benefit when these will be reversed, settled or realized.

21. Pension Plan

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

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

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

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

	2023	2022	2021
Current service cost	₱4,820,498	₱3,613,471	₱3,835,475
Net interest cost on benefit obligation	477,779	430,487	65,503
	₱5,298,277	₱4,043,958	₱3,900,978

Remeasurement income recognized under "Other comprehensive income" in the parent company statements of comprehensive income amounted to ₱4.1 million in 2023, while remeasurement loss amounting to ₱3.4 million and ₱5.1 million were recognized in 2022 and 2021, respectively.

Net pension liabilities follow:

	2023	2022
Present value of defined benefit obligation	₱31,781,226	₱40,854,286
Fair value of plan assets	(25,164,733)	(27,213,448)
	₱6,616,493	₱13,640,838

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

	2023	2022
At January 1	₱40,854,286	₱35,876,553
Current service cost	4,820,498	3,613,472
Interest cost	1,734,539	1,818,941
Benefits paid	(13,284,933)	(454,680)

(Forward)



	2023	2022
Remeasurement loss (gain) due to:		
Experience adjustments	₱1,066,005	₱—
Changes in financial assumptions	(3,583,651)	—
Net acquired/(released) obligation due to transfers	174,482	—
At December 31	₱31,781,226	₱40,854,286

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

	2023	2022
At January 1	₱27,213,448	₱27,385,679
Benefits paid	(13,284,933)	(454,680)
Contributions to the retirement fund	8,434,374	2,246,669
Gain (loss) on return on plan assets	1,545,084	(3,352,674)
Interest income included in net interest cost	1,256,760	1,388,454
At December 31	₱25,164,733	₱27,213,448

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

	2023	2022
At January 1	₱13,640,838	₱8,490,874
Contribution to the retirement fund	(8,434,374)	(2,246,669)
Pension expense	5,298,277	4,043,959
Remeasurement loss (gain) on retirement benefit obligation	(4,062,730)	3,352,674
Net acquired/(released) obligation due to transfers	174,482	—
At December 31	₱6,616,493	₱13,640,838

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

	2023	2022
Cash and cash equivalents	₱4,755,955	₱11,417,171
Investments in government securities	20,503,736	15,718,407
Accrued interest income	—	116,359
Total assets	25,259,691	27,251,937
Total liabilities	94,958	38,489
Fair value of plan assets	₱25,164,733	₱27,213,448

All government securities are equity instruments that have quoted prices in an active market.

The Parent Company expects to contribute to the retirement fund in 2024.

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

	2023	2022
Discount rate	6.12%	5.07%
Future salary increase rate	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 the end of the reporting period, assuming all other assumptions were held constant:

	Increase (Decrease)	Present Value Change of Defined Benefit Obligation	
		2023	2022
Discount rate	+100 basis points	(₱1,323,102)	(₱2,862,035)
	-100 basis points	1,551,764	375,024
Salary increase rate	+100 basis points	1,662,476	510,758
	-100 basis points	(1,442,886)	(3,019,055)

The weighted average duration of the benefit payments is approximately 9.71 years and 15.20 years as of December 31, 2023 and 2022, respectively. The expected benefit payment assumes that all actuarial assumptions will materialize.

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

Plan Year	2023	2022
Less than one year	₱18,865,612	₱4,927,589
One year to less than five years	8,543,873	7,245,290
Five years to less than 10 years	9,431,437	10,223,276
10 years to less than 15 years	19,037,568	6,993,693
15 years to less than 20 years	17,624,381	10,673,683
20 years and above	53,519,059	28,600,317

22. Financial Risk Management Objectives and Policies

The Parent Company's principal financial instruments comprise of cash and cash equivalents and trade and other payables. The Parent Company has various other financial assets and liabilities such as trade and other receivables and trade and other payables.

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

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

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

Liquidity Risk

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



placements. These placements are maintained to meet maturing obligations and pay dividend declarations.

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

2023				
	Total	Current	1 to 30 Days	Over 30 Days
Financial Assets				
At amortized cost:				
Cash and cash equivalents	₱3,759,794,015	₱275,216,411	₱3,484,577,604	₱-
Trade and other receivables	183,094,611	112,604,084	8,859,304	61,631,223
	3,942,888,626	387,820,495	3,493,436,908	61,631,223
At FVOCI:				
Investment in proprietary club shares	15,000,000	-	-	15,000,000
	3,957,888,626	387,820,495	3,493,436,908	76,631,223
Financial Liabilities				
Other financial liabilities:				
Trade and other payables*				
Trade	108,815,952	106,023,933	1,811,965	980,054
Non-trade	87,229,395	82,106,124	86,012	5,037,259
Accrued expenses	4,450,791	2,385,805	634,319	1,430,667
	200,496,138	190,515,862	2,532,296	7,447,980
Due to related parties	835,890	203,996	-	631,894
Dividends payable	113,787,836	-	-	113,787,836
Lease liabilities	10,725,316	-	-	10,725,316
	325,845,180	190,719,858	2,532,296	132,593,026
Net Financial Assets	₱3,632,043,446	₱197,100,637	₱3,490,904,612	(₱55,961,803)

*Excluding Statutory Payables

2022				
	Total	Current	1 to 30 Days	Over 30 Days
Financial Assets				
At amortized cost:				
Cash and cash equivalents	₱3,587,754,678	₱1,375,335,428	₱2,212,419,250	₱-
Trade and other receivables	125,455,760	20,740,725	14,323,330	90,391,705
	3,713,210,438	1,396,076,153	2,226,742,580	90,391,705
At FVOCI:				
Investment in proprietary club shares	13,000,000	-	-	13,000,000
	3,726,210,438	3,608,495,403	14,323,330	103,391,705
Financial Liabilities				
Other financial liabilities:				
Trade and other payables*				
Trade	103,823,196	103,497,837	47,677	277,682
Non-trade	6,041,601	1,132,195	74,122	4,835,284
Accrued expenses	6,962,969	253,439	121,898	6,587,632
	116,827,766	104,883,471	243,697	11,700,598
Due to related parties	821,072	189,179	-	631,893
Lease liabilities	13,215,403	-	-	13,215,403
	130,864,241	105,072,650	243,697	25,547,894
Net Financial Assets	₱3,595,346,197	₱3,503,422,753	₱14,079,633	₱77,843,811

*Excluding Statutory Payables

Credit Risk

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

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

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



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

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

2023			
	Maximum exposure	Offset	Exposure to credit risk
At Amortized Cost			
Cash and cash equivalents (excluding cash on hand)	₱3,759,547,734	(₱4,000,000)	₱3,755,547,734
Trade and other receivables	183,094,611	–	183,094,611
At FVOCI			
Investment in proprietary club shares	15,000,000		15,000,000
	₱3,957,642,345	(₱4,000,000)	₱3,953,642,345
2022			
	Maximum exposure	Offset	Exposure to credit risk
At Amortized Cost			
Cash and cash equivalents (excluding cash on hand)	₱3,587,463,681	(₱3,620,954)	₱3,583,842,727
Trade and other receivables	125,455,760	–	125,455,760
At FVOCI			
Investment in proprietary club shares	13,000,000		13,000,000
	₱3,725,919,441	(₱3,620,954)	₱3,722,298,487

As of December 31, 2023 and 2022, the Parent Company's significant concentration of credit risk pertains to its trade and other receivables amounting to ₱183.1 million and ₱125.5 million, respectively, and impaired financial assets, determined based on probability of collection, have been adequately covered with allowance.

The following are the details of the Parent Company's assessment of credit quality and the related ECLs as at December 31, 2023 and 2022:

General Approach

- *Cash and cash equivalents* - As of December 31, 2023 and 2022, the ECL relating to the cash and cash equivalents of the Parent Company is minimal as these are deposited in reputable banks which have good bank standing, and is considered to have low credit risk



- *Due from related parties* - As of December 31, 2023 and 2022, there were no individually impaired accounts. No ECL is recognized for these receivables since there were no history of default payments. This assessment is undertaken each financial year through examining the financial position of the parties and the markets in which the parties operate.

Simplified Approach

- *Trade and Other Receivables* - The Parent Company applied the simplified approach under PFRS 9, using a 'provision matrix'. As of December 31, 2023 and 2022, the allowance for impairment losses as a result from performing collective and specific impairment test amounted to ₱4.2 million and ₱4.6 million, respectively.

Management evaluated that the Parent Company's trade receivables are of high grade and of good credit quality.

2023					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱—	₱—	₱4,186,084	₱183,094,611	₱187,280,695
Loss allowance	—	—	(4,186,084)	—	(4,186,084)
Carrying amount	₱—	₱—	₱—	₱183,094,611	₱183,094,611

2022					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Lifetime ECL Simplified Approach	Total
Gross carrying amount	₱—	₱—	₱4,599,036	₱125,455,760	₱130,054,796
Loss allowance	—	—	(4,599,036)	—	(4,599,036)
Carrying amount	₱—	₱—	₱—	₱125,455,760	₱125,455,760

The Parent Company grades its financial assets as follows:

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

Fair Value of Financial Assets and Financial Liabilities

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



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

- *Cash and Cash Equivalents, Trade and Other Receivables and Trade and Other Payables.* 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.

As of December 31, 2023 and 2022, the Parent Company considers its investment in proprietary club shares with fair values of ₱15.0 million and ₱13.0 million under Level 1 classification, respectively (see Notes 3 and 13).

During the reporting period ended December 31, 2023, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

23. Lease Agreements

The Parent Company has entered into various leases for rooms, office spaces, parking lots, sub transmission line steel post space, and parcel of land which include those with respect to its LLA with PSALM (see Note 25). Lease of parcel of land generally has a lease term of 25 years. Lease terms for the other leased assets generally vary between five months to three years.

Set out below are the carrying amounts of the Company's lease liabilities and the movements during the years ended December 31:

	2023	2022
At January 1	₱11,387,692	₱2,662,317
Additions	–	12,252,170
Interest accretion	661,891	373,979
Payments of:		
Principal	(1,828,196)	(3,526,795)
Interest	(661,891)	(373,979)
At December 31	9,559,496	11,387,692
Less current portion	2,200,254	1,828,196
	₱7,359,242	₱9,559,496

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

	2023	2022	2021
Depreciation expense of right-of-use assets	₱2,450,434	₱1,225,217	₱3,087,673
Interest expense on lease liabilities	661,891	373,979	112,059
Rent expense - short-term leases (see Notes 16 and 17)	6,283,148	7,307,592	4,586,277
	₱9,395,473	₱8,906,788	₱7,786,009



24. Notes to the Parent Company Statements of Cash Flows

Changes in liabilities arising from financing activities in 2023, 2022 and 2021 are as follows:

	January 1, 2023	Dividend Declaration	Additions	Others	Cash Flows	December 31, 2023
Dividends payable (see Note 15)	P-	P299,310,360	P-	P-	(P185,522,525)	P113,787,835
Lease liabilities (see Note 23)	11,387,692	-	-	661,891	(2,490,087)	9,559,496
	P11,387,692	P299,310,360	P-	P661,891	(P188,012,612)	P123,347,331

* The cash outflow presented includes payment of interest amounting to P0.7 million is presented as part of operating activities in the statement of cash flows (see Note 23).

	January 1, 2022	Dividend Declaration	Additions	Others	Cash Flows	December 31, 2022
Dividends payable (see Note 15)	P-	P299,310,361	P-	P-	(P299,310,361)	P-
Lease liabilities (see Note 23)	2,662,317	-	-	12,626,149	(3,900,774)	11,387,692
	P2,662,317	P299,310,361	P-	P12,626,149	(P303,211,135)	P11,387,692

* The cash outflow presented includes payment of interest amounting to P0.4 million is presented as part of operating activities in the statement of cash flows (see Note 23).

	January 1, 2021	Dividend Declaration	Additions	Others	Cash Flows	December 31, 2021
Dividends payable (see Note 15)	P-	P2,319,655,295	P-	P-	(P2,319,655,295)	P-
Lease liabilities (see Note 23)	4,427,756	-	-	112,059	(1,877,498)	2,662,317
	P4,427,756	P2,319,655,295	P-	P112,059	(P2,321,532,793)	P2,662,317

* The cash outflow presented includes payment of interest amounting to P0.1 million is presented as part of operating activities in the statement of cash flows (see Note 23).

25. Other Matters

Electricity Power Industry Reform Act (EPIRA) of 2001

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

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

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

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



Ancillary Services Procurement Agreement (ASPA)

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

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

Land Lease Agreements (LLA)

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

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

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

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

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

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



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

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

VAT

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

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

	Net Sales/ Receipts	Output VAT
Vatable sales:		
Sale of services	₱860,657,382	₱103,278,886
Sale of goods	4,799,639	575,957
	865,457,021	103,854,843
Zero-rated sales/Sales to Government	793,716	95,246
	₱866,250,737	₱103,950,089

- Input VAT

At January 1	₱5,046,819
Current year's domestic purchases/payments or importations for:	
Goods other than for resale or manufacture	87,122,791
Services lodged under general and administrative expenses and other accounts	8,940,101
Capital goods subject to amortization	-
	101,109,711
Claims for tax credit/refund and other adjustments	(99,983,707)
At December 31	₱1,126,004

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

Dutiable value	₱2,806,044
Customs duties	26,988
Brokerage charges	55,684
Total landed cost	₱2,888,716

Excise Taxes

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

Other Taxes and Licenses

All other local taxes, local and national, including real estate taxes, license and permit fees were lodged under the Taxes and Licenses account under "Cost of Services" and "General and administrative expenses" in the 2023 parent company statement of comprehensive income:



Details consist of the following:

Local:	
Business tax	₱4,164,251
License and permits fees	213,634
National:	
Deficiency taxes for CY2020	3,481,895
Others	61,134
	<hr/>
	₱7,920,914

Withholding Taxes

Expanded withholding taxes	₱11,227,233
Withholding taxes on compensation and benefits	8,734,534
Final withholding taxes	2,155,717
	<hr/>
	₱22,117,484

Tax Assessments and Cases

The Parent Company does not have pending tax cases outside the administration of the BIR as of December 31, 2023.



Certification

I, Mishelle Anne Rubio-Aguinaldo, Assistant Corporate Secretary of SPC Power Corporation with SEC registration number AG094-002365 with principal office at the 7/F BOO Towers Paseo, 8741 Paseo de Roxas, Makati City, on oath state:

P

- 1) That on behalf of SPC Power Corporation, I have caused SEC Form 17-A (Annual Report) report to be prepared;
- 2) That I read and understood its contents which are true and correct of my own personal knowledge and/or based on true records;
- 3) That we submit the attached report on the Annual Report in compliance with SEC reportorial requirements;
- 4) That SPC Power Corporation will comply with the requirements set forth in SEC Notice dated June 24, 2020 for a complete and official submission of reports and/or documents through electronic mail; and
- 5) That I am fully aware that documents filed online which requires pre-evaluation and/or processing fee shall be considered complete and officially received only upon payment of the filing fee.

The Certification was issued by the undersigned Assistant Corporate Secretary in lieu of the Corporate Secretary since the latter, by reason of his health condition (i.e. diabetic, cancer survivor and had also lost one of his kidneys) and advanced age, has to observe health and safety protocols. Moreover, since the onset pandemic in 2020, it has been a practice that the Assistant Corporate Secretary issue certifications and other reportorial requirements for reasons of practicality, convenience, and accessibility. Rest assured, the Assistant Corporate Secretary is supervised by the Corporate Secretary and has personal knowledge on all corporate matter that she certifies.

IN WITNESS WHEREOF, I have hereunto set my hand this 12th day of April, 2024.

Mishelle Anne R. Rubio-Aguinaldo
Affiant

APR 12 2024

SUBSCRIBED AND SWORN TO before me this _____, at Makati City, Philippines by the affiant who exhibited to me her Philippine Passport No. P7454358B, issued on August 24, 2021 at DFA Manila, valid until August 23, 2031.

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Series of 2024

ATTY. JOEL FERRER FLORES
Notary Public for Makati City
Until December 31, 2024
Appointment No. M-115(2023-2024)
Roll Of Attorney No. 77376
MCLE Compliance VIII No.0001393
Jan. 3, 2023 until Apr. 12, 2023
PTR NO.10073945/Jan. 2, 2024/Makati City
IBP No.330740/Jan. 2, 2024/Pasig City
1107 Batnan St., Guadalupe Nuevo, Makati City