

SOLAR PHILIPPINES POWER PROJECT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 2021 <i>(Unaudited)</i>	December 2020 <i>(Audited)</i>
ASSETS		
Current Assets		
Cash and cash equivalents	₱ 3,061,370,876	₱276,735,561
Trade and other receivables	783,779,945	702,693,659
Due from related parties	590,863,218	151,071,391
Inventories	135,102,807	60,757,954
Other current assets	1,316,196,184	872,749,880
Total Current Assets	5,887,313,030	2,064,008,445
Noncurrent Assets		
Investment in joint venture	1,062,247,449	-
Investment in associates	5,999	-
Property, plant and equipment	11,558,104,825	9,256,075,137
Deposits for land acquisition	1,280,375,155	722,231,798
Deferred tax assets	40,672,464	104,663,801
Other noncurrent assets	288,105,924	118,039,622
Total Noncurrent Assets	14,229,511,816	10,201,010,358
TOTAL ASSETS	₱ 20,116,824,846	₱12,265,018,803
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables	₱ 3,248,021,147	₱913,092,382
Contract liabilities	10,496,875	11,381,396
Current portion of loans payable	2,517,129,637	2,672,470,861
Current portion of lease liabilities	22,890,872	42,813,023
Due to related parties	678,899,246	1,416,132,984
Total Current Liabilities	6,477,437,777	5,055,890,646
Noncurrent Liabilities		
Loans payable - net of current portion	2,022,932,482	2,129,975,793
Lease liabilities - net of current portion	375,463,798	166,504,370
Deferred tax liabilities	760,854,580	430,492,165
Other noncurrent liabilities	121,314,458	145,675,883
Total Noncurrent Liabilities	3,280,565,318	2,872,648,211
Total Liabilities	9,758,003,094	7,928,538,857
Equity Attributable to Equity Holders of the Parent Company		
Common stock	100,000,000	100,000,000
Preferred stock	32,159,998	-
Equity reserve	4,140,433,321	1,817,667,258
Revaluation surplus	1,759,479,094	1,001,695,039
Retained earnings	1,007,412,893	37,267,626
	7,039,485,306	2,956,629,923
Non-controlling interest	3,319,336,446	1,379,850,023
Total Equity	10,358,821,752	4,336,479,946
TOTAL LIABILITIES AND EQUITY	₱ 20,116,824,846	₱12,265,018,803

SOLAR PHILIPPINES POWER PROJECT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	December 2021 <i>(Unaudited)</i>	December 2020 <i>(Audited)</i>
REVENUE FROM CONTRACTS WITH CUSTOMERS	₱ 1,299,344,214	₱1,510,436,675
COSTS OF SALES AND SERVICES	(430,018,094)	(582,079,206)
GROSS PROFIT	869,326,120	928,357,469
GENERAL AND ADMINISTRATIVE EXPENSES	(418,958,124)	(574,365,295)
FINANCE COSTS	(374,788,471)	(272,013,556)
INTEREST INCOME	6,798,914	13,366,345
OTHER INCOME – net		
Gain (loss) foreign exchange	5,203,298	-
Gain (loss) on deconsolidation	711,002,388	-
Other income (expense)	8,517,911	4,297,622
NET INCOME (LOSS) BEFORE INCOME TAX	807,102,036	77,680,996
PROVISION FOR (BENEFIT FROM) INCOME TAX		
Current	-	1,169,938
Deferred	717,591	(57,572,076)
	717,591	(56,402,138)
NET INCOME	₱ 806,384,445	₱134,083,134
Total comprehensive income (loss) attributable to:		
Equity holders of the Parent Company	₱ 372,150,198	(₱175,175,222)
Non-controlling interest	434,234,247	309,258,356
	₱ 806,384,445	₱134,083,134



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Solar Philippines Power Project Holdings Inc. (Consolidated)** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as of and for the years ended December 31, 2020 and 2019, in accordance with Philippine Financial Reporting Standards, 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 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 Company to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the 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 or members.

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

LEANDRO L. LEVISTE
Chairman of the Board/CEO

Passport No.: P2911921A
Expiry date: May 4, 2022

HAZEL IRIS P. LAFUENTE
Treasurer

Passport No.: P0333462B
Expiry date: January 20, 2029

SUBSCRIBED AND SWORN to before me this NOV 22 2021
at Makati City, Philippines. Affiant exhibited to me his/
competent ID # _____ valid until _____.

Signed this 30th day of October 2021.

MA. ESMERALDA R. CUNANAN
Notary Public
Until Dec 31, 2021
Appt. No. M-27 (2020-2021) / Notary Public No. 34562
MCLE Compliance No. VII-0004035/7-19-2021
PTA No. 8533031/1-4-2021/Makati City
IUP Lifetime Member Roll No. 83413
Ground Level, Peta Peta Corporate
Peta Peta St., Legaspi Village,
Makati City

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BOOK NO. XXXV
SERIES OF 2024

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 1 4 0 8 3 5 4

COMPANY NAME

S O L A R P H I L I P P I N E S P O W E R P R O J E C
T H O L D I N G S , I N C . A N D S U B S I D I A R
I E S

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

L P L T O W E R S , 1 1 2 L E G A S P I S T R E E T
, L E G A S P I V I L L A G E , B R G Y . S A N L
O R E N Z O , M A K A T I C I T Y 1 1 2 9 , P H I L
I P P I N E S

Form Type

A A C F S

Department requiring the report

C R M D

Secondary License Type, If
Applicable

N / A

COMPANY INFORMATION

Company's Email Address

legal@solarphilippines.ph

Company's Telephone Number

(02) 8817-2585

Mobile Number

09178816684

No. of Stockholders

5

Annual Meeting (Month / Day)

First Monday of May

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Hazel Iris P. Lafuente

Email Address

hazel@solarphilippines.ph

Telephone Number/s

(02) 8817-2585

Mobile Number

09178816684

CONTACT PERSON'S ADDRESS

20th Floor Philamlife Tower, 8767 Paseo de Roxas, Makati City

NOTE1 : 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.



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Solar Philippines Power Project Holdings, Inc.
LPL Towers, 112 Legaspi Street
Legaspi Village, Brgy. San Lorenzo, Makati City 1129 Philippines

Opinion

We have audited the accompanying consolidated financial statements of Solar Philippines Power Project Holdings, Inc. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended 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 Consolidated Financial Statements* section of our report. We are independent of the Group 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 consolidated 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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



Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.

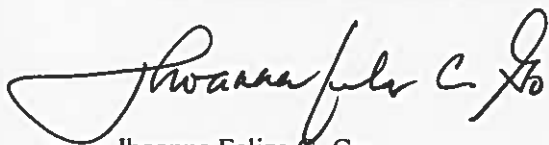
As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.



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.

SYCIP GORRES VELAYO & CO.



Jhoanna Feliza C. Go

Partner

CPA Certificate No. 0114122

Tax Identification No. 219-674-288

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

SEC Partner Accreditation No. 1414-AR-2 (Group A)

October 15, 2019, valid until October 14, 2022

SEC Firm Accreditation No. 0012-FR-5 (Group A)

November 6, 2018, valid until November 5, 2021

BIR Accreditation No. 08-001998-103-2019, November 7, 2019, valid until November 6, 2022

PTR No. 8534302, January 4, 2021, Makati City

October 30, 2021





SOLAR PHILIPPINES POWER PROJECT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 19)	P276,735,561	P492,563,040
Trade and other receivables (Notes 5, 15 and 19)	702,693,659	631,390,761
Due from related parties (Notes 15 and 19)	151,071,391	82,213,548
Inventories (Note 6)	60,757,954	160,756,079
Other current assets (Note 7)	872,749,880	616,583,661
Total Current Assets	2,064,008,445	1,983,507,089
Noncurrent Assets		
Property, plant and equipment (Note 8)		
At cost	7,610,671,882	6,932,761,684
At revalued amount	1,645,403,255	1,916,964,445
Deposits for land acquisition (Note 9)	722,231,798	658,923,187
Deferred income tax assets (Note 18)	104,663,801	45,547,559
Other noncurrent assets (Notes 10 and 15)	118,039,622	216,281,007
Total Noncurrent Assets	10,201,010,358	9,770,477,882
TOTAL ASSETS	P12,265,018,803	P11,753,984,971
LIABILITIES AND EQUITY		
Current Liabilities		
Trade and other payables (Notes 11, 15 and 19)	P913,092,382	P808,833,002
Contract liabilities (Note 11)	11,381,396	23,918,311
Current portion of loans payable (Note 12)	2,672,470,861	1,000,082,421
Current portion of lease liabilities (Notes 19 and 20)	42,813,023	49,751,545
Due to related parties (Notes 15 and 19)	1,416,132,984	1,528,536,339
Total Current Liabilities	5,055,890,646	3,411,121,618
Noncurrent Liabilities		
Loans payable - net of current portion (Note 12)	2,129,975,793	4,013,572,559
Lease liabilities - net of current portion (Notes 20 and 21)	166,504,370	174,721,025
Deferred income tax liabilities (Note 19)	430,492,165	492,382,490
Other noncurrent liabilities (Notes 13 and 21)	145,675,883	-
Total Noncurrent Liabilities	2,872,648,211	4,680,676,074
Total Liabilities	7,928,538,857	8,091,797,692
Equity Attributable to Equity Holders of the Parent Company		
Common stock (Note 14)	100,000,000	100,000,000
Equity reserve (Notes 2 and 14)	1,817,667,258	1,817,667,258
Revaluation surplus (Note 8)	1,001,695,039	1,148,262,477
Retained earnings	37,267,626	226,182,544
	2,956,629,923	3,292,112,279
Non-controlling interest (Note 14)	1,379,850,023	370,075,000
Total Equity	4,336,479,946	3,662,187,279
TOTAL LIABILITIES AND EQUITY	P12,265,018,803	P11,753,984,971

See accompanying Notes to Consolidated Financial Statements.



SOLAR PHILIPPINES POWER PROJECT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31	
	2020	2019
REVENUE FROM CONTRACTS WITH CUSTOMERS (Note 3)	₱1,510,436,675	₱1,829,005,616
COSTS OF SALES AND SERVICES (Note 16)	(582,079,206)	(1,203,860,670)
GROSS PROFIT	928,357,469	625,144,946
GENERAL AND ADMINISTRATIVE EXPENSES (Note 17)	(574,365,295)	(344,118,553)
FINANCE COSTS (Notes 12 and 21)	(272,013,556)	(264,989,218)
INTEREST INCOME (Notes 4, 5 and 7)	13,366,345	25,461,121
OTHER INCOME (EXPENSE) - net	(17,663,967)	35,920,837
INCOME BEFORE INCOME TAX	77,680,996	77,419,133
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 18)		
Current	1,169,938	15,100,096
Deferred	(57,572,076)	(16,476,385)
	(56,402,138)	(1,376,289)
NET INCOME	₱134,083,134	₱78,795,422
Net income (loss) attributable to:		
Equity holders of the Parent Company	(₱175,175,222)	(₱185,324,578)
Non-controlling interest	309,258,356	264,120,000
	₱134,083,134	₱78,795,422

See accompanying Notes to Consolidated Financial Statements.



SOLAR PHILIPPINES POWER PROJECT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2020	2019
NET INCOME	₱134,083,134	₱78,795,422
OTHER COMPREHENSIVE INCOME		
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods</i>		
Revaluation increment (decrease) on land (net of tax effect amounting to ₱55.8 million in 2020 and ₱492.1 million in 2019)	(146,567,438)	1,148,262,477
Remeasurement loss on retirement benefits (net of tax effect amounting to ₱0.4 million in 2020)	(13,739,696)	-
	(160,307,134)	1,148,262,477
TOTAL COMPREHENSIVE INCOME (LOSS)	(₱26,224,000)	₱1,227,057,899
Total comprehensive income (loss) attributable to:		
Equity holders of the Parent Company	(₱335,482,356)	₱962,937,899
Non-controlling interest	309,258,356	264,120,000
	(₱26,224,000)	₱1,227,057,899

See accompanying Notes to Consolidated Financial Statements.



SOLAR PHILIPPINES POWER PROJECT HOLDINGS, INC. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2020 AND 2019**

	Equity Attributable to Equity Holders of the Parent Company					Non-controlling interest	
	Common Stock (Note 14)	Retained Earnings	Equity Reserve (Note 14)	OCI (Note 8)	Total	(Note 14)	Total Equity
Balances at January 1, 2019	₱100,000,000	₱411,507,122	₱1,817,667,258	₱-	₱2,329,174,380	₱470,830,000	₱2,800,004,380
Net income	-	(185,324,578)	-	-	(185,324,578)	264,120,000	78,795,422
Other comprehensive income (Note 8)	-	-	-	1,148,262,477	1,148,262,477	-	1,148,262,477
Total comprehensive income	-	(185,324,578)	-	1,148,262,477	962,937,899	264,120,000	1,227,057,899
Dividends declared (Note 14)	-	-	-	-	-	(364,875,000)	(364,875,000)
Balances at December 31, 2019	100,000,000	226,182,544	1,817,667,258	1,148,262,477	3,292,112,279	370,075,000	3,662,187,279
Net income	-	(175,175,222)	-	-	(175,175,222)	309,258,356	134,083,134
Other comprehensive income (Note 8)	-	(13,739,696)	-	(146,567,438)	(160,307,134)	-	(160,307,134)
Total comprehensive income	-	(188,914,918)	-	(146,567,438)	(335,482,356)	309,258,356	(26,224,000)
Issuance of preferred stock (Note 14)	-	-	-	-	-	1,000,000,000	1,000,000,000
Dividends declared (Note 14)	-	-	-	-	-	(299,483,333)	(299,483,333)
Balances at December 31, 2020	₱100,000,000	₱37,267,626	₱1,817,667,258	₱1,001,695,039	₱2,956,629,923	₱1,379,850,023	₱4,336,479,946

See accompanying Notes to Consolidated Financial Statements.



SOLAR PHILIPPINES POWER PROJECT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱77,680,996	₱77,419,133
Adjustments for:		
Depreciation and amortization (Notes 8, 16 and 17)	282,256,982	220,378,614
Finance costs (Notes 12 and 19)	272,013,556	264,989,218
Retirement benefit expense (Notes 13 and 17)	4,991,735	-
Provision for estimated credit losses (Notes 5, 7 and 17)	4,305,135	9,458,103
Loss on write-off of deposit for land acquisition (Note 9)	2,000,000	-
Unrealized foreign exchange losses - net	1,973,206	4,852,189
Interest income (Notes 4 and 7)	(13,366,345)	(25,461,121)
Gain on termination of lease contract (Note 20)	(299,895)	-
Income before changes in working capital	631,555,370	551,636,136
Decrease (increase) in:		
Trade and other receivables	(72,704,537)	(116,980,283)
Inventories	99,998,125	316,832,543
Other current assets	(260,250,915)	(32,266,092)
Increase (decrease):		
Trade and other payables (Note 11)	182,119,836	(725,621,663)
Contract liabilities (Note 11)	(12,536,915)	(81,218,582)
Net cash flows generated from (used in) operations	568,180,964	(87,617,941)
Interest received	13,366,345	27,972,066
Income taxes paid	-	(15,100,097)
Net cash flows from (used in) operating activities	581,547,309	(74,745,972)
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property, plant and equipment (Note 8)	(823,094,440)	(2,305,251,555)
Decrease (increase) in other noncurrent assets (Note 10)	98,217,646	(202,162,554)
Deposits for land acquisition (Note 9)	(8,487,125)	(519,774,985)
Net cash flows used in investing activities	(733,363,919)	(3,027,189,094)
CASH FLOWS FROM FINANCING ACTIVITIES		
Issuance of preferred shares to NCI (Note 14)	1,000,000,000	-
Net changes in accounts with related parties (Note 15)	(181,104,326)	1,317,317,085
Proceeds from loans payable (Note 12)	-	2,168,920,724
Payments of:		
Interests (Note 12)	(328,416,864)	(260,690,024)
Dividends (Note 14)	(299,483,333)	(364,875,000)
Loans payable (Note 12)	(219,558,470)	(1,687,701,694)
Lease liabilities (Note 20)	(33,474,670)	(29,128,037)
Net cash flows from (used in) financing activities	(62,037,663)	1,143,843,054
EFFECT OF EXCHANGE RATE CHANGES ON CASH	(1,973,206)	(4,852,189)
NET DECREASE IN CASH	(213,854,273)	(1,958,092,012)
CASH AT BEGINNING OF YEAR	492,563,040	2,455,507,241
CASH AT END OF YEAR (Note 4)	₱276,735,561	₱492,563,040

See accompanying Notes to Consolidated Financial Statements



SOLAR PHILIPPINES POWER PROJECT HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Solar Philippines Power Project Holdings, Inc. (the "Parent Company" or "SPPPHI") was incorporated in the Republic of the Philippines and was registered with the Securities and Exchange Commission (SEC) on April 30, 2014 primarily to invest in, hold, purchase, acquire, lease, contract or otherwise, within the limits allowed by law, any and all real and personal properties of every kind and description whatsoever which the Parent Company may deem necessary or appropriate, and to own, hold, operate, improve, develop, manage, grant, lease, sell, exchange or otherwise dispose of the whole or any part thereof; to purchase, or otherwise acquire the stocks, bonds, and other securities or evidence of indebtedness of any other corporation, association, firm or entity, domestic or foreign, and to issue in exchange therefor its own stocks, bonds, or other obligations or to pay therefor in cash, or otherwise; to hold or own, use, sell, issue, deal in, dispose of, and turn to account, any such stocks, warrants, options, bonds, or other securities, and while the owner or holder thereof, to exercise all the rights and powers of ownership including the right to vote thereon for any purpose; to acquire, take over, hold and control all or any part of the business, goodwill, property and other assets, and to assume or undertake the whole or any part of the liabilities and obligations of any person, firm, association, or corporation, whether domestic or foreign, and whether a going concern or not, engaging in or previously engaged in business which the Parent Company is or may become authorized to carry on or which may be appropriate or suitable for any and all of the purposes of the Parent Company, and to pay for the same in cash or in stocks, bonds or securities of the Group or otherwise, and to hold, manage, operate, conduct and dispose of, in any manner, the whole or part of any such acquisition, and to exercise all the powers necessary or convenient for the conduct and management thereof, provided that the Parent Company shall not act as dealer and broker of securities.

The registered business address of the Parent Company is at 20th Floor, Philamlife Tower, 8767 Paseo de Roxas, Makati City, Philippines 1226. The principal place of business based in the Articles of Incorporation is 112 Legaspi Street, Legaspi Village, Brgy. San Lorenzo, Makati City.

The consolidated financial statements as of and for the years ended December 31, 2020 and 2019 were approved and authorized for issue by the Board of Directors (BODs) on October 30, 2021.

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

Basis of Preparation

The consolidated financial statements are prepared on a historical cost basis, except for land carried at revalued amount. The consolidated financial statements are presented in Philippine Peso (₱), which is the Group's functional currency. All amounts are rounded to the nearest peso unless otherwise indicated.

Statement of Compliance

The consolidated financial statements are prepared in compliance with Philippine Financial Reporting Standards (PFRSs).



New Standards, Interpretations and Amendments

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2020. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries that it controls.

Control is achieved when the Group 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. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure or rights to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.



The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control over the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statement from the date the Group gains control until the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the Parent Company and to the non-controlling interests (NCI), even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All significant intra-group assets and liabilities, equity, income and expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognizes the carrying amounts of the assets (including goodwill) and liabilities of the subsidiary, derecognizes the carrying amount of any NCI (including any attributable components of OCI income recorded in equity), derecognizes the cumulative translation differences recorded in equity, recognizes the fair value of the consideration received, recognizes the fair value of any investment retained, and any surplus or deficit is recognized in the consolidated statement of comprehensive income. The Group also reclassifies the Group's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The financial statements of the subsidiaries are prepared for the same reporting period as the Group. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intercompany balances and transactions, including intercompany profits and losses, are eliminated.

NCI

NCI represent the portion of profit or loss and net assets not held by the Group. NCI are presented separately in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position and consolidated statement of changes in equity, separate from equity attributable to equity holders of the Parent Company.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction in accordance with PAS 27. Further, in transactions where the NCI is acquired or sold without loss of control, any excess or deficit of consideration paid over the carrying amount of the NCI is recognized as part of "Equity reserve" account in the equity attributable to the equity holders of the Parent Company. In 2018, the total consideration from the sale and issuance of Solar Philippines Calatagan Corporation's (SPCC) preferred stock amounted to ₱2,123.6 million net of transaction costs amounting to ₱122.2 million. Further, the excess of consideration paid over the carrying amount of the NCI amounting to ₱1,817.7 million was recognized as part of "Equity reserve" (see Note 14).



Subsidiaries

The list of the companies on which the Parent Company has control is as follows:

	Percentage of Voting Interest	
	2020	2019
Solar Philippines Calatagan Corporation (SPCC) ^{2,7}	62	62
Solar Philippines Tarlac Corporation (SP Tarlac) ⁷	100	100
Solar Philippines Module Manufacturing Corporation (SPMMC) ⁷	100	100
Solar Philippines Rooftop Corporation (SPRC) ⁷	100	100
Solar Philippines Tanauan Corporation (SP Tanauan) ^{1,7}	100	100
Solar Philippines Nueva Ecija Corporation (SP Nueva Ecija) ^{1,7}	100	100
Solar Philippines Tagoloan Corporation (SP Tagoloan) ^{1,7}	100	100
Solar Philippines Visayas Corporation (SP Visayas) ^{1,7}	100	100
Solar Philippines South Luzon Corporation (SP South Luzon) ^{1,7}	100	100
Solar Philippines Batangas Corporation (SP Batangas) ^{1,7}	100	100
Solar Philippines Retail Electricity, Inc. (SP Retail Electricity) ^{1,7}	100	100
Solar Philippines Utility Corporation (SP Utility) ^{1,4,7}	100	100
Solar Philippines Renewable Energy Projects, Inc. (SP Renewable) ^{1,7}	100	100
Solar Philippines Batangas Baseload Corporation (SP Batangas Baseload) ^{1,5,7}	100	100
Solar Philippines Tarlac Baseload Corporation (SP Tarlac Baseload) ^{1,3,7}	100	100
Solar Philippines Central Luzon Corporation (SP Central Luzon) ^{1,7}	100	100
Solar Philippines Zambales Corporation (SP Zambales) ^{1,7}	100	100
Solar Philippines City Mall Corporation (SP City Mall) ^{1,7}	100	100
Solar Philippines Seaside Mall Corporation (SP Seaside Mall) ^{1,7}	100	100
Solar Philippines Naic Corporation (SP Naic) ^{1,7}	100	100
Solar Philippines Palawan Corporation (SP Palawan) ^{1,7}	100	100
Solar Philippines San Rafael Corporation (SP San Rafael) ^{1,7}	100	100
Solar Philippines Bulacan Corporation (SP Bulacan) ^{1,7}	100	100
Solar Philippines Mindoro Corporation (SP Mindoro) ^{1,7}	100	100
Solar Philippines Cavite Corporation (SP Cavite) ^{1,7}	100	100
Solar Philippines Systems Manufacturing Corporation (SP Systems) ^{1,7}	100	100
Solar Asia Project Holdings Pte. Ltd. (Solar Asia) ^{1,6}	100	100
PT Solar Indonesia Power Projects ¹	100	100
Solar Myanmar Global Power Projects Limited ¹	100	100
SPPPH Solar India Projects Private Limited ¹	100	100
Solar Vietnam Limited Liability Company ¹	100	100
Solar Africa Project Holdings (Solar Africa) ^{1,6}	100	100
SP Solar Kenya Limited ¹	100	100
Solar Nigeria for the People Limited ¹	100	100

¹Has not yet started commercial operations as of December 31, 2020

²Economic interest is 100% after dividend to preferred stock

³Changed corporate name in 2020 from Solar Philippines Talisnagan Corporation (SP Talisnagan) to SP Tarlac Baseload

⁴Changed corporate name in 2020 from Solar Philippines Island Power Corporation (SP Island Power) to SP Utility

⁵Changed corporate name in 2020 from Solar Philippines Biga Corporation (SP Biga) to SP Batangas Baseload

⁶Serves as an investment holding company

⁷Incorporated in the Philippines

All of the foregoing subsidiaries are incorporated in the Philippines except for its foreign subsidiaries.



SPCC

SPCC was incorporated and registered with the SEC on June 9, 2015. On August 26, 2015, SPCC was registered with the Board of Investments (BOI). The certifications from the registration serves as the basis of entitlement to incentives under Republic Act No. 9513, otherwise known as the Renewable Energy (RE) Act of 2008, which includes an income tax holiday (ITH) benefit for a period of seven (7) years from the start of its commercial operation, duty-free importation of machineries for ten (10) years, and zero percent (0%) VAT among others.

The Calatagan Solar Power Project (Calatagan Project) is a 63.3 megawatt (MW) solar photovoltaic (PV) facility situated in the Municipality of Calatagan, Province of Batangas occupying a total Project Land area of 105.8 hectares (ha) with over 200,000 solar panels and 828 inverters. SPCC commenced the construction of the Calatagan Project on September 12, 2015 and started commercial operations on March 11, 2016.

Based on the requirements of BOI, SPCC must comply with the following:

- a. Minimum total stockholder's equity of at least 25% of total project costs.
- b. Minimum production of 87.7 megawatt-hour (MWh) and minimum revenue amounting to ₱777.4 million during the second year of operations which is 2017.
- c. Minimum production of 87.4 MWh and minimum revenue amounting to ₱789.6 million during the third year of operations which is 2018.

As of December 31, 2020 and 2019, SPCC is compliant with the above requirements.

On March 14, 2016, the Energy Regulatory Commission (ERC) awarded SPCC the Feed-in-Tariff (FIT) Certificate of Compliance (COC), which entitles SPCC to a base FIT rate of ₱8.69 per kilowatt-hour (kWh) for 20 years.

On September 8, 2017, the Parent Company transferred cash amounting to ₱600.0 million to SPCC for future subscription of 600.0 million common stocks at par value of ₱1.0 per stock.

On December 27, 2017, SPCC filed its application for the approval of the proposed increase in authorized capital stock with SEC. In compliance with the SEC, SPCC classified the deposit for future stock subscriptions under equity as of December 31, 2017.

On January 18, 2018, the SEC approved the SPCC's increase in authorized capital stock from ₱1.0 million divided into 1.0 million common stocks with par value of ₱1 per stock to ₱1.2 billion divided into 1.2 billion common stocks with a par value of ₱1 per stock. Subsequently, SPCC converted its advances from the Parent Company amounting to ₱600.0 million into ₱600.0 million common stocks amounting to ₱600.0 million with par value of ₱1 per stock. On the same date, the SEC approved the amendment of Article VII of SPCC's articles of incorporation effecting the increase in authorized capital stock.

On November 27, 2018, SPCC filed with SEC application for the amendment of its article of incorporation for the proposed capital restructuring. On November 28, 2018, the SEC approved the amendment of the Article VII of SPCC's articles of incorporation effecting the capital restructuring such that SPCC's authorized capital stock of ₱1.2 billion is divided from the original of ₱1.2 billion common stock with par value of ₱1 per stock into ₱305.9 million convertible preferred stock with a par value of ₱1 per convertible stock and 894.1 million common stock with a par value of ₱1 per stock.



Subsequently, 101.9 million common stock out of the 600.0 million common stock held by the Parent Company were converted into preferred stock.

Preferred stocks have the following features:

- (a) Voting and nonparticipating
- (b) Entitled to annual cumulative dividend of ₱0.8 per preferred stock until December 31, 2035, subject to the availability of retained earnings and approval of BOD
- (c) Has preference in the payment of dividends over common stocks
- (d) Convertible to common stock at the ratio of 1:1 (i) at the option of the holder until December 31, 2021 which shall be extended to December 31, 2022, subject to certain conditions agreed by the stockholders (ii) at the option of SPCC after December 31, 2035, provided all dividends to preferred stocks have been paid

From the 600.0 million issued and outstanding common stock, 499.1 million common stock were issued and outstanding as of December 31, 2018.

As of December 31, 2020 and 2019, SPCC's 499.1 million common stocks are pledged in compliance with Omnibus Loan and Security Agreement (OLSA) (see Note 12).

On October 16, 2018, SPCC and the Parent Company entered into a Share Subscription Agreement and a Share Purchase Agreement, respectively, with KEPCO Philippines Holdings, Inc. (KPHI), a corporation organized in the Republic of the Philippines, which resulted KPHI owning ₱305.9 million in voting preferred stock of SPCC and with 38% voting interest. As of December 31, 2020 and 2019, the Parent Company owns 100% of the common shares and KPHI owns 100% of the voting preferred shares of SPCC. As of December 31, 2020 and 2019, the voting interest of the Parent Company and KPHI is 62% and 38%, respectively.

In 2018, the total consideration from the sale and issuance of SPCC preferred stock amounted to ₱2,123.6 million net of transaction costs amounted to ₱122.2 million. Further, the excess of consideration paid over the carrying amount of the NCI amounting to ₱1,817.7 million is recognized as part of "Equity reserve" (see Note 14).

As of December 31, 2020 and 2019, SPCC's 305.9 million preferred stocks were issued and outstanding. Out of 305.9 million preferred stocks, 101.9 million preferred stocks are pledged in compliance with OLSA.

In 2020 and 2019, SPCC declared cash dividends to its preferred stockholders totaling to SPCC ₱299.5 million and ₱364.9 million, respectively.

SP Tarlac

SP Tarlac was incorporated and registered with the SEC on July 15, 2015. On August 15, 2017, Solar Philippines Commercial Rooftop Projects, Inc. (SPCRPI), an affiliate of SP Tarlac, was awarded with SESC No. 2017-07-442 for the exclusive right to explore and develop the Concepcion 1 Solar Power Project (the Tarlac Project), respectively, wherein the SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Concepcion, Tarlac.

On September 27, 2017, SPCRPI executed Deed of Assignment transferring all his rights and obligations to SP Tarlac. On October 6, 2017, the Department of Energy (DOE) acknowledged and approved the Deed of Assignment between SPCRPI and SP Tarlac. Further, on that same day, the DOE issued and approved a new COR under the name of SP Tarlac which recognizes SP Tarlac as an



RE developer. On October 20, 2017, SP Tarlac was able to issue its Declaration of Commerciality (DOC) stating the commercial viability of the Project and which was confirmed and approved by the DOE through issuing its Confirmation of Commerciality on December 6, 2017.

On November 25, 2019, SP Tarlac has presented for filing its application with SEC for increase in authorized capital stock from ₱1.0 million divided into 1.0 million common stocks with par value of ₱1.0 per stock to ₱2,225.0 million divided into 2,225.0 million common stocks with par value of ₱1.0 per stock.

On December 27, 2019, the SEC requested additional documents for the SP Tarlac application. On June 8, 2020, SP Tarlac has submitted the necessary document. On July 30, 2020, SEC has approved the increase in authorized capital stock.

In August 2020, SP Tarlac applied to SEC for the increase in authorized capital stock from ₱2,225.0 million divided into 2,225.0 million common stocks with par value of ₱1.0 per stock to ₱3,725.0 million divided into 2,225.0 million common stocks with par value of ₱1.0 per stock and into 1,500.0 million preferred stocks with par value of ₱1.0 per stock. On August 18, 2020, SEC has approved the increase in authorized capital stock.

Investment Agreement (IA) between SP Tarlac and Prime Metro Power Holdings Corporation (PMPH)

On June 4, 2020, the SP Tarlac and PMPH entered into an IA where, subject to the required consents and approvals. The IA provides that the SP Tarlac shall create and PMPH shall subscribe to redeemable preferred shares with an option to convert to common shares for a maximum amount of ₱1,500.0 million.

Upon complying with all the required consents and approvals in the IA, on July 6, 2020 and August 14, 2020, SP Tarlac received ₱535.0 million and ₱465.0 million, respectively from PMPH as payment for the subscription of SP Tarlac's redeemable preferred stock.

On August 18, 2020, the SEC approved SP Tarlac's amendment to the articles of incorporation for the increase of authorized capital stock from ₱2,225.0 million divided into 2,225.0 million common stocks with a par value of ₱1.0 per stock, to ₱3,725.0 million divided into ₱2,225.0 million divided into 2,225.0 million common stocks with a par value of ₱1.0 per stock and ₱1,500.0 redeemable preferred stocks with a par value of ₱1.0 per stock.

Subsequent to the approval of the SEC, SP Tarlac issued an aggregate of 1,000.0 million redeemable preferred stocks amounting to ₱1,000.0 million at par value of ₱1.0 per stock to PMPH.

On January 15, 2021, upon compliance with the conditions under the IA, SP Tarlac received ₱500.0 million from PMPH as payment for the subscription for the last tranche. Consequently, SP Tarlac issued 500.0 million redeemable preferred shares amounting to ₱500.0 million at par value of ₱1.0 per stock to PMPH.

Redeemable preferred stocks have the following features:

- (a) Non-voting with par value of ₱1.0 per share;
- (b) Entitled to fixed dividend rate of 12% per annum on its issue price and such dividends shall be cumulative subject for approval of the BOD and availability of retained earnings;
- (c) Redeemable at the option of SP Tarlac after five (5) years from execution of the subscription agreement on the first tranche; and



- (d) Convertible to common stock for 50% ownership at the option of PMPH starting on the date after the first 18 months from the date of the subscription by PMPH to the first tranche up to the 5th year from the issuance of redeemable preference stocks.

As of December 31, 2020, undeclared cumulative dividends of SP Tarlac's preferred shared amounted to ₱52.6 million.

SPMMC

SPMMC was incorporated and registered with the SEC on July 19, 2016. SPMMC is primarily engaged in the business of manufacturing, production, assembly, sub-contracting, export, import, purchase, sale and distribution of any good forms, or merchandise which may be the object of commerce such as but not limited to solar panels or photovoltaic modules; to market, distribute and sell the same either wholesale or retail, both locally or internationally; to own and operate manufacturing lines and import equipment and materials; and to perform other activities which are ancillary and/or incidental thereto.

On October 28, 2016, SPMMC was accredited by the DOE with accreditation no. RE-SW2016-10-009-00, as fabricator and supplier of locally-produced solar and wind energy equipment and components which shall serve as the basis of entitlement of incentives of SPMMC pursuant to the provisions of Republic Act No. 9513, otherwise known as RE Act of 2008.

On November 14, 2016, SPMMC registered with the BOI as fabricator and supplier of locally-produced solar energy equipment and components under the 2014 IPP on non-pioneer status under the Omnibus Investments Code of 1987. These certifications served as the basis of entitlement to incentives under Republic Act No. 9513, otherwise known as the RE Act of 2008, which includes an ITH for a period of seven (7) years from the date of recognition/accreditation, zero-percent (0%) VAT, duty free importation of machineries, and tax credit on domestic capital components, parts and materials.

On April 17, 2017, SPMMC started its commercial operations.

On April 15, 2019, SPMMC registered its Lines 1 and 3 with the Philippine Economic Zone Authority (PEZA) as Ecozone Export Enterprise to engage in the solar module panel assembly at the First Philippine Industrial Park-Special Economic Zone (FPIP-SEZ). Upon registration with PEZA, SPMMC acknowledged that it is entitled only to four (4) years of ITH incentive, which is the remaining balance of seven (7) years BOI ITH incentive, for Lines 1 and 3. As stated in Republic Act No. 7916, otherwise known as The Special Economic Zone Act of 1995, the following are incentives to be availed other than ITH incentive: exemption from duties and taxes on merchandise, exemption from national and local taxes and licenses, tax credit for import substitution, exemption from wharfage dues, export tax, impost or fee, additional deduction for training expenses and tax credit for domestic capital equipment.

In 2019, SPMMC began operating all its three (3) lines with a total manufacturing capacity of 750 MW solar panels at an average usage rate of 23% while in 2018, only Line 1 was operating at an average usage rate of 10%.

On October 30, 2020, SPMMC filed for a temporary suspension of its operations effective from November 3, 2020 to February 2, 2021 as no orders were received by SPMMC to manufacture solar panels. Subsequently, on April 2, 2021, SPMMC filed for another temporary suspension of its operations covering the periods from April 2, 2021 to July 1, 2021 and was then extended until September 30, 2021. On September 26, 2021, SPMMC decided to retrench its 275 employees,



effective September 30, 2021, to prevent further incurrence of losses, which was also aggravated by the COVID-19 pandemic.

As of October 30, 2021, SPMMC 's management has no plans to liquidate SPMMC and will continue to pursue business opportunities for SPMMC once the situation improves.

SPRC

SPRC was incorporated and registered with the SEC on April 6, 2017, primarily to construct, erect, assemble, commission, operate and maintain power-generating plants, installations, shops, laboratories, pipelines, repair shops, electrical works, power houses, warehouses, terminals and related facilities for the conversion of renewable energy into usable form fit for electricity generation and distribution; to promote and undertake research, development, utilization, manufacture, sale, marketing, distribution and commercial application of new, renewable, non-conventional and environment-friendly energy sources and systems including but not limited to solar, wind, water, heat, steam, ocean, tidal, biomass, biogas, chemical, mechanical, electrical, synthetic, agricultural, and other natural, fossil or non-fossil fuel based, artificial, organic or otherwise, and of energy systems that use new, renewable and any energy resources applying new and efficient energy conversion and/or utilization technologies for commercial application; and to perform other ancillary and incidental activities as may be provided by and under contract with the Government of the Republic of the Philippines, or any subdivision, instrumentality or agency thereof, or any government-owned and controlled corporation, or other entity engaged in the development, supply and distribution of renewable energy.

On November 4, 2019, the BODs and stockholders of SPRC approved a resolution to change the corporate name from Solar Philippines Island Corporation to Solar Philippines Rooftop Corporation. On December 13, 2019, SPRC amended its Articles of Incorporation and By-laws to reflect the change in corporate name.

On January 10, 2020, the SEC approved the change in SPRC's name from Solar Philippines Island Corporation to Solar Philippines Rooftop Corporation.

Photovoltaic System Sales Agreement (PVSA)

In 2019, SPRC entered into various PVSA with residential customers. SPRC intends to design, procure components for, and construct photovoltaic systems (PS) on the rooftops of residential customers.

Power Purchase Agreements (PPA)

In 2019, SPRC has entered into different PPAs for the finance, design, construction, operation and maintenance of photovoltaic system electric generation (PSEG) facilities on the rooftops of various establishments.

SP Tanauan

SP Tanauan was incorporated and registered with the SEC on September 7, 2017. On February 9, 2017, SPCRPI, an affiliate of SP Tanauan, was awarded with SESC No. 2017-02-363 for the exclusive right to explore and develop the Calamba-Tanauan Solar Power Project (the Calamba-Tanauan Project), respectively, wherein the SPCRPI shall undertake exploration, assessment, hamessing, piloting and other studies of the solar energy resources in Calamba, Laguna and Tanauan, Batangas. On September 12, 2016, SPCRPI executed Deed of Assignment transferring all his rights and obligations to SP Tanauan. On February 23, 2017, the DOE acknowledged and approved the Deed of Assignment between SPCRPI and SP Tanauan. Further, on that same day, the DOE issued and approved a new Certificate of Registration (COR) under the name of SP Tanauan which



recognizes SP Tanauan as an RE developer. On December 22, 2016, SP Tanauan entered into a 20-year Power Supply Agreement (PSA) with Manila Electric Company (MERALCO).

On August 22, 2017, SPCRPI, an affiliate of the SP Tanauan, was awarded with SESC No. 2017-06-421 for the exclusive right to explore and develop the Maragondon-Naic 1 Solar Power Project (the Maragondon-Naic 1 Project), respectively, wherein SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Maragondon and Naic, Cavite. On November 09, 2020, SPCRPI executed a Deed of Assignment transferring all his rights and obligations to SP Tanauan.

PSA between SP Tanauan and MERALCO

On December 22, 2016, MERALCO awarded the PSA to SP Tanauan through a letter of notice dated December 14, 2016, after undergoing a rigorous competitive selection process.

In accordance with the PSA, SP Tanauan intends to construct, own, operate, manage and maintain solar energy power plants in Tanauan, Batangas (site 1) and Naic, Cavite (site 2). Each generation facility shall be capable of supplying at least 25 MW AC or a total of 50 MW AC from the solar PV panels. The obligations of SP Tanauan and MERALCO with respect to the sale and purchase of the power shall be for a duration of twenty (20) years from commercial operations date (COD), determined separately for each plant.

On February 7, 2019, SP Tanauan submitted its request for DOC with the DOE. On May 18, 2021, SP Tanauan notified the DOE of its intention to update its application for DOC from 35 MW to 60 MW.

SP Tanauan received a copy of the ERC order dated November 28, 2017 granting interim relief for the parties, allowing both parties to implement the PSA, subject to the issuance of a final approval. On February 28, 2020, SP Tanauan received the final approval from ERC for the contract price of ₱5.39 plus 2% annual escalation. In September 2020, SP Tanauan has conformed with MERALCO through joint certification that the occurrence of commencement date is on September 11, 2020.

On May 31, 2021, MERALCO agreed to extend the scheduled COD of the Project for a period of one (1) year, from January 11, 2021 to January 10, 2022, provided that during the said period, SP Tanauan shall provide replacement energy to MERALCO at the Wholesale Electricity Spot Market (WESM) price and Contract price, whichever is lower.

As of October 30, 2021, SP Tanauan has not yet started commercial operation

Memorandum of Agreement (MOA) between the Parent Company and Prime Metro Power Holdings Corporation (PMPH)

On August 11, 2021, the Parent Company entered into a MOA with PMPH. On October 18, 2021, they entered into a definitive agreement, the Investment Agreement (IA). The Parties agreed to incorporate a new corporation (ListCo) with the Philippine Securities and Exchange Commission (SEC) that will be the listing vehicle of the Parties at the Main Board of the Philippine Stock Exchange (PSE) subject to certain conditions being met. The Parties will each own 50% of the outstanding capital stock of ListCo. The ListCo is intended to conduct its initial public offering, subject to the terms and conditions as stated in the IA. The Parties also agreed to enter into Transaction Documents for the, among others, (1) conversion of, or subscription to and issuance of, as applicable, of shares of stock in each of (a) SP Tarlac; (b) SP Tanauan; and (c) Terra Solar Philippines ("TSPI").



On October 29, 2021, pursuant to the Investment Agreement and a Promissory Note dated October 29, 2021, the Company has received a total amount of ₱500.0 million from PMPH, which will be used to buy land contemplated for the Project, or such other land acceptable to PMPH.

SP Nueva Ecija

SP Nueva Ecija was incorporated and registered with the SEC on November 23, 2016. On August 22, 2017, SPCRPI was awarded SESC No. 2017-06-404 for the exclusive right to explore and develop the Sta. Rosa Nueva Ecija 2 Solar Power Project, wherein SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Santa Rosa, Peñaranda and San Leonardo, Nueva Ecija. On December 29, 2017, SPCRPI executed a Deed of Assignment transferring all its rights and obligations provided under the SESC No. 2017-06-404 to SP Nueva Ecija. On February 23, 2018, the DOE acknowledged and approved the Deed of Assignment between SPCRPI and SP Nueva Ecija. Further, on that same day, the DOE issued and approved a new COR under the name of SP Nueva Ecija which recognizes SP Nueva Ecija as an RE developer.

The Project is a 500 megawatt peak (MWdc) solar power plant project located in Nueva Ecija and is divided into two (2) Phases. The first phase of the Project is a 225 MWdc solar power plant (Phase 1) in Barangay Las Piñas, Peñaranda, Nueva Ecija with sub-phases of Phase 1A at 50 MWdc and Phase 1B at 175 MWdc. SP Nueva Ecija targets that Phase 1A shall be commissioned in the first half of 2022 while Phase 1B is planned to be commissioned in the second half of 2022. Moving forward, SP Nueva Ecija plans to construct an additional 275 MWdc (Phase 2) after it has commissioned Phase 1.

On August 20, 2019, SP Nueva Ecija has declared commerciality, pending the assessment of the DOE. Once confirmed, the DOE shall release a Certificate of Confirmation of Commerciality ("COCOC") on the Project. As of October 30, 2021, SP Nueva Ecija is awaiting for response from DOE on the assessment of commerciality and has not yet commenced commercial operations.

In December 2020, the Parent Company transferred cash amounting to ₱22.0 million to SP Nueva Ecija as payment for the 750,000 common stocks, for a consideration of ₱29.3 per stock.

In February and March 2021, the Parent Company transferred cash amounting to ₱268.4 million for the subscription of 2,684.4 million shares at par value of ₱0.1 per share.

On March 3, 2021, SP Nueva Ecija's BOD approved to apply the APIC of ₱21.3 million to deficit as of December 31, 2020 amounting to ₱21.0 million.

In April and May 2021, the Parent Company transferred additional cash to SP Nueva Ecija totaling to ₱273.0 million for 2,730.0 million shares at par value of ₱0.10 per share.

On July 29, 2021, SP Nueva Ecija filed a Registration Statement with the SEC covering the registration of up to 8,124,350,005 common shares with par value of ₱0.10 per share, with primary offering of up to 2,700,000,000 common shares at an initial price of ₱1.00 per share, to be issued by SP Nueva Ecija and offered for sale to the public in accordance with the provisions of the Securities Regulation Code ("SRC").

On August 20, 2021, SP Nueva Ecija filed an application with the Philippine Stock Exchange (PSE) for the listing of the issued and outstanding common shares (including the offer shares).



In a letter dated October 20, 2021, the SEC wrote that in its October 19, 2021 meeting, the Commission favorably considered SPNEC's application subject to compliance and submission of certain documents. As of October 30, 2021, SP Nueva Ecija is awaiting the approval of both the SEC and PSE.

SP Tagoloan

SP Tagoloan was incorporated and registered with the SEC on October 2, 2015. On June 26, 2015, SPCRPI, an affiliate of SP Tagoloan, was awarded with SESC No. 2015-06-236 for the exclusive right to explore and develop the Tagoloan Solar Power Project (the Tagoloan Project), respectively, wherein the SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Tagoloan, Misamis Oriental. On September 6, 2016, SPCRPI executed Deed of Assignment transferring all his rights and obligations to SP Tagoloan. On March 13, 2017, the DOE acknowledged and approved the Deed of Assignment between SPCRPI and SP Tagoloan. Further, on that same day, the DOE issued and approved a new COR under the name of SP Tagoloan which recognizes SP Tagoloan as RE developer. As of October 30, 2021, SP Tagoloan has not yet commenced commercial operations.

SP Visayas

SP Visayas was incorporated and registered with the SEC on April 6, 2017. On December 27, 2019, SP Visayas, was awarded with SESC No. 2019-05-512 for the exclusive right to explore and develop the Kananga-Ormoc Solar Power Project, wherein SP Visayas shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Kananga and Ormoc City, Leyte. Further, on that same day, the DOE issued and approved a COR under the name of SP Visayas which recognizes SP Visayas as an RE developer.

SP South Luzon

SP South Luzon was incorporated and registered with the SEC on April 6, 2017. On December 20, 2019, SP South Luzon was awarded SESC No. 2019-10-531 by the DOE for the exclusive right to explore and develop the Binangonan and Cardona, Rizal and Laguna de Bay Solar Power Project. SP South Luzon shall undertake exploration, assessment, harnessing, piloting and other studies of Solar Energy resources in Province of Rizal and Laguna de Bay. The SESC allows for two (2) years non-extendable term for pre-development within which SP South Luzon should be able to declare commerciality.

In 2019, the Barangay Dalig, Municipality of Rizal and Laguna Lake Development Authority (LLDA) entered a Memorandum of Agreement (MOA) with SP South Luzon allowing to conduct the Cardona Floating Solar Pilot Project which aims to determine the feasibility of adopting a solar technology/system in Laguna de Bay. The pilot project is a 16.25 kilowatt peak (kWp) floating solar system with 50 solar modules and 3 inverters. As of December 31, 2020, the pilot project has been completed.

SP Batangas

SP Batangas was incorporated and registered with the SEC on April 6, 2017. On December 20, 2019, SP Batangas was awarded with SESC No. 2019-02-500 by the DOE for the exclusive right to explore and develop the Padre Garcia Solar Power Project. SP Batangas shall undertake exploration, assessment, harnessing, piloting and other studies of Solar Energy resources in Lipa City and Padre Garcia, Batangas. The SESC allows for two (2) years non-extendable term for pre-development within which SP Batangas should be able to declare commerciality.



SP Retail Electricity

SP Retail Electricity was incorporated and registered with the SEC on August 24, 2016. On December 3, 2019, the ERC approved SP Retail Electricity's Retail Electricity Supplier (RES) license which grants SP Retail Electricity the right to sell, broker, market or aggregate electricity to the end-users.

On February 18, 2020, SP Retail Electricity registered with the Philippines Electricity Market System (PEMC) as Direct Member - RES Category.

SP Utility

SP Utility was incorporated and registered with the SEC on April 6, 2017. On January 6 2020, the BODs and stockholders of SP Utility approved a resolution to change the corporate name from Solar Philippines Island Power Corporation to Solar Philippines Utility Corporation.

On January 6, 2021, SP Utility amended its Articles of Incorporation and By-laws to reflect the change in corporate name.

On April 5, 2021, the SEC approved the change in SP Utility's corporate name from Solar Philippines Island Power Corporation to Solar Philippines Utility Corporation.

SP Batangas Baseload

SP Batangas Baseload was incorporated and registered with the SEC on March 8, 2018. On November 9, 2020, the BODs and stockholders of SP Batangas Baseload approved a resolution to change the corporate name from Solar Philippines Biga Corporation to Solar Philippines Batangas Baseload Corporation.

On January 6, 2021, SP Batangas Baseload amended its Articles of Incorporation and By-laws to reflect the change in corporate name.

On April 5, 2021, the SEC approved the change in SP Batangas Baseload's name from Solar Philippines Biga Corporation to Solar Philippines Batangas Baseload Corporation.

On August 22, 2017, SPCRPI, an affiliate of the SP Batangas Baseload, was awarded with SESC No. 2017-05-384 for the exclusive right to explore and develop the Balayan Solar Power Project (the Balayan Project), respectively, wherein SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Balayan and Calaca, Batangas. On November 09, 2020, SPCRPI executed a Deed of Assignment transferring all his rights and obligations to SP Batangas Baseload. As of October 30, 2021, SP Batangas Baseload is still awaiting for the acknowledgment and approval from the DOE of the Deed of Assignment between SPCRPI and SP Batangas Baseload and has not yet commenced commercial operations.

SP Tarlac Baseload

SP Tarlac Baseload was incorporated and registered with the SEC on October 2, 2015. On November 9, 2020, the BODs and stockholders of SP Tarlac Baseload approved a resolution to change the corporate name from Solar Philippines Talingaan Corporation to Solar Philippines Tarlac Baseload Corporation.

On January 12, 2021, SP Tarlac Baseload amended its Articles of Incorporation and By-laws to reflect the change in corporate name from Solar Philippines Talingaan Corporation to Solar Philippines Tarlac Baseload Corporation.



The certificate of filing the amended Articles of Incorporation and By-laws was issued by the SEC on February 24, 2021.

On July 18, 2017, SPCRPI, an affiliate of SP Tarlac Baseload, was awarded with SESC No. 2017-05-385 for the exclusive right to explore and develop the Calamba-Tanauan Solar Power Project (the Calamba-Tanauan Project), respectively, wherein the SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Tarlac City and La Paz, Tarlac. On November 9, 2020, SPCRPI executed Deed of Assignment transferring all his rights and obligations to SP Tarlac Baseload. As of October 30, 2021, SP Tarlac Baseload is still awaiting for the acknowledgment and approval from the DOE of the Deed of Assignment between SPCRPI and SP Tarlac Baseload and has not yet commenced commercial operations.

SP Central Luzon

SP Central Luzon was incorporated and registered with the SEC on March 2, 2017. On January 22, 2021, SPPPHI, SP Central Luzon and AC Energy Corporation (AC Energy) entered into a Share Purchase and Subscription Agreement (SPSA) where AC Energy shall subscribe to 375,000 common shares at ₱1 par value, and shall own 244,000 common shares with a par value of ₱1 per share through the sale of the holdings of the Parent Company, for a total of 619,000 common shares. Pursuant to the SPSA, Subscription Agreements and a Deed of Absolute Sale of Shares were executed on the same date.

As of October 30, 2021, AC Energy owns a total of 619,000 out of the 625,000 issued common shares of the SP Central Luzon, or a total of 99.04% of the issued and outstanding capital stock of SP Central Luzon.

On September 14, 2017, SPCRPI, an affiliate of SP Central Luzon, was awarded with SESC No. 2017-07-436 for the exclusive right to explore and develop the Concepcion Tarlac 2 Solar Power Project (the Concepcion 2 Project), wherein SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Concepcion, Tarlac. On November 9, 2020, SPCRPI executed a Deed of Assignment transferring all his rights and obligations to SP Central Luzon. As of October 30, 2021, SP Central Luzon is still awaiting for the acknowledgment and approval from the DOE of the Deed of Assignment between SPCRPI and SP Central Luzon and has not yet commenced commercial operations.

Solar Asia

Solar Asia is a holding company incorporated on January 4, 2018 and registered in the Republic of Singapore. The following entities are the wholly owned subsidiaries of Solar Asia.

- PT Solar Indonesia Power Projects was incorporated on August 31, 2018 to lease activities without options for industrial machinery and equipment. The entity has two (2) projects on-going for feasibility studies: Bali West 25 MW, alternating current (MWac) Solar IPP and Bali East 25 MWac Solar IPP. As of October 30, 2021, the entity has not yet started its commercial operations.
- Solar Myanmar Global Power Projects Limited was incorporated on July 11, 2018. The entity commenced the construction for the Win Bo 59 kWp Mini-Grid Project in Win Bo Village, Myanmar. The entity was granted a subsidy from the government of Myanmar under its National Electrification Program (up to 60% of the acceptable project cost). As of October 30, 2021, the entity has not yet started its commercial operations.



- SPPPH Solar India Projects Private Limited was incorporated on December 19, 2018. In 2019, the entity has participated in a bidding for a project for 50 MWac Solar PV Power plants in various locations in Maharashtra, India. As of December 31, 2020, SPPPH Solar India Projects Private Limited is waiting for its letter of award for the project bidding and has not yet commenced its operation. In a letter dated February 1, 2021, SPPPH Solar India Projects Private Limited was notified of the cancelation of tender due to failure to submit the required performance bank guarantee.
- Solar Vietnam Limited Liability Company was incorporated on February 21, 2019 to install rooftop solar system on the basic fee and contract, install electrical system for the works, construct of other civil engineering, repair and maintenance of solar equipment on the basic fee and contract, service management consultancy and other services relating to management consultancy and, carry out the right to export, the right to import, the right to wholesale distribution of goods in accordance with the country's law. As of October 30, 2021, the entity has not yet started its commercial operations.

Solar Africa

On January 22, 2019, Solar Africa was incorporated and registered with the Corporate and Business Registration Department at Port Louis, Mauritius. Solar Africa serves as a holdings company for the Parent Company. The following entities are the wholly owned subsidiaries of Solar Africa.

- SP Solar Kenya Limited was incorporated on February 17, 2019. The entity has a pipeline solar hybrid project with a capacity of 130 kWp in Ngurumani, Kenya. As of October 30, 2021, the entity has not yet started its commercial operations.
- Solar Nigeria for the People Limited was incorporated on February 19, 2019. The entity has a pipeline solar hybrid project with a capacity of 224 kWp in Ode Omi, Nigeria. As of October 30, 2021, the entity has not yet started its commercial operations.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. The initial measurement of financial instruments includes transaction costs, except for financial instruments at fair value through profit or loss (FVPL). Management determines the classification of its instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at amortized cost, financial assets at fair value through other comprehensive income (FVOCI) and FVPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.



The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

Financial assets at amortized cost (debt instruments)

The Group measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- 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.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in the consolidated statement of comprehensive income when the asset is derecognized, modified or impaired.

The Group's financial assets at amortized cost are cash and cash equivalents, trade and other receivables and amounts due from related parties as of December 31, 2020 and 2019.

As of December 31, 2020 and 2019, the Group has no financial assets at FVOCI and FVPL.

Financial liabilities

Loans and borrowings

Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

Loans and borrowings are initially recognized at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, such loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized, as well as through the amortization process.

The Group's loans and borrowing include trade and other payables, contract liabilities, amounts due to related parties, loans payable and lease liabilities as of December 31, 2020 and 2019.

As of December 31, 2020 and 2019, the Group has no financial liabilities at FVPL.



Derecognition of Financial Assets and Liabilities

Financial asset

A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

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

Where the Group has transferred its right to receive cash flows from an asset or has entered into a “pass-through” arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liability

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

Impairment of Financial Assets

The Group recognizes an allowance for expected credit losses (ECLs) for all financial assets except debt instruments held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Offsetting Financial Instruments

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



Fair Value Measurement

Fair value is the estimated 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 Group.

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 Group 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 Group's consolidated 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 consolidated financial statements on a recurring basis, the Group 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 Group 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.

Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash on hand and in banks and short-term deposits with original maturities of three (3) months or less from dates of acquisition and that are subject to insignificant risk of changes in value.

Inventories

Inventories are valued at the lower of cost (average method) and net realizable value (NRV). The NRV of finished goods and work-in-process is based on estimated selling price, less estimated costs of completion (for work-in-process) and the estimated costs necessary to make sale. The NRV for raw materials is the current replacement cost. In determining NRV, the Group considers any adjustment for obsolescence.



Other Current Assets

Other current assets consist mainly of advances to suppliers, prepaid rent, input value-added tax (VAT) and creditable withholding taxes (CWTs). These are expected to be realized and consumed within twelve months after reporting date.

Advances to suppliers

Advances to suppliers represent advance payments on goods or services to be purchased in connection with the Group's operations. These are charged as against consolidated statement of comprehensive income as actual receipt of goods or services, which is normally within twelve months or within the normal operating cycle.

Advances to suppliers are classified as noncurrent when these will be applied as payment for the purchase of assets and services that will subsequently form part of the cost of a noncurrent asset.

Prepaid rent

Prepaid rent are expenses paid in advance and recorded as asset before they are utilized. The prepaid rent is apportioned over the period covered by the payment and charged to the appropriate accounts in the consolidated statement of comprehensive income when incurred.

VAT

Expenses and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable; and
- When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from or payable to, the taxation authority is included as part of "Other current assets" or "Trade and other payables" in the consolidated statement of financial position. Subject to the approval of the taxation authority, input VAT can be claimed for refund or as a tax credit for payment of certain types of taxes due from the Group.

CWTs

CWTs represent the amount withheld from income subject to expanded withholding taxes. CWTs can be utilized as payment for income taxes provided that these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation. CWTs which are expected to be realized as payment for income taxes within 12 months are classified as current assets. Otherwise, these are classified as other noncurrent assets.

Property, Plant and Equipment

Property, plant and equipment, except for land and construction in progress, are carried at cost net accumulated depreciation and accumulated impairment losses, if any. Cost includes the present value expected for the decommissioning of the plant at the end of its useful life and capitalized borrowing costs incurred in connection with the construction of the plant. Capitalization of borrowing costs as part of the cost of property, plant and equipment ceased upon completion of the construction of the plant.

In 2019, the Group change its accounting policy from cost to revaluation method of accounting of land classified as property, plant and equipment, as the Group believes that the revaluation of its consolidated financial statements. In addition, valuation techniques provide reliable estimates of the land fair value. The Group applied the revaluation model prospectively.



Land is measured at fair value less impairment losses, if any. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value. In 2020 and 2019, the Group's land has been revalued as determined by an independent appraiser. Subsequent additions are stated at cost.

A revaluation deficit is recognized in the consolidated statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the revaluation surplus. Upon disposal, any revaluation increment relating to the particular asset being sold is transferred to retained earnings.

The appraisal increment, net of the related tax effect, is credited to the "Revaluation surplus" account included as OCI in the consolidated statement of comprehensive income and as other component of equity in the equity section of the consolidated statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the consolidated statement of income, in which case the increase is recognized in the consolidated statement of income.

Expenditures incurred after the property, plant and equipment have been put into operations, such as repairs and maintenance, are normally charged to expense in the period in which 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 and equipment. The present value of the expected cost for decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

The estimated useful lives of property, plant and equipment are as follows:

Category	Number of Years
Solar power plant	30
Machinery and equipment	8
Land improvement	5
Office and warehouse equipment	5
Transportation equipment	5
Furniture and fixtures	5
Leasehold improvement	5 or term of the lease, whichever is shorter

The depreciation method and estimated useful lives are reviewed periodically. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the items of property, plant and equipment are accounted for by changing the depreciation method and useful lives, as appropriate, and treated as a change in accounting estimates. The depreciation expense on the items of property, plant and equipment is recognized in profit or loss.

When property, plant and equipment are retired or otherwise disposed of, their cost, accumulated depreciation and any allowance for impairment in value are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of comprehensive income. Fully depreciated property, plant and equipment are retained in the accounts until these are no longer in use.



Construction in progress

Construction in progress represents under construction and is stated at cost, net of accumulated impairment losses, if any. This includes cost of construction, property and equipment and other direct costs. Construction in progress is not depreciated until such time when the relevant assets are completed and put into operational use.

Right-of-use (ROU) assets

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

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of their estimated useful life and lease term. ROU assets are subject to impairment (refer to Impairment of Non-Financial Assets policy).

Deposits for Land Acquisition

Deposits for land acquisition pertain to deposits and payments made in relation to the acquisition of parcels of land and are stated at cost less any impairment in value.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is an indication that these nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates these nonfinancial assets' recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. Impairment losses from continuing operations are recognized in profit or loss.

An assessment is made at each reporting date to determine whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. Any previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income.



Other Noncurrent Assets

Other noncurrent assets include plant construction materials, advances to suppliers, security deposit and advance rentals. Advances to suppliers represent the deposits and down payments made to the suppliers of machines, facilities and production equipment and construction materials. Security deposit represents deposit for office premises and is refundable at the end of the lease term.

Plant construction materials

Plant construction materials are carried at cost and are presented as noncurrent assets as these are intended to be used in the construction of the Project.

Advances to a supplier

Advances to contractors and suppliers mainly pertain to cash given to contractors and suppliers as down payment that will be applied on the contractors' future billings. These are recognized as part of other noncurrent assets and reclassified to the specific asset upon receipt of goods or services.

Contract Liabilities

Contract liabilities are obligations to transfer goods or services to customers from whom the Group has received the consideration (or an amount of consideration due). If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group satisfies its performance obligations under the contract.

Retirement Benefit Obligation

The Group has an unfunded, non-contributory defined benefit plan covering substantially all of its qualified employees.

The defined benefit obligation is the aggregate of the present value of the defined benefit obligation at the end of the reporting period. The cost of providing benefits under the defined benefit plan is actuarially determined by an independent qualified actuary using the projected unit credit method.

Defined benefit costs comprise the following:

- Current service cost
- Remeasurements of net defined benefit liability or asset

Current service costs are recognized as expense in profit or loss.

Remeasurements, comprising actuarial gains and losses, are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through other comprehensive income in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods, but are closed directly to retained earnings at the end of every reporting period.

Common Stock

Common stock is measured at par value and is classified as equity for all shares issued. When the Parent Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.



Subscription Receivable

Subscription receivable represents common stock subscribed and issued by the Parent Company but payment from the shareholders has not yet been received. Subscription receivable is presented as current assets when it is expected to be collected within twelve months after the balance sheet date. Otherwise, this is presented as reduction from equity.

Equity Reserve

Equity reserve is recognized when there is a change in the ownership interest of subsidiary without loss of control, any excess or deficit of consideration paid over the carrying amount of the NCI is recognized as part of "Equity reserve" account.

Retained Earnings

Retained earnings includes accumulated earnings of the Group reduced by dividends on capital stock. Dividends on capital stock are recognized as a liability and deducted from equity when they are approved by the BODs. Dividends for the year that are approved after the financial reporting date are dealt with as an event after the financial reporting date. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Leases

The Group assesses at contract inception all arrangements to determine whether it 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.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) ROU assets

Refer to Property, Plant and Equipment policy.

ii) Lease liabilities

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

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.



Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (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). Lease payments on short-term leases is recognized as expense on a straight-line basis over the lease term.

Revenue from Contract with Customers

Sale of electricity

Revenue from sale of electricity is based on the Renewable Energy Payment Agreement (REPA), PVSA, PSAs and PPAs. Sale of electricity is recognized over time as the power generated by the Group is transmitted through the transmission line designated by the buyer for a consideration and is presented as "Revenue from contract with customer" in the consolidated statement of comprehensive income. Revenue from sale of electricity is based on sales price and recognized monthly based on the actual energy delivered

Sale of goods

Revenue from sale of goods is providing manufacturing services in accordance with the customer's specifications. The Group promises to provide a combined performance obligation comprised of non-distinct goods or services, which include issuance of materials to production, assembly, testing and packaging. Contracts with customers are generally classified as turnkey. In a turnkey contract, the Group procures the materials and provides the assembly services to the customer. For turnkey contracts, revenue is recognized over time since the products created have no alternative use to the Group and the Group has right to payment for performance completed to date including the related profit margin. Revenue from sale of goods are presented net of sales returns and sales discounts.

Also, revenue from installation services is providing services for the installation of PVS and is based on EPCs. Revenue from installation services is recognized over time as the services are rendered to the customers for a consideration.

The disclosures of significant accounting judgments, estimates and assumptions relating to revenue from contracts with customers are provided in Note 3.

Significant financing component

The revenue from installation services included in contracts with customers have significant financing component considering the period between the customer's payment of the price of the revenue from installation services and time of the transfer of control over of the installed asset, which is more than one year. The transaction price for such contracts is determined by discounting the amount of promised consideration using the appropriate discount rate. The Group concluded that there is a significant financing component for those contracts where the customer elects to pay in arrears considering the length of time between the customer's payment and the transfer of installed asset to the customer, as well as the prevailing interest rates in the market.

Interest income

Interest income is recognized as interest accrues, using the EIR, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Other Income (Expense)

Other income (expense) is recognized when earned (incurred).



Costs and Expenses

Costs and expenses are decreases in economic benefits during the accounting period in the form of outflows or depletions of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Costs and expenses are generally recognized when the services are used or the expenses arise.

Costs of sale of goods

Costs of sale of goods include direct materials, personnel expenses, utilities, and other manufacturing costs. This is recognized when the inventories are sold and title is transferred to the buyer.

Cost of sale of electricity

These include expenses incurred by those directly responsible for the generation of revenues from solar energy (i.e., plant operations, plant maintenance and power plant preventive maintenance schedule), at operating project location. Costs of sales of electricity are expensed when incurred.

Costs of installation services

Costs of installation services mainly consist of costs of personnel directly engaged in providing installation services. These also include construction costs such as direct materials and those indirect costs related to contract performance. These are generally recognized when the installation services are used or the expenses arise.

General and administrative expenses

General and administrative expenses are incurred in the direction and general administration of day-to-day operations of the Group. General and administrative expenses are generally recognized when the services are used or the expenses arise.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of qualifying assets until such time that the assets are substantially ready for their intended use or sale, which necessarily takes a substantial period of time. Income earned on temporary investment of specific borrowings, pending the expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalization. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance the project to the extent that they are regarded as an adjustment to interest costs. All other borrowing costs are expensed in the year they occur and are recognized in the consolidated statement of income in the period in which they are incurred.

Foreign Currency Transactions

The Group's consolidated financial statements are presented in Philippine Peso, which is also the Parent Company's functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities in the respective functional currency spot rate prevailing at the date of transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the end of the reporting period. All differences are taken to profit or loss.



Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of advance consideration.

The functional currency of the Group's subsidiaries is Philippine Peso, except for its foreign subsidiaries.

Provisions

Provisions are recognized when the Group 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 Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any reimbursement.

If the effect of the time value of money is material, provisions are made by discounting the expected future cash flows at a pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Income Taxes

Current income tax

Current income tax assets and liabilities 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, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of comprehensive income.

Deferred income tax

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

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss



- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred income tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred income tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred income tax asset to be recovered.

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

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

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

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes when an inflow of economic benefits is probable.

Events After the Financial Reporting Date

Post reporting date events that provide additional information about the Group's consolidated financial position at the end of financial reporting date (adjusting event) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.



Future Changes in Accounting Policies

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 to 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, 2021

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

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

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

The Group shall also disclose information about:

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

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

Effective beginning on or after January 1, 2022

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

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

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



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

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

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

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

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

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

- Annual Improvements to PFRSs 2018-2020 Cycle

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

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

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted.

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

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

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



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

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

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

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

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

The amendments are not expected to have any impact on the Group's consolidated financial statements.

Effective beginning on or after January 1, 2023

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

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

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively.

The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- PFRS 17, *Insurance Contracts*

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



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

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

PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

Deferred effectivity

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

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

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

3. Summary of Significant Judgments and Estimates

The preparation of the consolidated financial statements in compliance with PFRSs requires the Group to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements, as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the consolidated financial statements.



a. *Determination of control over an investee company*

Control is presumed to exist when an investor 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. The Group has established that it has the ability to control its subsidiaries by virtue of either 100% or majority voting interest in the investee company.

b. *Determination of materially-owned subsidiary*

In determining whether an NCI is material to the Group, management employs both quantitative and qualitative factors to evaluate the nature of, and risks associated with, the Group's interests in these entities and the effects of those interests on the Group's consolidated financial position. Factors considered include, but not limited to, carrying values of the subsidiary's NCI relative to the NCI recognized in the consolidated financial statements, the subsidiary's contribution to the Group's revenues and net income, and other relevant qualitative risks associated with the subsidiary's nature, purpose and size of activities.

Based on the management's assessment, the Group has concluded that the subsidiaries with NCI that are material to the Group are SPCC and SP Tarlac as of December 31, 2020 (see Note 14) and SPCC as of December 31, 2019.

c. *Operating lease - Group as a lessee*

The Group has entered into office space and land lease. The Group has determined, based on an evaluation of the terms and conditions of the agreement that all the significant risks and benefits incidental to ownership of the leased items are not transferred to the Group (see Note 20).

d. *Evaluating revenue from contracts with customers*

The Group applied the following judgements in the determination of the amount and timing of revenue recognition:

- *Identifying performance obligations*

The Group 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 Group's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

The Group assesses performance obligations as a series of distinct goods and services that are substantially the same and have the same pattern of transfer if:

1. each distinct good or services in the series are transferred over time; and
2. 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 sale of electricity, the obligation under each contract is a single performance obligation. For installation services where the Group has to deliver the components of solar PV systems and perform installation services, the obligations are combined and considered as a single performance obligation since these are not distinct within the context of PFRS 15 as the Group provides a significant service of integrating the goods or services with other goods or services promised in the contract into a bundle of goods or services that represent the combined output for which the customer has contracted. The risk of transferring individual goods or services is inseparable because substantial part of the Group's promise to the customer is to ensure the individual goods or services are incorporated into the combined output.



For revenue from manufacturing of goods performance obligation is comprised of non-distinct goods or services, which include issuance of materials to production, assembly, testing and packaging considered as single performance obligation.

Further, allocation of transaction prices is not necessary as the obligation under each contract with customers are accounted for as a single performance obligation and the Group does not have any other ancillary services to be performed in connect to the all contracts with customers (see Note 21).

- *Revenue recognition*

The Group 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 Group determines, at contract inception, whether it will transfer control of a promised good or service over time. If the Group does not satisfy a performance obligation over time, the performance obligation is satisfied at a point in time.

For sale of electricity, the Group concluded that sale of electricity is to be recognized over time, since the customer simultaneously receives and consumes the benefits as the Group supplies electricity.

Revenue from manufacturing of goods is recognized over time or at a point in time. For turnkey contracts where in the products created have no alternative use to the Group and the Group has right to payment for performance completed to date including the related profit margin, in case of termination for reasons other than the Group's failure to perform as promised, revenue is recognized over time. For goods manufactured not covered by customer purchase orders or firm delivery schedule, revenues are recognized at a point in time.

For revenue from sale of installation services, the Group concluded that revenue from sale of installation services is recognized over time as the satisfaction of the performance obligations creates assets that the customers control as the assets are created.

- *Identifying methods for measuring progress of revenue recognized over time*

The Group 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 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 sale of electricity, the Group determined that the output method is the best method in measuring progress as actual electricity is supplied to customer. The Group recognizes revenue based on the actual renewable energy generation (see Note 21).

For revenue from manufacturing of goods, the Group measures progress towards complete satisfaction of the performance obligation using an input method (i.e., costs incurred). Management believes that this method provides a faithful depiction of the transfer of goods or services to the customer because the Group provides integration service to produce a combined output and each item in the combined output may not transfer an equal amount of value to the customer.



For installation services, the Group determined that the input method (on the basis of cost incurred) is the best method in measuring progress towards complete satisfaction of the performance obligation.

Set out below is the disaggregation of the Group's revenue from contracts with customers in 2020 and 2019:

	2020	2019
Sale of electricity	₱1,344,099,913	₱957,927,959
Revenue from manufacturing of goods	33,758,181	237,859,213
Service revenue	6,550,000	150,000,000
Sale of installation services:		
Commercial*	118,484,514	411,631,909
Residential**	7,544,067	71,586,535
Total revenue from contracts with customers	₱1,510,436,675	₱1,829,005,616

*Commercial pertains to corporate customers

**Residential pertains to individual or household customers

e. *Contractual cash flows assessment*

For each financial asset, the Group assesses the contractual terms to identify whether the instrument is consistent with the concept of SPPI.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortization of the premium/discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group applies judgment and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVPL.

The Group's debt financial assets consist of "Cash and cash equivalents" (excluding cash on hand), "Trade and other receivables" and "Due from related parties". The Group assessed that the contractual cash flows of its debt financial assets are for SPPI and are expected to be held to collect all contractual cash flows until their maturity. As a result, the Group concluded these debt financial assets to be measured at amortized cost.

f. *Applicability of Philippine IFRIC 12, Service Concession Arrangements on the SESC*

An arrangement would fall under IFRIC 12 if the two conditions below are met:

- 1) the grantor controls or regulates the services that the operator must provide using the infrastructure, to whom it must provide them, and at what price; and
- 2) the grantor controls any significant residual interest in the property at the end of the concession term through ownership, beneficial entitlement or otherwise. However, infrastructure used for its entire useful life ("whole of life assets") is within the scope if the arrangement meets the conditions in (1).



Based on management's judgment, by applying the "whole of life" criterion, the SESC entered into by the Group is outside the scope of IFRIC 12, since the Group controls the significant residual interest in the properties (i.e., the estimated useful life of the assets exceeds the service concession periods) at the end of the concession term through ownership.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a. *Provision for ECL on trade and other receivables and amounts due from related parties*

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

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

As of December 31, 2020 and 2019, the total provision for ECL recognized on trade and other receivables amounted to ₱13.4 million and ₱12.0 million, respectively (see Note 5). Provision for ECL amounted to ₱4.3 million and ₱9.4 million in 2020 and 2019, respectively (see Note 17). The aggregate carrying amounts of cash and cash equivalents (net of cash on hand), trade and other receivables and amounts due from related parties amounted to ₱1,129.2 million and ₱1,204.8 million as of December 31, 2020 and 2019, respectively (see Notes 4, 5 and 15).

b. *Estimating NRV for inventories*

The Group provides allowance for inventories, whenever NRV becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The allowance account is reviewed periodically to reflect the accurate valuation in the financial records. No impairment loss on inventory is recognized in 2020 and 2019. Total inventories amounted to ₱60.8 million and ₱160.8 million as of December 31, 2020 and 2019, respectively. Total allowance for impairment loss on inventories amounted to ₱0.5 million as of December 31, 2020 and 2019 (see Note 6).

c. *Revaluation of land*

The Group carries its land at revalued amount with changes in fair value recognized in OCI. The fair value of the Group's land measured using the fair value model is based on the valuation carried out by an independent appraiser as at December 31, 2020 and 2019. The valuation was arrived by reference to market evidence of transaction prices of similar properties.

External appraisers used market approach to value the land properties by using sales comparison method in particular. The valuation analysis involved key assumptions such as listing prices of reasonably comparable properties and adjustments related to the characteristics of the land properties such as size, location, utility, and other relevant conditions.



In 2020 and 2019, the total increase in land as a result of revaluation amounted to ₦203.5 million and ₦1,640.4 million, respectively. As of December 31, 2020 and 2019, the total revaluation surplus amounted to ₦1,001.7 million and ₦1,148.3 million, net of the deferred income tax liability, respectively. As of December 31, 2020 and 2019, net book value of revalued land amounted to ₦1,645.4 million and ₦1,917.0 million, respectively (see Note 8).

d. *Estimating useful lives of property, plant and equipment (except land and construction in progress)*

The Group estimates the useful lives of property, plant and equipment (except land and construction in progress) based on the period over which these assets are expected to be available for use. The estimated useful lives 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 these assets. In addition, estimation of the useful lives is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

The carrying values of property, plant and equipment (except land and construction in progress) amounted to ₦7,587.2 million and ₦3,659.1 million as of December 31, 2020 and 2019, respectively (see Note 8).

e. *Estimating impairment of nonfinancial assets*

The Group assesses impairment on other noncurrent assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of assets in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For impairment loss on specific assets, the recoverable amount represents the fair value less costs to sell.

The aggregate carrying values of property, plant and equipment, deposits for land acquisitions and other noncurrent assets amounted to ₦8,450.9 million and ₦7,808.0 million as of December 31, 2020 and 2019, respectively (see Notes 8, 9 and 10).

f. *Valuation of lease liabilities*

The application of PFRS 16 requires the Group to make judgments that affect the valuation of the lease liabilities and ROU assets. These include: determining contract in scope of PFRS 16, determining the contract term and determining the interest rate used for discounting future cash flows.



The lease term determined by the Group comprises non-cancellable period of lease contracts, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. For lease contracts with indefinite term the Group estimates the length of the contract to be equal to the economic useful life of non-current assets located in the leased property and physically connected with it or determines the length of the contract to be equal to the average or typical market contract term of particular type of lease. The same economic useful life is applied to determine the depreciation rate of ROU assets.

The present value of the lease payment is determined using the discount rate representing the country-specific (currency dependent) interest structure curve published in Bloomberg, corrected by the average credit spread of entities with rating similar to the Group's rating, observed in the period when the lease contract commences or is modified.

The Group's lease liabilities amounted to ₱209.3 million and ₱224.5 million as of December 31, 2020 and 2019, respectively (see Note 20).

g. *Estimating the realizability of deferred income tax assets*

Deferred income tax asset is recognized for all deductible temporary differences to the extent that it is probable that sufficient future taxable income will be available in the future against which the deductible temporary differences can be utilized. Significant management estimate is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies. The Group did not recognize deferred income tax assets on carryforward benefits of unused net operating loss carryover (NOLCO) and excess MCIT amounting to ₱540.2 million and ₱230.7 million as of December 31, 2020 and 2019, respectively (see Note 18).

4. Cash and Cash Equivalents

	2020	2019
Cash in banks	₱231,978,400	₱466,631,606
Short-term deposits	43,428,948	24,609,814
Cash on hand	1,328,213	1,321,620
	₱276,735,561	₱492,563,040

Short-term deposits are made for varying periods of up to three (3) months and earn interest at the prevailing short-term deposit interest rates.

Cash in bank earns interest at the prevailing bank interest rate in 2020 and 2019. Total interest earned from its cash and cash equivalents, net of final tax, amounted to ₱7.1 million and ₱11.3 million in 2020 and 2019, respectively.



5. Trade and Other Receivables

	2020	2019
Trade receivables:		
Third parties	₱332,805,335	₱288,573,787
Related parties (Note 15)	241,885,774	215,974,894
Non-trade receivable (Note 15)	138,880,000	137,311,582
Others	2,555,812	1,562,121
	716,126,921	643,422,384
Less allowance for ECL	13,433,262	12,031,623
	₱702,693,659	₱631,390,761

Movements in allowance for ECL are as follows:

	2020	2019
Balance at beginning of year	₱12,031,623	₱3,304,128
Provision for ECL (Note 17)	1,401,639	8,727,495
Balance at end of year	₱13,433,262	₱12,031,623

Trade receivable arises from the revenue from the sale of electricity, sale of goods and services. These are either interest or non-interest bearing depending on the clause indicated in the contract and generally collectible within 40 to 60 days.

Interest is earned on past due accounts with TransCo. This pertains to the monthly interest on all unpaid amounts based on the 91-day treasury bill rate plus 300 basis points until fully paid. Interest earned amounted to nil and ₱1.2 million in 2020 and 2019, respectively. As of December 31, 2020 and 2019, there are no outstanding interest receivable from TransCo.

6. Inventories

Inventories as of December 31, 2020 and 2019 are as follows:

	2020	2019
At cost:		
Panels and inverters	₱21,377,906	₱24,611,315
Materials for production	13,336,799	68,218,228
Mounting structures	6,611,721	5,710,346
Others	13,840,471	11,216,589
At NRV:		
Finished goods – net of allowance for impairment loss of ₱0.5 million as of December 31, 2020 and 2019	5,591,057	50,999,601
	₱60,757,954	₱160,756,079

Others include cost of consumables, supplies accessories and electricals, which includes cost of cables, batteries, switch boards and transformers, that will be used in the construction projects of SPRC.



No provision for impairment loss on inventories was recognized in 2020 and 2019. As of December 31, 2020 and 2019, the Group's damaged finished goods inventories have been fully provided with allowance for inventory obsolescence amounting to ₱0.5 million.

Inventories charged to cost of sales and services in 2020 and 2019 amounted to ₱146.2 million and ₱529.7 million, respectively (see Note 16).

7. Other Current Assets

	2020	2019
Time deposits	₱675,545,418	₱458,424,829
Input VAT	75,540,588	83,072,823
Cash bond deposit	21,767,007	2,104,842
Advances to suppliers	18,422,594	30,978,552
Deferred input VAT	16,533,873	6,090,035
CWTs	5,921,232	2,727,254
Prepaid insurance	4,690,844	6,586,353
Others	59,006,360	28,979,733
	877,427,916	618,964,421
Less allowance for impairment loss on input VAT and others	(4,678,036)	(2,380,760)
	₱872,749,880	₱616,583,661

Movements in allowance for impairment loss on input VAT and others are as follows:

	2020	2019
Balance at beginning of year	₱2,380,760	₱4,041,172
Provision for impairment losses (Note 17)	2,903,496	705,561
Write-off	(606,220)	(2,365,973)
Balance at end of year	₱4,678,036	₱2,380,760

The time deposits pertain to the restricted interest-bearing accounts opened and established by SPCC, SP Tarlac, and SP Tanauan in accordance with certain loan and service agreements that will serve as a cash reserve or deposit to service the principal and/or interest payments due on the loans, and as performance security to the PSA contract. Interest earned from time deposits held in trust amounted to ₱6.3 million and ₱15.7 million in 2020 and 2019, respectively.

Advances to suppliers pertain to advance payments made by the Group to its suppliers for the purchases of production materials.

Prepaid insurance pertains to the industrial all-risk, political violence and comprehensive general liability insurance policies attributable to the Projects.

Others pertain to certifications, surety and performance bond, and other current assets.



8. Property, Plant and Equipment

a. At cost

2020

Cost:	Solar Power Plant	Machinery and Equipment	Land Improvement	Office and Warehouse Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvement	ROU Assets	Construction In Progress	Total
Balances at beginning of year	P3,432,361,667	P494,389,543	P722,248	P5,781,858	P11,878,059	P4,949,252	P80,682,819	P267,503,712	P3,273,639,587	P7,571,908,745
Additions	-	22,826	-	-	355,446	31,000	-	-	961,603,163	962,012,435
Reclassifications	4,211,762,725	-	-	-	-	-	-	-	(4,211,762,725)	-
Termination	-	-	-	-	-	-	-	(1,923,338)	-	(1,923,338)
Balances at end of year	7,644,124,392	494,412,369	722,248	5,781,858	12,233,505	4,980,252	80,682,819	265,580,374	23,480,025	8,531,997,842
Accumulated depreciation and amortization:										
Balances at the beginning of the year	453,458,067	92,251,569	414,136	2,232,090	5,510,861	2,138,102	47,931,553	35,210,683	-	639,147,061
Depreciation and amortization (Notes 16 and 17)	158,701,188	61,015,879	144,450	1,267,506	2,396,776	996,158	20,464,952	37,270,073	-	282,256,982
Termination	-	-	-	-	-	-	-	(78,083)	-	(78,083)
Balances at the end of the year	612,159,255	153,267,448	558,586	3,499,596	7,907,637	3,134,260	68,396,505	72,402,673	-	921,325,960
Net book values	P7,031,965,137	P341,144,921	P163,662	P2,282,262	P4,325,868	P1,845,992	P12,286,314	P193,177,701	P23,480,025	P7,610,671,882

2019

Cost:	Solar Power Plant	Machinery and Equipment	Land Improvement	Office and Warehouse Equipment	Transportation Equipment	Furniture and Fixtures	Leasehold Improvement	ROU Assets	Construction In Progress	Total
Balances at beginning of year	P3,412,388,897	P195,891,578	P722,248	P4,589,868	P11,878,059	P4,001,865	P67,928,655	P267,503,712	P392,579,828	P4,357,484,710
Additions	-	15,270,499	-	682,824	-	674,117	269,641	-	2,264,296,785	2,281,193,866
Reclassifications (Note 10)	19,972,770	283,227,466	-	509,166	-	273,270	12,484,523	-	616,762,974	933,230,169
Balances at end of year	3,432,361,667	494,389,543	722,248	5,781,858	11,878,059	4,949,252	80,682,819	267,503,712	3,273,639,587	7,571,908,745
Accumulated depreciation and amortization:										
Balances at the beginning of the year	339,665,735	46,167,307	269,686	1,001,046	3,135,249	1,223,726	27,305,698	-	-	418,768,447
Depreciation and Amortization (Notes 16 and 17)	113,792,332	46,084,262	144,450	1,231,044	2,375,612	914,376	20,625,855	35,210,683	-	220,378,614
Balances at the end of the year	453,458,067	92,251,569	414,136	2,232,090	5,510,861	2,138,102	47,931,553	35,210,683	-	639,147,061
Net book values	P2,978,903,600	P402,137,974	P308,112	P3,549,768	P6,367,198	P2,811,150	P32,751,266	P232,293,029	P3,273,639,587	P6,932,761,684



Solar Power Plant

The Group, through SPCC, SPTC and SPRC entered into an EPC Agreements, with Solar Philippines Commercial Rooftop Projects, Inc. (SPCRPI), an affiliate of the Group, for a total project cost of ₱7.6 billion, for the design, manufacture, delivery of the works from place of manufacture to the project site, erection, testing and commissioning for a complete and operational solar power plant. The agreement covers the installation of photovoltaic modules, medium voltage power stations, transformers, mounting structures, foundations and flood protection.

As of December 31, 2020 and 2019, the solar power plant is pledged as collateral for long-term loan (see Note 12).

Machinery and Equipment

As of December 31, 2020 and 2019, machinery and equipment with a carrying amount of ₱300.3 million and ₱352.5 million, respectively, has been mortgaged as security for the long-term loan (see Note 12).

Transportation Equipment

As of December 31, 2020 and 2019, the carrying value of transportation equipment pledged as collateral amounted to ₱4.0 million and ₱5.5 million, respectively (see Note 12).

b. At revalued amount

Land

The Group was able to secure conversion orders from Department of Agrarian Reform for the Calatagan Solar Project, Tagoloan, Tanauan and Concepcion Solar Project lands, to convert the use of the said land from agricultural to industrial. To provide more relevant information to the users, management changed its accounting policy from cost method to revaluation method in measuring the land (see Note 3).

	2020	2019
Balances at beginning of year	₱1,916,964,445	₱48,029,144
Revaluation increment	203,457,921	1,640,374,967
Additions	452,479	15,276,796
Reclassification (Note 9)	2,700,000	213,283,538
Rescission of DOAS (Note 10)	(478,171,590)	—
Balances at end of year	₱1,645,403,255	₱1,916,964,445

In 2019, upon execution of the Deeds of Absolute Sale (DOAS) with various landowners for the parcels of land with a total area of 112.9 hectares, the Group reclassified ₱213.3 million from deposit for land acquisition account to land account under “Property, plant and equipment” (see Note 9).

In 2020, SP Tanauan rescinded through various mutual rescissions of the original DOAS between SP Tanauan and landowners. The Parent Company subsequently re-executed with a Contract to sell agreements between the Parent Company and the same landowners. Upon mutual rescission, SP Tanauan derecognized “Land” amounting to ₱478.2 million and recognized the reversal of the “Revaluation surplus” amounting to ₱289.0 million (net of deferred income tax of ₱123.8 million) in the other comprehensive income. With the re-execution of contracts, the amount paid by SP Tanauan to the landowners amounting to ₱59.7 million were reclassified to “Deposit for land acquisition” (see Note 9). Loss on the rescinded contracts amounting to ₱1.3 million were recognized in “Others” account in the 2020 consolidated statement of comprehensive income.



The fair value increment amounting to ₱142.4 million and ₱1,148.3 million, net of the deferred income tax, is recognized in other comprehensive income in 2020 and 2019, respectively, and accumulated in equity under the “Revaluation surplus” account as of December 31, 2020 and 2019 amounting to ₱1,001.7 million and ₱1,148.3 million, net of the deferred income tax, as of December 31, 2020 and 2019, respectively.

In 2020 and 2019, the Group engaged a qualified independent valuer to appraise the Group’s 98.1 hectares and 146.0 hectares of land, respectively. Based on four (4) valuation reports, the fair value of the land as of December 31, 2020 and 2019 amounted to ₱1,533.7 million and ₱1,917.0 million, respectively. The valuations undertaken were based on market value approach wherein the fair value, supported by market evidence, is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

Key unobservable inputs (Level 3) used to measure the fair value of the land is the price per square meter ranging from ₱233 to ₱5,000 depending on the property. Significant increases (decreases) in estimated price per square meter in isolation would result in a significantly higher (lower) fair value on a linear basis. If the land was measured using the cost model, the carrying value as of December 31, 2020 and 2019 amounted to ₱262.0 million and ₱341.3 million, respectively

For the Calatagan Solar Power Project, out of the 225.3 hectares total expected land area of the power plant, SPCC already has title over the land area of 72.9 hectares. The carrying amount of the revalued land amounted to ₱221.5 million and ₱203.8 million as of December 31, 2020 and 2019, respectively. The remaining 78.8 hectares of land are still with SPCC’s stockholder as of December 31, 2020 and 2019 (see Note 12).

As of December 31, 2020 and 2019, net book value of revalued land that has been mortgaged as security for the long-term loan amounting to ₱758.5 million and ₱736.1 million, respectively (see Note 12).

If the land was measured using the cost model, the carrying value as of December 31, 2020 and 2019 amounted to ₱212.7 million and ₱276.6 million, respectively.

c. ROU assets

The Group entered into various land lease agreement in Concepcion, Tarlac, Tanauan, Batangas and Sta. Rosa, Nueva Ecija for the development of various projects and executed a non-cancelable lease agreement with various lessors. As of December 31, 2020 and 2019, the Group’s total land lease and building area under lease is at 209.61 hectares and 218.0 hectares, respectively.

On January 1, 2020, SP Tanauan and landowner terminated lease contracts over parcels of land totaling to 3.7 hectares. This resulted to a gain on the termination of lease contract amounting to ₱1.1 million recognized as part of “Others” account in the consolidated statement of comprehensive income.

The costs of right-of-use assets are amortized using the straight-line method over the lease term. As of December 31, 2020, the remaining terms of the leases range from 22 to 47 years (including extension of five years) (see Note 20).



d. Construction in progress

In 2019, the total plant construction materials of ₱933.2 million is reclassified to construction in progress account (see Note 10).

In 2020, upon commercial operation of SP Tarlac, "Construction in progress" amounting to ₱4,211.8 million were reclassified to "Solar power plant".

SP Tarlac and MERALCO agreed that the Commercial Operation Date of Tarlac 1A is on September 26, 2020.

e. Capitalized borrowing cost

In 2020 and 2019, the Group capitalized borrowing costs amounting to ₱139.4 million and ₱94.4 million, respectively (see Notes 12 and 21).

9. Deposits for Land Acquisition

	2020	2019
Balances at the beginning of year	₱658,923,187	₱352,431,740
Additions	8,487,125	519,774,985
Reclassifications (Note 8)	56,821,486	(213,283,538)
Write-off	(2,000,000)	—
Balances at the end of year	₱722,231,798	₱658,923,187

In 2020 and 2019, the Group reclassified ₱2.7 million and ₱213.3 million, respectively, to land account under "Property, plant and equipment" upon execution of DOAs and securing of Transfer of Certificate of Titles (see Note 8).

On December 21, 2020, the Board of Directors of SP Palawan authorized and approved the write-off to the carrying amount of deposits for land acquisition due to unresponsive land owners despite multiple attempts of the SP Palawan to communicate with them through different forms. Accordingly, loss on write off amounting is recognized which amounted to ₱2.0 million in 2020.

10. Other Noncurrent Assets

	2020	2019
Plant construction materials	₱36,552,231	₱22,137,369
Cash bond deposit	21,195,042	2,271,875
Security deposits and advance rentals (Note 20)	20,774,443	23,400,186
Advances to suppliers:		
Related party (Note 15)	9,595,250	48,733,189
Third party	3,064,970	106,458,160
Others	26,857,686	13,280,228
	₱118,039,622	₱216,281,007

Advances to related party suppliers pertain to advance payments of SP Tarlac to SPCRPI in relation to the EPC Agreement (see Note 20). Advances to third party suppliers pertain to the advance payments made by the Group to its suppliers of machines and facilities equipment, production materials, construction materials and for the purchase of a computer software.



Plant construction materials are carried at cost and these are expected to be used for the construction of the Concepcion Solar Project. In 2019, the Group reclassified plant construction materials to CIP amounting to ₱933.2 million (see Note 8).

11. Trade and Other Payables

	2020	2019
Trade payables:		
Third parties	₱315,355,835	₱278,485,289
Related parties (Note 15)	93,614,708	41,893,552
Accrued expenses	224,853,831	262,051,819
Accrued interest (Note 12)	177,362,202	123,244,822
Withholding tax payable	44,685,843	22,858,108
Others	57,219,963	80,299,412
	₱913,092,382	₱808,833,002

Trade payables are noninterest-bearing and are normally on a 30-day term.

Accrued expenses consist mainly of accrual for benefits to host communities, light and water, professional fees, differential cost of replacement energy charged by MERALCO to SP Tarlac, statutory payables by SP Tarlac to the government for the EPC contract with SPCRPI and service agreement with the Parent Company, and other expenses already incurred but not yet paid by the Group. As agreed by SP Tarlac with MERALCO on December 17, 2019, SP Tarlac can offset the payment on the settled portion of the replacement energy against the revenue billings for sale of electricity. As of December 31, 2020 and 2019, total amount offset against receivables from MERALCO amounted to ₱23.9 million and ₱119.7 million, respectively (see Note 21).

Others pertain to government share payable, other government payables, and unpaid operations and maintenance costs in relation to the solar power plant.

Contract Liabilities

Contract liabilities pertain to considerations received from customers before the Group satisfies its performance obligation to its customers. As of December 31, 2020 and 2019, the Group has contract liabilities amounting to ₱11.4 million and ₱23.9 million, respectively.



12. Loans Payable

	2020	2019
Parent Company:		
₱1.0 billion short-term loan [Philippines Business Bank (PBB)]	₱782,500,000	₱782,500,000
SP Tarlac:		
₱2.2 billion long-term loan	2,176,605,350	2,171,357,679
SPCC:		
₱3.4 billion long-term loan	1,840,159,661	2,055,457,189
SPMMC:		
₱8.3 million various long-term loans	3,181,643	4,340,112
	4,802,446,654	5,013,654,980
Less noncurrent portion	(2,129,975,793)	(4,013,572,559)
Current portion	₱2,672,470,861	₱1,000,082,421

Parent Company

₱1,000.0 million short-term loan (PBB)

On September 8, 2017, the Parent Company obtained a short-term loan facility amounting to ₱1,000.0 million from PBB. The short-term loan facility has a tenor of one year maturing on September 10, 2018 and has an interest rate of 8.5% payable on annual basis. As of December 31, 2020 and 2019, the carrying value of short-term loan facility amounted to ₱782.5 million.

In 2020 and 2019, interest expense charged to "Finance cost" amounted to ₱62.8 million and ₱86.4 million, respectively. As of December 31, 2020 and 2019, accrued interest, amounted to ₱55.8 million and ₱0.7 million, respectively (see Note 11).

In 2020, PBB extended the maturity date of the short-term loan facility to January 29, 2021. Subsequently, in 2021, the short-term loan facility has been extended further for another year, or until January 31, 2022.

SP Tarlac

Omnibus Loan and Security Agreement (₱2,225.0 million Loan)

On June 18, 2019, SP Tarlac signed an OLSA with BDO Unibank, Inc. (BDO) (referred to as the "Lender") for a long-term loan facility of ₱2,225.0 million to solely finance the construction of the Concepcion Solar Project.

The proceeds of the loan amounting ₱2,002.5 million and ₱222.5 million were received on July 3, 2019 and July 25, 2019, respectively. Principal repayment period shall be semi-annual beginning on January 3, 2021 up to July 25, 2031.

The long-term loan from the OLSA carries an interest rate of 7.83% per annum, which is the floor rate divided by applicable interest premium factor, until July 25, 2024. A repricing shall be made after five (5) years from the initial drawdown which will be on July 4, 2024 and July 26, 2024 while second repricing date is ten (10) years after the initial drawdown date which will be on July 4, 2029 and July 26, 2029.

SP Tarlac has incurred interest that were capitalized as borrowing cost amounting to ₱135.9 million and ₱89.8 million for the year ended December 31, 2020 and 2019, respectively (see Note 8). In 2020, total interest expense recognized in consolidated statement of comprehensive income



amounted to ₱48.2 million. Accrued interest relating to the long-term facility amounted to ₱90.1 million and ₱87.4 million as of December 31, 2020 and 2019, respectively (see Note 11).

Based on the OLSA, SP Tarlac is to increase its equity for at least ₱2,225.0 million not later than 3 months from initial drawdown. On November 25, 2019, SP Tarlac has presented for filing its application for the approval of the proposed increase in authorized capital stock with SEC. On December 27, 2019, the SEC requested additional documents for SP Tarlac's application. On June 8, 2020, SP Tarlac submitted the necessary requirements. On July 30, 2020, SEC has approved the increase in authorized capital stock.

In August 2020, SP Tarlac applied to the SEC for the increase in authorized capital stock from ₱2,225.0 million divided into 2,225.0 million common stocks with par value of ₱1.0 per stock to ₱3,725.0 million divided into 2,225.0 million common stocks with par value of ₱1.0 per stock and into 1,500.0 million preferred stocks with par value of ₱1.0 per stock. On August 18, 2020, the SEC has approved the increase in authorized capital stock.

Based on the affirmative covenants of the OLSA, SP Tarlac is required at all times to maintain a Debt-Equity Ratio (DE Ratio) not exceeding 50:50 unless the Lender shall otherwise consent in writing. As of December 31, 2019, SP Tarlac's DE Ratio is 50:50.

On June 30, 2020, SP Tarlac received a waiver, approvals and/or amendments from the Lender the following:

- (a) Approval of the terms on investment by PMPH
- (b) Extension of COD deadline for the Project's completion until October 31, 2020
- (c) Deferment for the testing of DE Ratio of 50:50 and Debt Service Coverage Ratio of at least 1.20 times until fiscal year 2021 and two (2) years from COD, respectively.
- (d) Amendments on Project agreements such as EPC and MSA contract prices
- (e) Acknowledgement of the expansion of the Project by an additional 50MW
- (f) Acknowledgement of the request for an additional loan of ₱1,125.0 million, in line with the proposed expansion of the Project

The outstanding balance of the long-term loan as of December 31, 2020 and 2019 are as follow:

	Interest rate	Repayment schedule	Outstanding balance	
			2020	2019
OLSA Loan Facility	7.83% per annum	Semi-annually starting January 3, 2021 until July 3, 2031	₱2,225,000,000	₱2,225,000,000
Less: Unamortized debt transaction cost			48,394,650	53,642,321
			2,176,605,350	2,171,357,679
Less: Current portion			47,886,557	-
Noncurrent portion			₱2,128,718,793	₱2,171,357,679



The movements in the unamortized debt transaction costs of the long-term loan facility as of December 31, 2020 and 2019 are as follows:

	2020	2019
Balance at the beginning of the year	₱53,642,321	₱—
Additions	—	56,079,277
Amortization	(5,247,671)	(2,436,956)
Balance at end of year	₱48,394,650	₱53,642,321

As of December 31, 2020, the OLSA is secured by the following:

1. Tarlac 1A Project with a net book value of revalued land amounted ₱537.1 million (see Note 8).
2. Leased Tarlac 1A Project land of 60.8 ha (see Note 20).
3. Stockholder of the Parent Company's 172.2 ha of land of which 87 ha are covered by a memorandum of agreement for the transfer of the land to SPCC (see Note 8).
4. Machineries and equipment owned by SPMMC amounting to \$7.0 million or ₱300.3 million (see Note 8).
5. SP Tarlac's common stocks.

On January 3, 2021, SP Tarlac settled scheduled principal payments which amounted to ₱26.7 million. SP Tarlac made interest payments amounting to ₱89.0 million on January 3, 2021.

SPCC

Omnibus Loan and Security Agreement (₱3,400.0 million Loan)

On February 14, 2017, SPCC signed an OLSA with BDO, PBB and United Coconut Planters Bank (UCPB) (collectively referred to as the "Lenders") for a long-term loan facility of ₱3,400.0 million to finance the repayment of short-term loan facility, including accrued interests, and its Project advances from the Parent Company and SPCRPI, which were used to partially finance the construction of the Project.

On April 3, 2017, SPCC received the full proceeds of the long-term loan.

The long-term loan from the OLSA carries an interest rate of 6.85% per annum up to April 3, 2022, at which a fixed repricing of the rate shall be made for the remainder of the long-term loan. Principal repayment period shall be semi-annual from October 3, 2018 up to April 3, 2029.

On September 8, 2017, SPCC made a partial prepayment amounting to ₱1.0 billion. Consequently, SPCC paid a prepayment fee amounting to ₱10.0 million, which is equivalent to 1% of the total amount prepaid, as provided for in the prepayment clause under the OLSA.

In 2020 and 2019, SPCC settled the scheduled principal payments amounting to ₱218.4 million. Interest expense on the long-term loan facility amounted to ₱136.8 million and ₱151.6 million in 2020 and 2019, respectively (see Note 17). Accrued interest as of December 31, 2020 and 2019 amounted to ₱31.4 million and ₱35.1 million, respectively.

One of the requirements of the OLSA is the completion of the transfer of the Project Lands to SPCC (see Note 7). As of December 31, 2020 and 2019, 78.8 hectares out of the 105.3 hectares of the Project Lands are still in the process of being transferred to SPCC.



On December 19, 2018, SPCC received a waiver from the lenders on the following items:

- (a) Change in ownership structure
- (b) Enter into any joint venture, partnership or similar business combination or arrangement in relation to the Project
- (c) Amend or permit the amendment or modification of its articles of incorporation
- (d) Extend the processing of the Project Lands infusion on or before November 15, 2019
- (e) Replace the stock certificates to reflect the new ownership structure
- (f) Use proceeds from the share subscription as (i) cash dividend (ii) purchase of lands in addition to the Project Lands (see Note 8)

On October 21, 2019, SPCC requested to modify the Project Lands Equity infusion and on November 18, 2019, SPCC received the approval from the lenders on the following items:

- (a) Amendment to the OLSA such that one of its stockholder shall infuse the land he owns directly into SPCC in exchange for shares, and no longer be required to infuse such lands through the Parent Company
- (b) Change in ownership structure as a result of (a)
- (c) Extend the processing of Project Lands infusion on or before November 15, 2020

On October 28, 2020, SPCC requested to extend the processing of Project Lands infusion on or before May 15, 2021. The Project Lands for Equity Infusion shall be utilized as payment for share subscription from the intended Increase in Authorized Capital. In this regard, SPCC first filed its application for the said capital increase before the SEC on June 23, 2021. As of October 30, 2021, the application is pending before the SEC, subject to compliance with submission of additional documentary requirements.

On July 30, 2021, SPCC requested to extend the processing of Project Lands infusion on or before September 30, 2021, and the said request was granted by the Lenders on August 13, 2021. During this time, and on July 6, 2021, the Project lands for Equity Infusion were legally transferred to SPCC as mandated under the OLSA and as evidenced by the Transfer Certificates of Title (TCTs) issued under its name. Subsequently, the Lenders and SPCC entered into the Real Estate Mortgage (REM) Supplement No. 2 on October 26, 2021, to subject the Project Lands for Equity Infusion under a REM in favor of the Lenders subject to the provisions of the OLSA.

Relating to SPCC's covenants for the Project Lands infusion under the BDO OLSA, the annotation of the REM Supplement No. 2 in the respective TCTs and the application with the SEC for the increase in authorized capital stock remains pending for completion. In this regard, SPCC wrote on October 29, 2021, to request for the extension of its remaining covenants until December 29, 2021. As of October 30, 2021, SPCC has yet to receive the approval of the Lenders.

As of December 31, 2020, pending receipt of approval from the Lenders on the transfer of the Project Lands, SPCC presented the long-term loan as part of its current liabilities in the consolidated statement of financial position.

In October 2020, SPCC requested from the Lenders to amend the following provisions in the OLSA:

- (a) Direct infusion of the Project Lands into SPCC by one of its stockholders and removing the requirement to infuse such Project Lands first into Parent Company; and
- (b) Amendments to Section 6.3, *Covenants Relating to the Project Lands* of the agreement to reflect the reduction of the tax reserve because of the reduction in tax liability due to the change in Project Lands infusion process.



As of December 31, 2020, the OLSA is secured by the following:

- (1) Solar power plant presented as part of "Property, plant and equipment" with a carrying value of ₱2,846.7 million (see Note 8);
- (2) Project Lands at revalued amount of ₱221.5 million (see Note 8); and
- (3) SPCC's capital stock comprising of common stock and preferred stock amounting to ₱499.1 million and ₱101.9 million, respectively (see Note 2).

The outstanding balance of the long-term loan as of December 31, 2020 and 2019 are as follows:

	Interest rate	Repayment Schedule	Outstanding Balance	
			2020	2019
OLSA Loan Facility	PDST-R2 for 5-year treasury securities on the interest rate setting date plus spread	Semi-annually starting October 3, 2018 until April 3, 2029	₱1,854,000,000	₱2,072,400,000
Less unamortized debt transaction costs			13,840,339	16,942,812
			1,840,159,661	2,055,457,188
Less noncurrent portion - net of debt transaction cost			—	1,839,424,353
Current portion - net of debt transaction cost			₱1,840,159,661	₱216,032,835

The movements in the unamortized debt transaction costs of the long-term loan facility as of December 31, 2020 and 2019 are as follows:

	2020	2019
Balances at beginning of year	₱16,942,812	₱20,295,459
Amortization (Note 17)	(3,102,473)	(3,352,647)
	13,840,339	16,942,812
Less noncurrent portion	—	14,575,647
Current portion	₱13,840,339	₱2,367,165

On April 3, 2021 and October 3, 2021, SPCC made payments of principal and interest amounting to ₱218.4 million and ₱168.7 million, respectively.

SPRC

₱250.0 million short-term loan PBB

On May 25, 2018, to specifically finance the EPC Agreement on a 7.5 MWp Solar Storage Hybrid Power Plant Project worth ₱362.4 million with Sunwest Water & Electric Company, Inc. (SUWECO), SPRC obtained a short-term note payable from PBB amounting to ₱250.0 million with an interest rate of 10.00% per annum and had a maturity of November 21, 2018. On December 21, 2018, SPRC entered into a loan extension agreement with PBB extending the maturity date until May 20, 2019.

On December 2018, the EPC agreement with SUWECO was terminated by both parties. On January 31, 2019, a new EPC agreement with STEC was executed for the Project (see Note 22).

The loan was fully paid on July 3, 2019. In 2019, SPRC recognized interest expense of ₱11.0 million.



SPMMC

₱8.3 million various long-term loans

SPMMC entered into several loans payable arrangements for the acquisition of various transportation equipment wherein the vehicles were used to secure the loan in the form of chattel mortgage (see Note 8). The term of the loans payable ranges from three to five years and are interest-bearing subject to fixed interest rates. In 2020 and 2019, SPMMC settled principal payments amounting to ₱1.2 million and ₱1.8 million, respectively. Total interest expense incurred in 2020 and 2019 amounted to ₱0.2 million and ₱0.5 million, respectively.

13. Retirement Benefits Obligation

The Group has an unfunded non-contributory defined benefit plan covering substantially all of its qualified employees. The defined benefit obligation is determined using the projected unit credit method.

In 2020, the total current service costs recognized as expense under "Cost of Sale of Electricity" and "General and administrative expenses" and remeasurements arising from changes in demographic assumptions recognized in other comprehensive income amounted to ₱4.4 million and ₱0.6 million, respectively. (see Notes 16 and 17). As of December 31, 2020, retirement benefits obligation amounted to ₱19.3 million is presented as part of the "Other noncurrent liabilities" account in the consolidated statement of financial position.

In 2020, the principal actuarial assumptions used in determining the projected benefit obligation were discount rate and salary increase rate of 3.90% and 5%, respectively.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as of December 31, 2020, assuming all other assumptions were held constant:

	Increase/Decrease in Percentage Point	Increase (Decrease) in Defined Benefit Obligation
Discount rate	+1%	(₱1,837,418)
	-1%	2,366,360
Future salary increases	+1%	2,318,338
	-1%	(1,835,763)
Employee turnover	-10%	935,603
	+10%	(935,603)

The maturity analysis of the undiscounted benefit payments as of December 31, 2020 are as follows:

Less than 1 year	₱-
More than 1 to 10 years	11,767,791
More than 10 to 15 years	14,740,993
More than 15 to 20 years	42,624,986
More than 20 years	396,807,237

The weighted average duration of the defined benefit obligation as of December 31, 2020 is 19 years.



14. Equity

a. Common stock

As of December 31, 2020 and 2019, the Parent Company's common stock consists of the following:

	Shares	Amount
Common stock - ₱1		
Authorized	100,000,000	₱100,000,000
Issued and outstanding	100,000,000	100,000,000

On August 14, 2020, the BOD approved the increase of authorized capital stock of the Parent Company from ₱100.0 million, divided into 100.0 million common shares with a par value of ₱1.00 per share, to ₱1,850.0 million, divided into 1,850.0 million common shares with a par value of ₱1.00 per share. As of October 30, 2021, the Parent Company is in the process of filing with the SEC.

b. NCI

The NCI in the consolidated financial statement represent mainly the ownership of KPHI in SPCC (see Note 2). In 2018, the total consideration from the sale and issuance of SPCC preferred stock amounted to ₱2,123.6 million net of transaction costs is accounted for as an equity transaction. Accordingly, the excess of consideration paid over the carrying amount of the NCI amounting to ₱1,817.7 million is recognized as part of "Equity reserve".

Financial information of subsidiaries that have material NCI interests are provided below:

	2020	2019
Accumulated balances of NCI	₱1,379,850,023	₱370,075,000
Total comprehensive income allocated to NCI	309,258,356	264,120,000

In 2020 and 2019, SPCC declared and paid dividends amounting to ₱727.2 million and ₱533.6 million, respectively. Dividends declared and paid attributable to non-controlling preferred shareholder amounting to ₱299.5 million and ₱364.9 million in 2020 and 2019, respectively.

SPCC

Statement of financial position as of December 31, 2020 and 2019

	2020	2019
Current assets	₱654,962,740	₱894,117,377
Noncurrent assets	3,675,506,871	3,585,437,710
Total assets	₱4,330,469,611	₱4,479,555,087
Current liabilities	₱2,035,412,647	₱263,534,087
Noncurrent liabilities	53,775,964	1,886,164,910
Total liabilities	2,089,188,611	2,149,698,997
Total equity	2,241,281,000	2,329,856,090
Total liabilities and equity	₱4,330,469,611	₱4,479,555,087



Statement of comprehensive income for the year ended December 31, 2020 and 2019

	2020	2019
Revenue from contract with customer	₱968,098,078	₱831,256,028
Costs of sale of electricity	(159,580,702)	(158,874,170)
Finance costs	(139,931,462)	(154,919,960)
General and administrative expenses	(48,491,698)	(35,586,725)
Other income	7,633,820	21,893,960
Income before income tax	627,728,036	503,769,133
Provision for income tax	(902,724)	—
Net income	626,825,312	503,769,133
Other comprehensive income	11,750,089	109,061,299
Total comprehensive income	₱638,575,401	₱612,830,432

Statement of cash flows for the year ended December 31, 2020 and 2019

	2020	2019
Operating activities	₱739,189,653	₱829,579,205
Investing activities	—	(420,518,086)
Financing activities	(943,405,040)	(905,298,009)
Net decrease in cash	(₱204,215,387)	(₱496,236,890)

SP Tarlac

Statement of financial position as of December 31, 2020

	2020	2019
Current assets	₱582,532,119	₱395,084,030
Noncurrent assets	5,846,941,877	4,888,778,169
Total assets	₱6,429,473,996	₱5,283,862,199
Current liabilities	₱665,416,892	₱693,614,441
Noncurrent liabilities	2,477,134,007	2,393,555,791
Total liabilities	3,142,550,899	3,087,170,232
Total equity	3,286,923,097	2,196,691,967
Total liabilities and equity	₱6,429,473,996	₱5,283,862,199

Statement of comprehensive income for the year ended December 31, 2020 and 2019

	2020	2019
Revenue from contract with customer	₱306,282,930	₱122,036,375
Costs of sale of electricity	(127,684,979)	(344,635,670)
Finance costs	(52,836,155)	(3,171,719)
General and administrative expenses	(21,302,287)	(39,697,305)
Interest income	2,064,805	2,552,442
Other income (expense)	(163,030)	26,902,669
Income before income tax	106,361,284	(236,013,208)
Provision for income tax	18,112	—
Net income	106,379,396	(236,013,208)
Other comprehensive income	1,383,734	302,919,046
Total comprehensive income	₱107,763,130	₱66,905,838



Statement of cash flows for the year ended December 31, 2020 and 2019

	2020	2019
Operating activities	(P486,284)	P34,963,110
Investing activities	(875,497,822)	(3,965,152,003)
Financing activities	892,246,329	3,884,390,156
Net decrease in cash	P16,262,223	(P45,798,737)

15. Related Party Transactions

Parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are subject to common control or the party is an associate or a joint venture.

The Group, in the normal course of business, has transactions with its stockholders and related parties, SPCRPI, Solar Maintenance Services Corporation (SMSC) and Solar Para Sa Bayan Corporation (SPSB).

a. The Group's outstanding balance arising from advances with related parties are as follows:

			Transactions During the Year		Outstanding Balance as of December 31	
	Nature of Transactions	Terms	2020	2019	2020	2019
Trade receivables (Note 5)						
SPCRPI	Sale of inventories and fixed assets	Unsecured and will be settled in cash	P25,910,880	P120,260,698	P215,974,895	P190,064,015
SPSB	Sale of inventories	Unsecured and will be settled in cash	—	25,910,879	25,910,879	25,910,879
			P25,910,880	P146,171,577	P241,885,774	P215,974,894

Due from related parties

SPSB	On demand; Non-interest bearing	Unsecured and will be settled in cash	P54,728,212	P-	P96,349,883	P43,277,680
Stockholder	-do-	-do-	6,250,000	11,487,086	22,038,396	22,038,395
SPCRPI	-do-	-do-	1,633,010	602,040,160	15,369,246	13,736,236
PIC	-do-	-do-	11,263,866	-	11,263,866	-
SMSC	-do-	-do-	2,865,763	3,724,587	6,050,000	3,184,237
			P76,740,851	P617,251,833	P151,071,391	P82,213,548

Trade payables

(Note 11)

SPCRPI	Purchase of plant construction materials	Unsecured and will be settled in cash	P45,913,361	P-	P76,044,647	P30,131,286
SMSC	Maintenance services	-do-	43,776,080	5,718,877	16,445,061	11,762,266
KPHI	Technical services	-do-	2,898,580	1,178,570	1,125,000	-
			P92,588,021	P6,897,447	P93,614,708	P41,893,552

Due to related parties

Stockholder	Cash advances	Unsecured and will be settled in cash	P-	P8,247,792	P827,638,150	P910,600,121
SPCRPI	-do-	-do-	-	617,488,215	581,478,324	617,488,215
SMSC	-do-	-do-	6,569,007	-	6,569,007	-
KPHI	-do-	-do-	-	-	367,742	367,742
TGRI	-do-	-do-	-	80,261	79,761	80,261
			P6,569,007	P625,816,268	P1,416,132,984	P1,528,536,339



Nature of Transactions	Terms	Transactions During the Year		Outstanding Balance as of December 31		
		2020	2019	2020	2019	
<i>Non-trade receivable</i>						
(Note 5):						
SPCRPI	On demand; Reimbursements	Unsecured and will be settled in cash	₱84,610	P=	₱133,690,728	₱133,606,177
<i>Advances to supplier</i>						
(Note 10):						
SMSC	Maintenance of solar power plant	Will be settled thru performance of services	₱39,620,000	₱48,733,189	₱9,595,250	₱48,733,189

The Group did not recognize any impairment losses on receivables from related parties in in 2020 and 2019.

The Group has no right to set-off amounts and has no intention to settle on a net basis with respect to the Group's due from SPCRPI as of December 31, 2020 and 2019.

i. KPHI

On August 1, 2019, SPCC entered into a technical services agreement with KPHI to advise and provide assistance in respect of the operation and maintenance of the Plant. SPCC is obligated to pay KPHI a monthly fee of \$5,000 and shall end upon the termination of SPCC's FIT Eligibility, subject to extension or renewal based on mutual agreement between the parties. For the year ended December 31, 2020 and 2019, SPCC recognized professional fees amounting to ₱2.9 million and ₱1.2 million which is presented as part of "Cost of sales and services" in the consolidated statement of comprehensive income (see Note 16).

ii. SPCRPI

On January 3, 2019, SPRC entered into a service agreement with SPCRPI for the installation and construction of the SPRC's photovoltaic projects. SPRC recognized personnel costs which is presented as part of "Cost of sales and services" in the consolidated statement of comprehensive income amounting to ₱17.8 million and ₱2.2 million for 2020 and 2019, respectively (see Note 16).

On January 3, 2019, SPRC also entered into a contract of sale with SPCRPI for the purchase of materials for a consideration amounting to ₱7.1 million.

On April 24, 2019, SP Tarlac entered into an EPC agreement with SPCRPI, an affiliate, for a contract price of ₱1,622.0 million. Under the EPC contract, SP Tarlac can directly purchase goods and services to maximize its incentive as RE developer. In 2020 and 2019, total directly purchased by SPTC amounted to ₱983.4 million and ₱727.5 million, respectively. As of December 31, 2020 and 2019, advance payment to SPCRPI in relation to the EPC Agreement amounted to nil and ₱48.7 million, respectively.

On June 9, 2020, SP Tarlac and SPCRPI amended the contract price of EPC agreement from ₱1,622.0 million to ₱1,874.0 million (see Note 21).

On December 14, 2018, SP Tarlac entered into a Material Supply Agreement with SPCRPI for the purchase of plant construction materials amounting to ₱895.7 million (see Note 10). SP Tarlac has paid the outstanding balance in 2019.



On May 27, 2020, the SPCC entered into administrative service contract with SPCRPI to provide necessary and advisory services on management, investment and technical matters involving the SPCC's operations, including but not limited to human resources, legal, finance and information technology. SPCC shall pay a monthly fee of ₱1.0 million and shall have effectivity period of ten (10) years from January 1, 2020. In 2020, the SPCC recognized professional fee amounting to ₱12.0 million which is presented as part of "General and administrative expenses" in the consolidated statement of comprehensive income (see Note 17). On January 22, 2021, SPCRPI executed Deed of Assignment transferring all of its rights and obligations under the administrative contract to the Parent Company.

iii. SPSB

SPMMC entered into MSA with SPSB for the construction of solar-powered facility located in Claveria, Masbate, Hingotanan, Bohol and Bilang-Bilangan, Bohol. In 2020 and 2019, total inventories delivered to SPSB amounted to nil and ₱23.1 million, respectively (see Note 21).

iv. SMSC

On May 2018, SPCC entered into property maintenance and management agreement with SMSC to maintain and manage the solar power plant initially for a period from May 1, 2018 until December 31, 2018 which was extended until December 31, 2019. In 2019, SPCC paid the total fee amounting to ₱14.0 million. In February 2021, SPCC entered into property management agreement with SMSC to maintain and manage the solar power plant for a period from January 1, 2020 to December 31, 2021. SPCC shall pay monthly fee of ₱1.3 million for year one covering January 1, 2020 to December 31, 2020 and ₱1.6 million for the year two covering January 1, 2020 to December 31, 2021. In 2020 and 2019, SPCC recognized outside services amounting to ₱16.1 million and ₱12.3 million presented as part of "Cost of sale of electricity" in the consolidated statements of comprehensive income (see Note 16).

On May 27, 2019, SP Tarlac entered into Operation and Maintenance Agreement with SMSC for operating, maintaining and managing the solar power plant for a term of 20 years, commencing on July 25, 2019. The annual fee is at ₱21.5 million with an escalation rate of 2% on the second year of contract and every other year thereafter. In 2020 and 2019, SPTC recognized professional fees amounting to ₱21.7 million and ₱9.0 million, respectively, which is presented as part of "Cost of sale of electricity" in the consolidated statement of comprehensive income (see Note 16).

On January 2, 2019 and July 1, 2019, SPRC entered into two property maintenance and management agreement with SMSC to maintain and manage the solar power plants for a period of twenty years and two (2) years, respectively. In 2019, SPRC shall pay the total of salaries and wages cost plus 10% to SMSC for employees of SMSC who directly maintain and manage the solar power plant. For the year ended December 31, 2019, SPRC recognized personnel costs amounting to ₱2.5 million presented as part of "Cost of sales and services" in consolidated statement of comprehensive income (see Note 16).

v. Stockholder

Deed of Assignment of Liability

On December 21, 2020, SP Tanauan, the Parent Company and a Stockholder entered into a deed of assignment of liability wherein SP Tanauan assigned all the rights, title and interests in and to the debt to the Stockholder to the Parent Company. The total amount of debt



assigned from the Stockholder to the Parent Company amounted to ₱12.0 million. As of December 31, 2020, SP Tanauan has no outstanding liability to the Stockholder.

- b. Compensation of key personnel, representing salaries and wages, amounted to ₱36.0 million and ₱6.3 million in 2020 and 2019, respectively.

16. Costs of Sales and Services

	2020	2019
Cost of goods sold (Notes 6 and 8)	₱27,450,957	₱263,200,524
Cost of services:		
Depreciation and amortization (Note 8)	270,143,556	208,281,566
Purchased power (Notes 11 and 21)	119,903,774	326,110,188
Outside services	101,400,984	36,336,776
Materials used (Note 6)	17,600,964	266,458,131
Personnel costs	13,368,873	35,786,813
Utilities	10,339,550	2,919,986
Repairs and maintenance	1,520,173	2,946,735
Rentals (Note 21)	391,663	37,456,289
Others	19,958,712	24,363,662
	554,628,249	940,660,146
Cost of sales and services	₱582,079,206	₱1,203,860,670

17. General and Administrative Expenses

	2020	2019
Personnel costs	₱202,036,291	₱40,450,738
Taxes and licenses	102,835,857	40,490,892
Security and other services	84,762,219	43,566,937
Professional fees (Note 15)	66,037,823	55,956,922
Rentals (Note 21)	15,855,404	20,655,642
Depreciation and amortization (Note 8)	12,113,293	12,097,048
Software subscription	5,473,356	22,585,712
Penalties and surcharges	4,889,653	9,018,632
Communications	4,436,842	4,501,330
Provision for impairment losses (Notes 5, 6 and 7)	4,305,135	9,458,103
Transportation and travel	4,276,949	15,160,029
Construction materials and supplies	3,828,875	3,275,036
Repairs and maintenance	2,899,496	3,206,710
Utilities	2,154,246	5,384,083
Representation and entertainment	749,465	12,168,589
Others	57,710,391	46,142,150
	₱574,365,295	₱344,118,553



18. Income Tax

- a. A reconciliation between the statutory income tax and effective income tax follows:

	2020	2019
Provision for income tax at statutory income tax rate	₱113,953,528	₱23,638,626
Adjustments for:		
Movement in unrecognized deferred income tax assets	(79,386,035)	(68,522,521)
Income from ITH registered activity	(98,134,396)	(20,181,057)
Provision on differential cost of replacement energy	—	49,083,125
Nondeductible expenses	6,556,145	12,823,010
Expired NOLCO	2,035,487	4,676,723
Interest income subjected to final tax and others	(1,336,898)	(2,894,195)
Non-taxable gain on termination of lease	(89,969)	—
	(₱56,402,138)	(₱1,376,289)

- b. Provision for current income tax in 2020 and 2019 includes the MCIT of Parent Company and RCIT of SPRC.
- c. The Group's deferred income tax asset and (liability) are presented in the consolidated statements of financial position as follows:

	2020	2019
Deferred income tax assets	104,663,801	45,547,560
Deferred income tax liabilities	(425,583,865)	(492,382,490)

The components of these deferred income tax assets (liabilities) as of December 31, 2020 and 2019 are as follows:

	2020	2019
<i>Deferred income tax items recognized in the consolidated statements of income:</i>		
Deferred income tax assets on:		
Difference between asset's accounting and related tax bases	₱96,447,709	₱33,629,205
Contract liability	7,341,046	11,918,354
Retirement benefit obligation	517,203	—
	104,305,958	45,547,559
Deferred income tax liabilities on:		
Long-term receivable	(924,292)	—
Capitalized borrowing costs	(270,000)	(270,000)
	(1,194,292)	(270,000)
	103,111,666	45,277,559
<i>Deferred income tax items recognized directly in OCI:</i>		
Deferred income tax asset on remeasurement loss on retirement benefits	357,844	—
Deferred income tax liabilities on revaluation of land	(429,297,873)	(492,112,490)



- d. Certain deferred income tax assets of the Parent Company and certain subsidiaries have not been recognized since management believes that it is not probable that sufficient future taxable income for these entities will be available against which they can be utilized.

As of December 31, 2020 and 2019, the Group has excess MCIT and carryover NOLCO for which no deferred income tax asset has been recognized as follows:

Year incurred	Year of expiration	MCIT	NOLCO
2020	2023	₱371,127	₱—
2020	2025	—	364,958,482
2019	2022	7,006,665	91,588,349
2018	2021	—	76,343,506
		₱7,337,792	₱532,890,337

The movements in NOLCO are as follows:

	2020	2019
Balances at beginning of year	₱223,679,678	₱371,122,396
Additions	364,958,482	91,588,349
Applications	—	(202,537,604)
Expirations	(55,747,823)	(36,493,463)
Balances at end of year	₱532,890,337	₱223,679,678

19. Financial Assets and Financial Liabilities

Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise of cash, trade and other receivables, due from related parties, accounts payable and accrued expenses, due to related parties and loans payable. The main purpose of these financial instruments is to finance the Group's operations.

The BODs have overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and manage the Group's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group has exposure to credit risk and liquidity risk from the use of its financial instruments. The BOD reviews and approves the policies for managing each of these risk and they are summarized below.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. The Group manages liquidity risk by maintaining a balance between continuity of funding and flexibility. The Group maintains a level of cash deemed sufficient to finance its operations. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows.



The table below summarizes the maturity profile of the Group's financial assets and liabilities based on remaining undiscounted contractual obligations.

2020						
	On demand	Within 1 year	1 to 2 years	2 to 3 years	More than 3 years	Total
Financial assets:						
Cash and cash equivalents	₱276,735,561	₱-	₱-	₱-	₱-	₱276,735,561
Trade and other receivables	476,079,503	176,850,285	49,763,871	-	-	702,693,659
Due from related parties	151,071,391	-	-	-	-	151,071,391
Total financial assets	903,886,455	176,850,285	49,763,871	-	-	1,130,500,611
Financial liabilities:						
Trade and other payables*	206,903,530	535,883,711	-	-	-	742,787,241
Due to related parties	1,416,132,984	-	-	-	-	1,416,132,984
Lease liabilities**	4,311,742	63,892,728	8,768,118	88,326,576	198,790,671	364,089,835
Long-term loan**	2,401,508,001	145,262,542	283,139,647	288,635,119	2,773,990,780	5,892,536,089
Total financial liabilities	4,028,856,257	745,038,981	291,907,765	376,961,695	2,972,781,451	8,415,546,149
Net financial assets (liabilities)	(₱3,124,969,802)	(₱568,188,696)	(₱242,143,894)	(₱376,961,695)	(₱2,972,781,451)	(₱7,285,045,538)

*Excludes statutory liabilities

**Includes future interest payments

2019						
	On demand	Within 1 year	1 to 2 years	2 to 3 years	More than 3 years	Total
Financial assets:						
Cash and cash equivalents	₱492,563,040	₱-	₱-	₱-	₱-	₱492,563,040
Trade and other receivables*	349,373,935	237,525,264	42,622,857	-	-	629,522,056
Due from related parties	82,213,548	-	-	-	-	82,213,548
Total financial assets	924,150,523	237,525,264	42,622,857	-	-	1,204,298,644
Financial liabilities:						
Trade and other payables**	297,993,723	276,454,787	-	-	-	574,448,510
Due to related parties	1,528,536,339	-	-	-	-	1,528,536,339
Lease liabilities***	-	55,793,944	35,629,265	23,460,286	581,095,206	695,978,701
Long-term loan***	-	1,353,509,068	573,394,760	607,619,280	5,081,793,410	7,616,316,518
Total financial liabilities	1,826,530,062	1,685,757,799	609,024,025	631,079,566	5,662,888,616	10,415,280,068
Net financial assets (liabilities)	(₱902,379,539)	(₱1,448,232,535)	(₱566,401,168)	(₱631,079,566)	(₱5,662,888,616)	(₱9,210,981,424)

*Excludes advances to employees

**Excludes statutory liabilities

***Includes future interest payments

As of December 31, 2020 and 2019, the Group has no financial assets and liabilities that have maturity of more than five years.

Credit Risk

The Group's exposure to credit risk is currently limited to the aggregate carrying values of cash and cash equivalents excluding cash on hand, trade and other receivables and due from related parties amounting to ₱1,129.2 million and ₱1,203.0 million as of December 31, 2020 and 2019, respectively. Such exposure arises from a possible default of the bank and of the debtor.

One of the Group's sale of electricity is with TransCo, a government-owned and controlled corporation which accounts for 22% of the total trade and other receivables. Any failure on the part of TransCo to pay their obligations to the Group would significantly affect the Group's business operations. As a practice, the Group monitors closely its collections from TransCo and may charge interest on delayed payments following the provision of the REPA. Receivable balances are monitored on an ongoing basis to ensure that the Group's exposure to bad debts is not significant.

With respect to the credit risk arising from other financial assets of the Group, which comprise cash excluding cash on hand, trade and other receivables and amounts due from related parties, the Group's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amount of these instruments.



The Group does not hold collateral for its financial assets as security.

Credit Quality of Financial Assets

Financial assets are classified as high grade if the counterparties are not expected to default in settling their obligations. Thus, the credit risk exposure is minimal. These counterparties normally include customers, banks and related parties who pay on or before due date. Financial assets are classified as a standard grade if the counterparties settle their obligation with the Group with tolerable delays. Low grade accounts are accounts, which have probability of impairment based on historical trend. These accounts show propensity of default in payment despite regular follow-up actions and extended payment terms. As of December 31, 2020 and 2019, financial assets categorized as neither past due nor impaired are viewed by management as high grade, considering the collectibility of the receivables and the credit history of the counterparties. Meanwhile, past due but not impaired financial assets are classified as standard grade.

With respect to the credit risk arising from other financial assets of the Group, which comprise of cash (excluding cash on hand), trade and other receivables and due from related parties, the Group's exposure to credit risk arises from default of the counterparty, with maximum exposure equal to the carrying amount of these instruments.

As of December 31, 2020 and 2019, the aging analysis per class of financial assets that were past due is as follows:

2020

	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		Less than 30 days	31 to 60 days	More than 60 days		
Cash and cash equivalents*	P275,407,348	P-	P-	P-	P-	P275,407,348
Trade and other receivables**	692,266,526	444,300	836,731	9,146,102	13,433,262	716,126,921
Due from related parties	151,071,392	-	-	-	-	151,071,392
	P1,118,745,266	P444,300	P836,731	P9,146,102	P13,433,262	P1,142,605,661

*Excludes cash on hand

**Excludes advances to employees

2019

	Neither past due nor impaired	Past due but not impaired			Impaired	Total
		Less than 30 days	31 to 60 days	More than 60 days		
Cash and cash equivalents*	P491,241,420	P-	P-	P-	P-	P491,241,420
Trade and other receivables**	621,556,869	272,205	721,366	6,971,616	12,031,623	641,553,679
Due from related parties	82,213,548	-	-	-	-	82,213,548
	P1,195,011,837	P272,205	P721,366	P6,971,616	P12,031,623	P1,215,008,647

*Excludes cash on hand

**Excludes advances to employees

Foreign currency risk

The Group uses the Philippine Peso (P) as its functional currency and is therefore exposed to foreign exchange movements, primarily in US dollar (\$) currencies. The Group's EPC agreement with foreign contractors exposes the Group to foreign currency risk. The Group follows a policy to manage its currency risk by closely monitoring its cash flow position and by providing forecasts on all other exposures in currencies other than the Philippine Peso.



The table below summarizes the Group's exposure to foreign currency risk. Included in the table are the Group's foreign currency-denominated financial assets and liabilities as of December 31, 2020 and 2019:

	2020			2019		
	Original Currency			Original Currency		
	In USD	In EUR	Peso Equivalent	In USD	In EUR	Peso Equivalent
Financial assets						
Cash	\$500	€—	P24,020	\$42,219	€500	P2,166,145
Accounts Receivable	—	—	—	103,100	—	5,220,984
	\$500	€	P24,020	\$145,319	€500	P7,387,129

The prevailing exchange rates are as follows:

	2020	2019
USD	\$48.04	\$50.64
EUR	€58.69	€56.35

The following demonstrates the sensitivity to a reasonable possible change in exchange rates, with all other variables held constant, of the Group's profit before income tax due to changes in fair values of monetary assets and liabilities.

Foreign currency change	Increase (decrease) in income before income tax	
	2020	2019
USD:		
Strengthened by 5%	P1,201	P367,948
Weakens by 5%	(1,201)	(367,948)
EUR:		
Strengthens by 5%	—	1,409
Weakens by 5%	—	(1,409)

Fair Value and Category of Financial Instruments

Set out below is a comparison by category of carrying amount and fair value of the Group's financial instruments whose fair value is different from their carrying amount.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash and cash equivalents, Trade and other receivables (excluding advances to employees), Trade and other payables (excluding statutory liabilities) and Due to related parties

The carrying amounts of these financial instruments approximate their fair values due to their short-term maturities.

Long-term loan

The fair value of loans payable was calculated based on the discounted value of future cash flows using the applicable risk-free rates for similar types of loans adjusted for credit risk (Level 3 of the fair value hierarchy). The discount rates used ranges from 1.63% to 4.92% in 2020 and 5.30% to 8.30% in 2019. The fair value of the long-term loan amounted to P4.2 billion and P4.6 billion as of December 31, 2020 and 2019, respectively.



Lease Liabilities

The fair values for the Group's lease liabilities are estimated using the discounted cash flow using the prevailing interest rates ranging from 4.17% to 5.37% in 2020 and 6.98% to 8.30% in 2019.

Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to comply with its financial loan covenants, support its business and maximize stockholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in business and economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to stockholders, return capital to stockholders or issue new stocks. The Group was able to meet its capital management objectives as of December 31, 2020 and 2019.

The Group considers the following as its core capital:

	2020	2019
Due to related parties	₱1,416,132,984	₱1,528,536,339
Common stock	100,000,000	100,000,000
Equity reserve	1,817,667,258	1,817,667,258
Retained earnings	37,267,626	226,182,544
Revaluation surplus	1,001,695,039	1,148,262,477
	₱4,372,762,907	₱4,820,648,618

The Parent Company and its subsidiaries, except SPCC and SPTC, are not subject to any externally imposed capital requirement.

20. Leases

Parent Company as a lessee

The Parent Company has lease contracts for various items of land, machinery, vehicles and other equipment used in its operations. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets, which are further discussed below.

The Parent Company executed a non-cancelable lease agreement with FPDMC for the use of its parcels of land and a single-storey building. The term of the lease is for a period of five (5) years commencing on September 26, 2016 to September 25, 2021, renewable for an additional five years at mutually acceptable terms and conditions.

The Group also has certain leases of machinery, vehicles and equipment with lease terms of 12 months or less and leases of office spaces with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.



ROU assets as of December 31, 2020 and 2019 are as follows:

	2020	2019
Cost:		
Balance at beginning of year	₱267,503,712	₱258,722,819
Additions	–	8,780,893
Termination of lease	(1,923,338)	–
Balance at end of year	265,580,374	267,503,712
Accumulated depreciation and amortization:		
Balance at beginning of year	35,210,683	–
Amortization	37,270,073	35,210,683
Termination of lease	(78,083)	–
Balance at end of year	72,402,673	35,210,683
Net book values	₱193,177,701	₱232,293,029

Lease liabilities as of December 31, 2020 and 2019 are as follows:

	2020	2019
Balance at beginning of the year	₱224,472,570	₱231,491,048
Additions	–	8,780,893
Capitalized borrowing cost on lease liability (Note 8)	3,451,117	4,604,496
Interest expense	17,048,528	8,724,170
Termination (Note 8)	(2,180,152)	–
Payments	(33,474,670)	(29,128,037)
Balance at end of year	209,317,393	224,472,570
Current portion of the lease liabilities	(42,813,023)	49,751,545
Noncurrent portion of the lease liabilities	₱166,504,370	₱174,721,025

The following are the amounts recognized in 2020 and 2019 in the consolidated statement of comprehensive income:

	2020	2019
Depreciation expense of ROU assets included in property and equipment and investment properties (Note 8)	₱37,270,073	₱35,210,683
Interest expense on lease liabilities	17,048,528	8,724,170
Expenses relating to short-term leases (included in cost of sales, Note 16)	17,098,236	19,950,095
Expenses relating to leases of low-value assets (included in general and administrative expenses, Note 17)	5,746,660	12,298,624
Total amount recognized in consolidated statement of income	₱77,163,497	₱76,183,572

In 2020 and 2019, total amount of accretion of interest on lease liability capitalized as borrowing cost amounted to ₱3.4 million and ₱4.6 million, respectively.



The Parent Company has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Parent Company's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

21. Contracts and Commitments

SPCC

WESC

On December 23, 2019, SPCC entered into WESC 2019-10-126 with the DOE granting SPCC the exclusive right to explore, develop and utilize the wind energy resource with the contract area covering a total of 486 ha. The WESC allows for five years non-extendable term for pre-development within which the developer should be able to declare commerciality. A Certificate of Confirmation of Commerciality shall be issued by the DOE to affirm the declaration. The contract shall remain in force for the balance of a period of twenty-five years (25) from the effective date. One year before the expiration of the initial 25-year period, SPCC may submit to the DOE an extension of the WESC for another 25 years under the same terms and conditions so long as the SPCC is not in default of any material obligations under the WESC.

Connection Agreement

In 2015, the Connection Agreement was entered between SPCRPI, an affiliate of SPCC, and National Grid Corporation of the Philippines (NGCP) wherein the Calatagan solar power plant's generation facility shall connect to NGCP's transmission system. SPCRPI assigned to SPCC all of its rights and obligations under this agreement through a deed of assignment executed on February 3, 2017. A copy of the connection agreement was sent to the NGCP on the same day.

Transmission Service Agreement

The Transmission Service Agreement dated May 24, 2016 was entered between SPCRPI, an affiliate of SPCC, and NGCP, who took over transmission business of TransCo, wherein the former is engaged in the business of power generation and the latter is authorized to act as the transmission service provider on the 69 kilovolt (kV) line of NGCP along the Calatagan, Batangas area. SPCRPI assigned to SPCC all of its rights and obligations under this agreement through a deed of assignment executed on February 3, 2017. A copy the transmission service agreement was sent to the NGCP on the same day.

Metering Service Agreement

The Metering Service Agreement dated May 24, 2016 was entered between SPCRPI, an affiliate of SPCC, and NGCP wherein the latter is authorized to act as the metering service provider of the Calatagan solar power plant which requires revenue metering facilities and services for measuring the energy consumed and/or generated by its grid-connected facilities. The term of the agreement on February 26, 2016 and will expire on February 25, 2026, unless earlier terminated in accordance with the terms and conditions of the agreement. SPCRPI assigned to SPCC all of its rights and obligations under this agreement through a deed of assignment executed on February 3, 2017. A copy of the metering service agreement was sent to the NGCP on the same day.

The Connection Agreement, Transmission Agreement, and Metering Service Agreement of SPCC with NGCP is governed by the rules, terms and conditions for the Provision of Open Access Transmission Service (OATS) rules which govern the provision of transmission services to qualified grid users.



Renewable Energy Payment Agreement (REPA)

On March 17, 2016, SPCC and TransCo, designated as the Feed-in Tariff (FIT)-All Fund Administrator, entered into a REPA. The REPA-0037 dated March 17, 2016 for the 63.3 MWp Calatagan Solar Power Plant was deemed effective as of July 4, 2016 through a letter signed by TransCo Officer-in-Charge, Generoso Senal. The REPA governs the rights and obligation of the parties in respect to the full payment of all actual renewable energy generation of SPCC, at a price equivalent to ₱8.69 (applicable base FIT rate), from March 11, 2016 to March 10, 2036, the period of SPCC's FIT Eligibility Period.

FIT System

FIT is an incentive scheme under the Renewable Energy Act of 2009 to attract investments and hasten the deployment of renewable energy sources. FIT provides priority treatment to renewable energy developers in terms of connection to the grid, purchase and transmission of and payment for by grid operators, and a fixed premium rate for a specified period of time. On March 14, 2016, the DOE issued COE-FIT No. S-2016-03-05, which entitles SPCC to a base FIT rate of ₱8.69 per kWh for 20 years.

All eligible renewable energy (RE) plants shall be entitled to the appropriate FITs as established and such FITs shall be paid by all on-grid electricity consumers in accordance with FIT system. An RE plant shall be deemed eligible upon issuance of COC authorizing to operate as FIT-eligible RE plant, subject to the term and conditions attached to it, among them, compliance with the Philippine Grid Code (PGC) and other pertinent laws, rule and regulation of Energy Regulatory Commission (ERC). SPCC obtained COC No. 16-06-M-00072L from the ERC on June 29, 2016 valid from June 28, 2016 to June 27, 2021.

Total FIT revenue recognized in 2020 and 2019 amounted to ₱968.1 million and ₱831.3 million, respectively.

On May 26, 2020, the ERC approved Resolution No. 06, Series of 2020 which approves and adopts FIT rate adjustments, for the years 2016 to 2020 using 2014 as the base year for the consumer price index and foreign exchange. The said resolution was published in a newspaper of general circulation on November 17, 2020 and became effective 15 days after.

Total retroactive FIT revenue adjustment recognized in 2020 by SPCC amounted to ₱185.8 million. This will be recovered from TransCo for a period of five (5) years. As of December 31, 2020, the total long-term receivable from TransCo amounted to ₱185.8 million. Interest earned on receivable from TransCo amounted to ₱0.6 million in 2020.

WESM

Under Section 30 of Electric Power Industry Reform Act (EPIRA), the ERC may authorize entities to become eligible as members, either directly or indirectly, of the WESM. All generating companies, distribution utilities, suppliers, bulk consumers/end-users and other similar entities authorized by the ERC, whether direct or indirect members of the WESM shall be bound by the WESM spot market rules with respect to transactions in the market.

On February 24, 2016, SPCC registered with PEMC as Direct WESM Member and Trading Participant - Generator Category.

Energy Regulations No. 1-94

On March 10, 2016, SPCC entered into a Memorandum of Agreement with the DOE for the establishment of Trust Accounts for Accrued Financial Benefits from the commercial operations of the 63.3 MWp Solar Power Plant. This is in compliance with the provision in the EPIRA under



R.A. 9136 and more importantly to help recognize the contributions of the host communities and the people affected by the project thereby lessening conflict and promoting cooperation among the stakeholders. Under this agreement, SPCC should set aside one centavo per kilowatt-hour (₱0.01/kWh) of the total electricity sales as financial benefit to its host community.

Memorandum of Agreement

On February 12, 2019, SPCC entered into a Memorandum of Agreement with one of its stockholders for the purchase of lands, in addition to the Project Lands (see Note 8), with a total land area of 87.5 ha for a total consideration of ₱417.0 million.

SP Tarlac

SESC

On August 15, 2017, SPCRPI, an affiliate of SP Tarlac, entered into a SESC with the DOE granting SPCRPI the exclusive right to explore, develop and utilize the energy resource with the contract area covering a total of 646 ha. The SESC allows for two years non-extendable term for pre-development within which the developer should be able to declare commerciality.

A Certificate of Confirmation of Commerciality shall be issued by the DOE to affirm the declaration. The contract shall remain in force for the balance of a period of twenty-five (25) years from the effective date. One year before the expiration of the initial 25-year period, SP Tarlac may submit to the DOE an extension of the SESC for another 25 years under the same terms and conditions so long as SP Tarlac is not in default of any material obligations under the SESC.

On September 27, 2017, SPCRPI executed a Deed of Assignment transferring all its rights and obligations under the SESC No. 2017-07-442, including all of its annexes to SP Tarlac which has been approved. On October 6, 2017, the DOE acknowledged and approved the Deed of Assignment between SPCRPI and SP Tarlac. On that same day, the DOE issued a COR under the name of SP Tarlac as an RE Developer of Solar Energy Resources in Concepcion, Tarlac which covers SESC No. 2017-07-442.

On October 20, 2017, SP Tarlac was able to issue its Declaration of Commerciality stating the commercial viability of the Project and was confirmed and approved by the DOE through issuing its Confirmation of Commerciality on December 6, 2017.

PSA between SP Tarlac and MERALCO

PSA at ₱2.9999/kWh

A letter of notice dated August 25, 2017 was received from MERALCO awarding the PSA to SP Tarlac. SP Tarlac and MERALCO then jointly requested for the approval of the PSA from the ERC on October 19, 2017 docketed as ERC Case No. 2017-094 RC, with a motion for confidential treatment of information. The ERC provisionally approved the PSA joint application for 85 MW at a price of ₱2.99 per kWh (the Contract Price) on February 20, 2018, which coincides with the commencement date of the PSA. The PSA, subject to certain provisions, shall be in effect for a period of 20 years from the commencement date.

Based on the provisions of the PSA on replacement energy, since the commencement date occurred prior to the commercial operation date, and SP Tarlac failed to supply the agreed volume in MWh upon commencement date, MERALCO was deemed to have sourced the replacement energy in MWh from the WESM, subject to reimbursement by SP Tarlac of the difference between actual WESM price and the Contract Price.



On March 4, 2019, SP Tarlac received the final approval from the ERC dated January 23, 2019 allowing the 2% annual escalation of the Contract Price under the PSA.

Since the commencement date of the PSA occurred prior to the start of commercial operations of SP Tarlac, SP Tarlac could not supply the agreed volume in MWh upon commencement date. Based on the provisions of the PSA on replacement energy, MERALCO will be deemed to source the replacement energy from the WESM, subject to the reimbursement by the SP Tarlac of the difference between actual WESM price and the Contract Price.

On July 26, 2019, SP Tarlac started delivering electricity to Meralco from its 15 MW Plant (Initial Capacity) and started billing the latter for energy deliveries from the Plant, while directly purchasing the Replacement Energy at the WESM.

On December 17, 2019, MERALCO agreed to extend the deadline for the Tarlac Project to achieve COD for a period of one (1) year from December 21, 2019 or until December 20, 2020. It is also stated that MERALCO agreed to offset SP Tarlac's billings for the energy deliveries against the payable on replacement energy. As of December 31, 2020 and 2019, total amount of offset against revenue billings amounted to ₱23.9 million and ₱119.7 million, respectively.

In a letter dated September 25, 2020, MERALCO confirmed the concurrence of COD of SP Tarlac's Project on September 26, 2020. Further, MERALCO agreed to defer SP Tarlac's payments of replacement energy cost payable for 17 years and 7 months through offsetting against the latter's billings. As of December 31, 2020 and 2019, the current portion of the replacement energy cost payable presented as others in the "Accounts payable and accrued expenses" amounted to ₱13.4 million and ₱163.6 million, respectively. As of December 31, 2020, the noncurrent replacement energy cost payable presented as "Other noncurrent liabilities" amounted to ₱126.3 million.

PSA at ₱2.3456/kWh

A letter of notice dated August 17, 2018 was received from MERALCO awarding the PSA to SP Tarlac. SP Tarlac and MERALCO then jointly requested for the approval of the PSA at price of ₱2.3456/kWh with 16% escalation starting on the 11th contract year for 50 MW from the ERC on March 18, 2019 docketed as ERC Case No. 2019-23 RC, with a motion for confidential treatment of information. The PSA, subject to certain provisions, shall be in effect for a period of 20 years from the commencement date. As of October 30, 2021, SP Tarlac is still waiting approval from the ERC.

EPC Agreement with SPCRPI

On October 5, 2018, SP Tarlac entered into an EPC agreement with SPCRPI for the construction of the Project, but was subsequently terminated through the Termination Agreement dated November 20, 2018 as mutually agreed upon by both SP Tarlac and SPCRPI management. In 2019, the management decided to engage an EPC contractor to continue the construction of the Project. On April 24, 2019, SP Tarlac entered into an EPC agreement with SPCRPI, an affiliate, for a contract price of ₱1,622.0 million. Under the EPC contract, SP Tarlac can directly purchase goods and services to maximize its incentive as RE developer.

On June 9, 2020, SP Tarlac and SPCRPI amended the contract price of EPC agreement from ₱1,622.0 million to ₱1,874.0 million. It was further agreed that if the completion is delayed beyond the revised time for completion, SPCRPI shall pay liquidated damages to SP Tarlac in an amount of 0.50% of the contract price for each day of delay and shall be limited to 30% of the contract price.



Connection Agreement

In 2017, SP Tarlac entered into Connection Agreement with National Grid Corporation of the Philippines (NGCP) where the former's solar power plant's generation facility shall connect to NGCP's transmission system.

Transmission Service Agreement

The Transmission Service Agreement dated November 26, 2018 was entered between SP Tarlac and NGCP, who took over transmission business of National Transmission Corporation (TRANSCO). NGCP is the authorized transmission service provider.

Metering Service Agreement

On March 26, 2019, SP Tarlac entered into Metering Service Agreement with NGCP wherein the latter is authorized to act as the metering service provider of the Concepcion 1 solar power plant which requires revenue metering facilities and services for measuring the energy consumed and/or generated by its grid-connected facilities. The term of the agreement on March 26, 2019 and will expire on March 25, 2029, unless earlier terminated in accordance with the terms and conditions of the agreement.

Energy Regulations No. 1-94

On June 29, 2020 and January 20, 2021, SP Tarlac entered into Memorandum of Agreements with host communities in Brgy. Sta. Rosa and Municipality of Concepcion, Tarlac for the establishment of Trust Accounts for Accrued Financial Benefits from the commercial operations of the Tarlac 1A. This is in compliance with the provision in the EPIRA under R.A. 9136 and more importantly to help recognize the contributions of the host communities and the people affected by the project thereby lessening conflict and promoting cooperation among the stakeholders. Under this agreement, SP Tarlac should set aside one centavo per kilo watt hour (₱0.01/kWh) of the total electricity sales as financial benefit to its host community. As of December 31, 2020, total accrual for benefits to host communities amounted to ₱1.5 million which is presented under "General and Administrative expenses" in the consolidated statement of comprehensive income (see Note 17).

SPMMC

Original Equipment Manufacturing (OEM) Agreement

In 2019 and 2018, SPMMC entered into OEM agreement with Trina Solar Ltd., and Sunpreme Inc. ("Consignors") wherein SPMMC shall provide toll manufacturing service for the assembly of solar PV modules using the materials provided by the Consignors in accordance with the product and quality specifications as agreed upon by both parties. The term of the contracts is for a period of seven to eleven months and are extendible upon mutual agreement of both parties. Revenues recognized on these contracts amounted to ₱57.6 million and ₱5.4 million for the period ended December 31, 2019 and 2018, respectively.

MSA with STEC

On January 31, 2019, SPMMC entered into MSA with Suweco Tablas Energy Corporation (Customer) for the supply and delivery of 72-cell Polycrystalline Perc panels 1000V solar modules, with an average power output of 320W to 325W, for the construction of 7.5MW solar photovoltaic power generating plant located in Brgy. Tumingad, Odiongan, Romblon with a contract price of ₱129.0 million. In 2019, SPMMC recognized revenue of ₱129.0 million and has outstanding receivable of ₱9.0 million for the said contract.

Trina Solar and Sunpreme - Original Equipment Manufacturing (OEM) Agreement

In 2019 and 2018, SPMMC entered into OEM agreement with Trina Solar Ltd., and Sunpreme Inc. ("Consignors") wherein SPMMC shall provide toll manufacturing service for the assembly of solar PV modules using the materials provided by the Consignors in accordance with the product and



quality specifications as agreed upon by both parties. The term of the contracts is for a period of seven to eleven months and are extendible upon mutual agreement of both parties. Revenues recognized on these contracts amounted to ₱57.6 million and ₱5.4 million for the period ended December 31, 2019 and 2018, respectively.

SPSB - Module MSA

SPMMC entered into MSA with SPSB for the supply and delivery of solar modules in such quantities and qualities provided in relevant purchase orders from the latter to be used for construction of solar PV power generating plants in various regions of the Philippines (such as but not limited to: Claveria, Masbate, Hingotanan, Bohol and Bilang-Bilangan, Bohol). SPMMC recognized revenue amounting to ₱23.1 million.

SPRC

EPC Agreements

a. SUWECO

On March 6, 2018, SPRC entered into an EPC agreement with SUWECO for the construction and development, installation, testing, and commissioning, operation and maintenance of a 7.5 Mega Watts power (MWp) Solar Storage Hybrid Power Plant, with all its auxiliaries and/or components in Brgy. Tumingad, Odiongan, Romblon, Philippines. However, SPRC and SUWECO mutually agreed to rescind the contract.

In December 2018 the EPC agreement with SUWECO was terminated by both parties. On January 31, 2019, a new EPC agreement with SUWECO Tablas Energy Corporation (STEC) was executed for the Project. On August 21, 2019, the project was completed and total revenue for the said contract amounted to ₱233.4 million.

b. Robinsons Land Corporation (RLC)

On October 23, 2018, SP Rooftop entered into five (5) EPC agreements with RLC for the design, engineering, procurement of components for, and construction of PS for the project sites. The expected turnover dates of the project are on March 23, 2019. However, as of December 31, 2019, the projects are not yet completed due to delays on both parties. The management assessed that the probable estimate for the delay amounted to ₱40.1 million. The SPRC classified this as a variable consideration to the contract with RLC. As of December 31, 2020, four (4) of the EPC agreements are completed.

In 2020, upon reassessment of the management, the variable consideration is no longer probable. Hence, variable consideration amounting to ₱40.1 million was reversed and recognized as part of revenue in 2020. In 2020 and 2019, total revenue for the said contract amounted to ₱109.9 million and ₱138.4 million, respectively net of variable consideration. The remaining receivable as of December 31, 2020 and 2019 amounted to ₱41.5 million and ₱29.8 million, respectively.

Energy Equipment Leasing and Service Agreements (EELSA)

SP Rooftop has entered into different EELSA to develop, construct, operate and lease solar generation facilities and service agreements for the management and operation of the leased solar generation facility units. Each EELSA shall have a term of 25 years beginning on the day which the solar generation facility unit was commissioned.

Under each EELSA, SPRC shall own the solar generation facility units as well as the improvements and shall be entitled to retain to ownership upon expiration of the term subject to conditions. As of December 31, 2020, SPRC has six (6) EELSA totaling to around 4.5 MWp.



Photovoltaic System Sales Agreement (PVSA)

In 2019 and 2018, SP Rooftop entered into various PVSA with residential customers. SPRC intends to design, procure components for, and construct PS on the rooftops of residential customers. For the year ended December 31, 2020 and 2019, revenue from contracts with customers amounted to ₱7.6 million and ₱71.6 million, respectively. As of December 31, 2020 and 2019, the outstanding receivable from residential customers amounted to ₱39.6 million and ₱47.6 million, respectively.

SP Tanauan

SESC

On February 9, 2017, SPCRPI, an affiliate of SP Tanauan, was awarded SESC No. 2017-02-363 for the exclusive right to explore and develop the Calamba-Tanauan Solar Power Project (the Calamba-Tanauan Project), respectively, wherein the SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Calamba, Laguna and Tanauan, Batangas. On September 12, 2016, SPCRPI executed Deed of Assignment transferring all his rights and obligations to SP Tanauan. On February 23, 2017, the DOE acknowledged and approved the Deed of Assignment between SPCRPI and SP Tanauan. Further, on that same day, the DOE issued and approved a new Certificate of Registration (COR) under the name of SP Tanauan which recognizes SP Tanauan as a Renewable Energy (RE) developer. On December 22, 2016, SP Tanauan entered into a 20-year PSA with MERALCO.

On August 22, 2017, SPCRPI, an affiliate of the SP Tanauan, was awarded the SESC No. 2017-06-421 for the exclusive right to explore and develop the Maragondon-Naic 1 Solar Power Project (the Maragondon-Naic 1 Project), respectively, wherein SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Maragondon and Naic, Cavite. On November 09, 2020, SPCRPI executed a Deed of Assignment transferring all his rights and obligations to SP Tanauan.

PSA between SP Tanauan and MERALCO

On December 22, 2016, MERALCO awarded the PSA to SP Tanauan through a letter of notice dated December 14, 2016, after undergoing a rigorous competitive selection process.

In accordance with the PSA, SP Tanauan intends to construct, own, operate, manage and maintain solar energy power plants in Tanauan, Batangas (site 1) and Naic, Cavite (site 2). Each generation facility shall be capable of supplying at least 25 MW AC or a total of 50 MW AC from the solar photovoltaic panels. The obligations of SP Tanauan and MERALCO with respect to the sale and purchase of the power shall be for a duration of twenty (20) years from commercial operations date, determined separately for each plant.

On February 7, 2019, SP Tanauan submitted its request for DOC with the DOE. On May 18, 2021, the SP Tanauan notified the DOE of its intention to update its application for DOC from 35 MW to 60 MW.

SP Tanauan received a copy of the ERC order dated November 28, 2017 granting interim relief for the parties, allowing both parties to implement the PSA, subject to the issuance of a final approval. On February 28, 2020, SP Tanauan received the final approval from ERC for the contract price of ₱5.39 plus 2% annual escalation. In September 2020, SP Tanauan has conformed with MERALCO through joint certification that the occurrence of commencement date is on September 11, 2020.

On May 31, 2021, MERALCO agreed to extend the scheduled commercial operations date (COD) of the Project for a period of one (1) year, from January 11, 2021 to January 10, 2022, provided that during the said period, SP Tanauan shall provide replacement energy to MERALCO at the WESM price and Contract price, whichever is lower.



As of October 30, 2021, SP Tanauan has not yet started commercial operation

SP Nueva Ecija
SESC

On August 22, 2017, SPCRPI, an affiliate of SP Nueva Ecija, entered into a SESC with the DOE granting SPCRPI the exclusive right to explore, develop and utilize the energy resource with the contract area covering a total of 648. The SESC allows for two years non-extendable term for pre-development within which the developer should be able to declare commerciality. A Certificate of Confirmation of Commerciality shall be issued by the DOE to affirm the declaration. The contract shall remain in force for the balance of a period of twenty-five years (25) from the effective date. One year before the expiration of the initial 25-year period, SP Nueva Ecija may submit to the DOE an extension of the SESC for another 25 years under the same terms and conditions so long as SP Nueva Ecija is not in default of any material obligations under the SESC.

On December 29, 2017, SPCRPI executed a Deed of Assignment transferring all its rights and obligations under the SESC No. 2017-06-404, including all of its annexes to SP Nueva Ecija which has been approved. On February 23, 2018, the DOE acknowledged and approved the Deed of Assignment between SPCRPI and SP Nueva Ecija. On that same day, the DOE issued a COR in favor of SP Nueva Ecija as an RE Developer of Solar Energy Resources in Sta. Rosa, Penaranda and San Leonardo, Nueva Ecija which covers SESC No. 2017-06-404.

As of October 30, 2021, SP Nueva Ecija has not yet commenced construction of the project and has not yet commenced commercial operations.

SP Tagoloan
SESC

On June 26, 2015, SPCRPI, an affiliate of SP Tagoloan, entered into a SESC with the DOE granting SPCRPI the exclusive right to explore, develop and utilize the energy resource with the contract area covering a total of 324 ha. The SESC allows for two years non-extendable term for pre-development within which the developer should be able to declare commerciality. A Certificate of Confirmation of Commerciality shall be issued by the DOE to affirm the declaration. The contract shall remain in force for the balance of a period of 25 years from the effective date. One year before the expiration of the initial 25-year period, SP Tagoloan may submit to the DOE an extension of the SESC for another 25 years under the same terms and conditions so long as SP Tagoloan is not in default of any material obligations under the SESC.

On September 6, 2016, SPCRPI executed a Deed of Assignment transferring all its rights and obligations under the SESC No. 2015-06-236, including all of its annexes to SP Tagoloan which has been approved. On March 13, 2017, the DOE acknowledged and approved the Deed of Assignment between SPCRPI and SP Tagoloan. On that same day, the DOE issued a COR in favor of SP Tagoloan as an RE Developer of Solar Energy Resources in Tagoloan, Misamis Oriental which covers SESC No. 2015-06-236.

As of October 30, 2021, SP Tagoloan is still in the process of obtaining the Confirmation of Commerciality from the DOE.

SP Visayas
SESC

On December 27, 2019, SP Visayas was awarded SESC No. 2019-05-512 for the exclusive right to explore and develop the Kananga-Ormoc Solar Power Project (the Kananga-Ormoc Project), wherein SP Visayas shall undertake exploration, assessment, harnessing, piloting and other studies of the solar



energy resources in Kananga and Ormoc City, Leyte. Further, on that same day, the DOE issued and approved a COR under the name of SP Visayas which recognizes SP Visayas as a RE developer.

SP South Luzon

SESC

On December 20, 2019, SP South Luzon was awarded SESC No.2019-10-531 by the DOE for the exclusive right to explore and develop the Binangonan and Cardona, Rizal and Laguna de Bay Solar Power Project. SP South Luzon shall undertake exploration, assessment, harnessing, piloting and other studies of Solar Energy resources in Province of Rizal and Laguna de Bay. The SESC allows for two (2) years non-extendable term for pre-development within which SP South Luzon should be able to declare commerciality.

In 2019, the Barangay Dalig, Municipality of Rizal and Laguna Lake Development Authority (LLDA) has entered a Memorandum of Agreement with SP South Luzon allowing to conduct the Cardona Floating Solar Pilot Project which aims to determine the feasibility of adopting a solar technology/system in Laguna de Bay. The pilot project is a 16.25 kWp floating solar system with 50 solar modules and three (3) inverters. As of December 31, 2019, the pilot project has been completed.

SP Batangas

SESC

On December 20, 2019, SP Batangas was awarded SESC No. 2019-02-500 by the DOE for the exclusive right to explore and develop the Padre Garcia Solar Power Project. SP Batangas shall undertake exploration, assessment, harnessing, piloting and other studies of Solar Energy resources in Lipa City and Padre Garcia, Batangas. The SESC allows for two (2) years non-extendable term for pre-development within which SP Batangas should be able to declare commerciality.

SP Retail Electricity

WESM

Under Section 30 of EPIRA, the ERC may authorize entities to become eligible as members, either directly or indirectly, of the WESM. All generating companies, distribution utilities, suppliers, bulk consumers/end-users and other similar entities authorized by the ERC, whether direct or indirect members of the WESM shall be bound by the WESM spot market rules with respect to transactions in the market.

On February 18, 2020, SP Retail Electricity was registered with PEMC as Direct Member - RES Category.

SP Batangas Baseload

SESC

On August 22, 2017, SPCRPI, an affiliate of the SP Batangas Baseload, was awarded the SESC No. 2017-05-384 for the exclusive right to explore and develop the Balayan Solar Power Project (the Balayan Project), respectively, wherein SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Balayan and Calaca, Batangas. On November 09, 2020, SPCRPI executed a Deed of Assignment transferring all his rights and obligations to SP Batangas Baseload. As of October 30, 2021, SP Batangas Baseload is still awaiting for the acknowledgment and approval from the DOE of the Deed of Assignment between SPCRPI and SP Batangas Baseload.



SP Tarlac Baseload

SESC

On July 18, 2017, SPCRPI, an affiliate of SP Tarlac Baseload, was awarded SESC No. 2017-05-385 for the exclusive right to explore and develop the Calamba-Tanauan Solar Power Project (the Calamba-Tanauan Project), respectively, wherein the SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Tarlac City and La Paz, Tarlac. On November 9, 2020, SPCRPI executed Deed of Assignment transferring all his rights and obligations to SP Talingaan. As of October 30, 2021, Tarlac Baseload is still awaiting for the acknowledgment and approval from the DOE of the Deed of Assignment between SPCRPI and SP Tarlac Baseload.

SP Central Luzon

SESC

On September 14, 2017, SPCRPI, an affiliate of SP Central Luzon, was awarded SESC No. 2017-07-436 for the exclusive right to explore and develop the Concepcion Tarlac 2 Solar Power Project (the Concepcion 2 Project), wherein SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Concepcion, Tarlac. On November 9, 2020, SPCRPI executed a Deed of Assignment transferring all his rights and obligations to SP Central Luzon. As of October 30, 2021, SP Central Luzon is still awaiting for the acknowledgment and approval from the DOE of the Deed of Assignment between SPCRPI and SP Central Luzon.

PMPH

Agreement to Bid as a Consortium

On September 17, 2020, the Parent Company and PMPH entered into an agreement to bid as a consortium with the intention to associate themselves as a Consortium and submit an unsolicited proposal to MERALCO for a PSA for the supply of up to 250 MW by March 31, 2025 (with a potential increase of 150 MW) and 600 MW by March 31, 2026 from solar power plants and related facilities, including battery storage (the Project). The parties intend to form a special purpose vehicle to develop and operate the Project to service the PSA.

22. Renewable Energy Act of 2008

On January 30, 2009, Republic Act No. 9513, An Act Promoting the Development, Utilization and Commercialization of Renewable Energy Resources and for Other Purposes, otherwise known as the "Renewable Energy Act of 2008" (the "Act"), became effective. The Act aims to:

- a) accelerate the exploration and development of renewable energy resources such as, but not limited to, biomass, solar, wind, hydro, geothermal and ocean energy sources, including hybrid systems, to achieve energy self-reliance, through the adoption of sustainable energy development strategies to reduce the country's dependence on fossil fuels and thereby minimize the country's exposure to price fluctuations in the international markets, the effects of which spiral down to almost all sectors of the economy;
- b) increase the utilization of renewable energy by institutionalizing the development of national and local capabilities in the use of renewable energy systems, and promoting its efficient and cost-effective commercial application by providing fiscal and non-fiscal incentives;
- c) encourage the development and utilization of renewable energy resources as tools to effectively prevent or reduce harmful emissions and thereby balance the goals of economic growth and development with the protection of health and environment; and
- d) establish the necessary infrastructure and mechanism to carry out mandates specified in the Act and other laws.



As provided in the Act, RE developers of RE facilities, including hybrid systems, in proportion to and to the extent of the RE component, for both power and non-power applications, as duly certified by the DOE, in consultation with the Board of Investments, shall be entitled to the following incentives, among others:

- i. **Income Tax Holiday (ITH)** - For the first seven (7) years of its commercial operations, the duly registered RE developer shall be exempt from income taxes levied by the National Government;
- ii. **Duty-free Importation of RE Machinery, Equipment and Materials** - Within the first ten (10) years upon issuance of a certification of an RE developer, the importation of machinery and equipment, and materials and parts thereof, including control and communication equipment, shall not be subject to tariff duties;
- iii. **Special Realty Tax Rates on Equipment and Machinery** - Any law to the contrary notwithstanding, realty and other taxes on civil works, equipment, machinery, and other improvements of a registered RE developer actually and exclusively used for RE facilities shall not exceed one and a half percent (1.5%) of their original cost less accumulated normal depreciation or net book value;
- iv. **NOLCO** - the NOLCO of the RE developer during the first three (3) years from the start of commercial operation which had not been previously offset as deduction from gross income shall be carried over as deduction from gross income for the next seven (7) consecutive taxable years immediately following the year of such loss;
- v. **Corporate Tax Rate** - After seven (7) years of ITH, all RE developers shall pay a corporate tax of ten percent (10%) on its net taxable income as defined in the National Internal Revenue Code of 1997, as amended by Republic Act No. 9337;
- vi. **Accelerated Depreciation** - If, and only if, an RE project fails to receive an ITH before full operation, it may apply for accelerated depreciation in its tax books and be taxed based on such;
- vii. **Zero Percent VAT Rate** - The sale of fuel or power generated from renewable sources of energy, the purchase of local goods, properties and services needed for the development, construction and installation of the plant facilities, as well as the whole process of exploration and development of RE sources up to its conversion into power shall be subject to zero percent (0%) VAT;
- viii. **Cash Incentive of RE Developers for Missionary Electrification** - An RE developer, established after the effectivity of the Act, shall be entitled to a cash generation-based incentive per kilowatt-hour rate generated, equivalent to fifty percent (50%) of the universal charge for power needed to service missionary areas where it operates the same;
- ix. **Tax Exemption of Carbon Credits** - All proceeds from the sale of carbon emission credits shall be exempt from any and all taxes; and
- x. **Tax Credit on Domestic Capital Equipment and Services** - A tax credit equivalent to one hundred percent (100%) of the value of the VAT and custom duties that would have been paid on the RE machinery, equipment, materials and parts had these items been imported shall be given to an RE operating contract holder who purchases machinery, equipment, materials, and parts from a domestic manufacturer for purposes set forth in the Act. RE developers and local manufacturers, fabricators and suppliers of locally-produced RE equipment shall register with the DOE, through the Renewable Energy Management Bureau (REMB). Upon registration, a certification shall be issued to each RE developer and local manufacturer, fabricator and supplier of locally-produced renewable energy equipment to serve as the basis of their entitlement to the incentives provided for in the Act. All certifications required to qualify RE developers to avail of the incentives provided for under the Act shall be issued by the DOE through the REMB.



As provided in the Act, all manufacturers, fabricators and suppliers of locally-produced RE equipment and components duly recognized and accredited by the DOE, in consultation with DOST, DOF and DTI, shall, upon registration with the BOI, be entitled to the privileges set forth under this section:

- i. **Tax and Duty-free Tax and Duty-free Importation of Components, Parts and Materials.** - All shipments necessary for the manufacture and/or fabrication of RE equipment and components shall be exempted from importation tariff and duties and value added tax: *Provided, however,* That the said components, parts and materials are: (i) not manufactured domestically in reasonable quantity and quality at competitive prices; (ii) directly and actually needed and shall be used exclusively in the manufacture/fabrication of RE equipment; and (iii) covered by shipping documents in the name of the duly registered manufacturer/fabricator to whom the shipment will be directly delivered by customs authorities: *Provided, further,* That prior approval of the DOE was obtained before the importation of such components, parts and materials;
- ii. **Tax Credit on Domestic Capital Components, Parts and Materials.** - A tax credit equivalent to one hundred percent (100%) of the amount of the value-added tax and customs duties that would have been paid on the components, parts and materials had these items been imported shall be given to an RE equipment manufacturer, fabricator, and supplier duly recognized and accredited by the DOE who purchases RE components, parts and materials from a domestic manufacturer: *Provided,* That such components, and parts are directly needed and shall be used exclusively by the RE manufacturer, fabricator and supplier for the manufacture, fabrication and sale of the RE equipment: *Provided, further,* That prior approval by the DOE was obtained by the local manufacturer;
- iii. **Income Tax Holiday and Exemption.** - For seven (7) years starting from the date of recognition/accreditation, an RE manufacturer, fabricator and supplier of RE equipment shall be fully exempt from income taxes levied by the National Government on net income derived only from the sale of RE equipment, machinery, parts and services; and
- iv. **Zero-rated value added tax transactions** - All manufacturers, fabricators and suppliers of locally produced renewable energy equipment shall be subject to zero-rated value added tax on its transactions with local suppliers of goods, properties and services.

23. Notes to Consolidated Statement of Cash Flows

Changes in liabilities arising from financing activities

December 31, 2020

	January 1, 2020	Cash flows	Others	December 31, 2020
Long-term loan	₱5,013,654,980	(₱219,558,470)	₱8,350,144	₱4,802,446,654
Dividend payable	—	(299,483,333)	342,266,666	42,783,333
Accrued interest	123,244,822	(328,416,864)	382,534,244	177,362,202
Lease liabilities	224,472,569	(33,474,670)	18,319,493	209,317,392
Due to related parties	1,528,536,339	(181,104,326)	68,700,971	1,416,132,984
Total liabilities from financing activities	₱6,889,908,710	(₱1,062,037,663)	₱820,171,518	₱6,648,042,565



December 31, 2019

	January 1, 2019	Cash flows	Others	December 31, 2019
Long-term loan	₱4,526,646,347	₱481,219,030	₱5,789,603	₱5,013,654,980
Accrued interest	43,639,569	(260,690,024)	340,295,277	123,244,822
Lease liabilities	—	(29,128,037)	253,600,606	224,472,569
Due to related parties	849,515,756	1,317,317,085	(638,296,502)	1,528,536,339
Total liabilities from financing activities	₱5,419,801,672	₱1,508,718,054	(₱38,611,016)	₱6,889,908,710

Others include the effects of amortization of debt transaction costs, interest expense and offsetting of balances with related parties (see Notes 12 and 15). The Group classifies interest paid as cash flows from financing activities.

24. Events After The Reporting Period

COVID-19 outbreak

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region (NCR) effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, as subsequently extended to April 30, 2020. This was further extended to May 15, 2020 in selected areas including the NCR. The community quarantine has been extended on a more relaxed form (general community quarantine) after the May 15, 2020 extension until March 28, 2021. On March 29, 2021, the government reinstated the ECQ until April 11, 2021 in selected areas including the NCR. Starting April 12, 2021, NCR was placed under the modified ECQ until May 15, 2021, and was subsequently shifted to general community quarantine with some restrictions until July 30, 2021. On August 1, 2021, NCR was placed under ECQ until August 20, 2021, and then shifted to modified ECQ beginning August 23, 2021 until September 7, 2021. NCR was then placed under general community quarantine from September 8, 2021 to October 30, 2021. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

Considering the evolving nature of this outbreak, the Group will continue to monitor the situation in subsequent periods.

SPSA of SP Central Luzon

On January 22, 2021, the Parent Company, SP Central Luzon and AC Energy Corporation (AC Energy) entered into a SPSA where AC Energy shall subscribe to 375,000 common shares at ₱1 par value, and shall own 244,000 common shares with a par value of ₱1 per share through the sale of the holdings of the Parent Company, for a total of 619,000 common shares. Pursuant to the SPSA, Subscription Agreements and a Deed of Absolute Sale of Shares were also executed on the same date.

As of October 30, 2021, AC Energy owns a total of 619,000 out of the 625,000 issued common shares of SP Central Luzon, or a total of 99.04% of the issued and outstanding capital stock of SP Central Luzon.



Change in Fiscal Year of SP Nueva Ecija

On March 29, 2021, the BODs of SP Nueva Ecija approved the change in its fiscal year, which will start from July 1 and end in June 30 of each year. On April 6, 2021, the Company filed with SEC the change in fiscal year and was approved by the SEC on April 14, 2021. The complete requirements for the change in accounting purposes were submitted to the BIR on May 20, 2021, which was subsequently approved on August 26, 2021. The Company's new accounting period is revised from Calendar Year (January 1 to December 31) to Fiscal Year (July 1 to June 30) effective taxable year.

Increase in authorized capital stock of SPRC

On March 30, 2021, the BODs approved that SPRC's authorized capital stock be increased by ₱99.0 million, or a change in SPRC's authorized capital stock from ₱1.0 million, divided into 1.0 million common shares with a par value of ₱1.00 per share, to ₱100.0 million, divided into 100.0 million common shares with a par value of ₱1.00 per share.

Subscription agreement between SPRC and the Parent Company

On March 30, 2021, SPRC and the Parent Company entered into Subscription Agreement where the Parent Company shall subscribe to 24.75 million common shares with par value of ₱1.00 per share. On April 7, 2021, the Parent Company subscribed and paid SPRC ₱24.8 million.

On June 17, 2021, the SEC approved SPRC's amendment to the Articles of Incorporation for the increase of authorized capital stock from ₱1.0 million, divided into 1.0 million common shares with a par value of ₱1.00 per share, to ₱100.0 million, divided into 100.0 million common shares with a par value of ₱1.00 per share.

On June 21, 2021, SPRC and the Parent Company entered into Subscription Agreement where the Parent Company shall subscribe to an additional 20.0 million common shares with par value of ₱1.00 per share. On June 21, 2021, the Parent Company subscribed and paid SPRC ₱20.0 million.

MOA with Provincia Investments Corporation (PIC)

On February 20, 2021, SP Nueva Ecija entered into a MOA with an affiliate, PIC, which MOA was later amended on March 3, 2021, to secure land for future expansion in excess of the capacity contemplated for the Project. The MOA covers certain parcels of land with a total area of 68.621 hectares. Through the MOA, SP Nueva Ecija was granted by the PIC the right to use the subject properties exclusively for the development and construction of a power generating plant. It is the intention of the parties to execute definitive agreements, e.g., deeds of absolute sale to transfer the parcels of land to SP Nueva Ecija. Hence, at SP Nueva Ecija's discretion, PIC undertakes to sell and transfer its rights over the parcels of land to SP Nueva Ecija. Upon execution of the DOAS, the consideration for the sale and transfer of rights over the parcels of land shall be equal to the advance payments made by SP Nueva Ecija in February and March 2021 totaling to ₱267.0 million, which represents the full payment.

MOA with Lupang Hinirang Holdings Corporation (LHHC)

On April 19, 2021, SP Nueva Ecija entered into a MOA with an affiliate, LHHC, to secure land for future expansion in excess of the capacity contemplated for the Project. The MOA covers certain parcels of land with a total area of 56.81 hectares. Through the MOA, SP Nueva Ecija was granted by the LHHC the right to use the subject properties exclusively for the development and construction of a power generating plant. It is the intention of the parties to execute definitive agreements, e.g. deeds of absolute sale to transfer the parcels of land to SP Nueva Ecija. Hence, at SP Nueva Ecija's discretion, LHHC undertakes to sell and transfer its rights over the parcels of land to SP Nueva Ecija. Upon execution of the DOAs, the consideration for the sale and transfer of rights over the parcels of land shall be equal to the advance payments made by SP Nueva Ecija in April and May 2021 totaling to ₱270.0 million, which represents the full payment.



Land-lease agreements

On January 11, 2021, a Deed of Assignment was entered between SP Nueva Ecija, as the assignee, and the Parent Company, as the assignor, whereby, the Parent Company assigned all of its rights and obligations under the September 6, 2016 lease agreement for certain parcels of land with a total area 179.6 hectares in Peñaranda, Nueva Ecija. SP Nueva Ecija accepted and assumed all of the said rights and obligations thus assigned, in pursuance of the said Deed of Assignment. The annual rental increased from ₱50,000 per hectare per year, net of tax, to ₱55,000 per hectare per year, net of tax, which shall be subject to an escalation of 10.0% every five (5) years from the start date. Further, as agreed by the parties, the lease of the updated total land area of 169.9 hectares commenced in March 2021.

In May 2021, SP Nueva Ecija entered into a land lease agreement with various landowners to develop solar farm projects in Peñaranda, Nueva Ecija for a total area of 81.75 hectares. The land was made available for use on the execution date of the contract with a one (1) year rent-free period plus 25-year term. Further, the lease is subject for renewal of 5 years upon mutual agreement by parties. The land lease agreement has an annual rent of ₱55,000 per hectare, net of tax, and is subject to an increase of 8% in rental payments after every three (3) years.

SP Nueva Ecija also paid a gratuity fee of ₱0.9 million, included under other noncurrent assets, which shall be deducted against advance rental in the event that the due diligence of SP Nueva Ecija is not satisfactory and/or project permits or approvals are denied by the relevant government agencies. As of October 30, 2021, SP Nueva Ecija has yet to complete its due diligence.

Management Service Agreement (MSA) with SP Nueva Ecija

On April 30, 2021 the Parent Company entered into a Management Service Agreement with SP Nueva Ecija, to provide executive and leadership support and execute its strategic direction while managing its business operations for a period from May 1, 2021 to April 30, 2023, renewable upon mutual agreement of both parties, for a monthly fee of ₱2.0 million.

The Management Service Agreement covers all necessary administrative and advisory services on management, investment and technical matters involving the SP Nueva Ecija's operations, including but not limited to human resources, legal, finance, and information technology.

Omnibus Loan and Sales Agreement (OLSA)

On June 25, 2021, AC Energy (Lender), PIC (Borrower), and the Parent Company (Sponsor) entered into an OLSA where the lender agrees to make available to the Borrower the amount of ₱1.0 billion to be used solely for the acquisition of parcels of lands.

Pledge of SP Nueva Ecija's shares owned by the Parent Company

On June 25, 2021, the Parent Company executed a pledge over all SP Nueva Ecija's shares of stock that it holds to secure a loan by PIC, its affiliate, from AC Energy. The stock certificates of SP Nueva Ecija's shares pledged were delivered to and is in the custody of the lender. The lender agreed to return the stock certificates to the Parent Company to enable to the Parent Company and SP Nueva Ecija to comply with the lock-up rules of the Philippine Stock Exchange.

SP Rooftop Tax Assessment

SP Rooftop has an outstanding audit with BIR for taxable year ended December 31, 2018. Last April 22, 2021, SP Rooftop received a Preliminary Assessment Notice (PAN) dated April 7, 2021 from the BIR. SP Rooftop responded to the said notice on May 7, 2021. On June 2, 2021, SP Rooftop received the Final Assessment Notice (FAN) dated May 31, 2021. SP Rooftop submitted its protest letter against the FAN, with request for reinvestigation, on June 30, 2021.



Retrenchment of SPMMC

On August 26, 2021, SPMMC has notified the Department of Labor and Employment that SPMMC will undergo retrenchment or a reduction of workforce effective September 30, 2021.

MOA between the Parent Company and PMPH

On August 11, 2021, the Parent Company entered into a MOA with PMPH. On October 18, 2021, they entered into a definitive agreement, the IA. The Parties agreed to incorporate a new corporation (ListCo) with the Philippine SEC that will be the listing vehicle of the Parties at the Main Board of the PSE subject to certain conditions being met. The Parties will each own 50% of the outstanding capital stock of ListCo. The ListCo is intended to conduct its initial public offering, subject to the terms and conditions as stated in the IA. The Parties also agreed to enter into Transaction Documents for the, among others, (1) conversion of, or subscription to and issuance of, as applicable, of shares of stock in each of (a) SP Tarlac; (b) SP Tanauan; and (c) Terra Solar Philippines ("TSPI").

On October 29, 2021, pursuant to the IA and a Promissory Note dated October 29, 2021, SP Tanauan has received a total amount of ₱500.0 million from PMPH, which will be used exclusively to purchase the land for the TSPI land area, or such other land acceptable to PMPH.

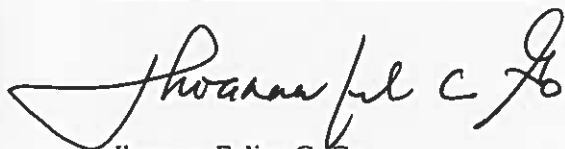


INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULE

The Board of Directors and Stockholders
Solar Philippines Power Project Holdings, Inc.
LPL Towers, 112 Legaspi Street
Legaspi Village, Brgy. San Lorenzo, Makati City 1129 Philippines

We have audited in accordance with Philippine Standards on Auditing, the accompanying consolidated financial statements of Solar Philippines Power Project Holdings, Inc. and its subsidiaries as at and for the years ended December 31, 2020 and 2019 and have issued our report thereon dated October 30, 2021. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Parent Company's management. This schedule is presented for the purpose of complying with Revised Securities Regulation Code Rule 68, and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Jhoanna Feliza C. Go

Partner

CPA Certificate No. 0114122

Tax Identification No. 219-674-288

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

SEC Partner Accreditation No. 1414-AR-2 (Group A)

October 15, 2019, valid until October 14, 2022

SEC Firm Accreditation No. 0012-FR-5 (Group A)

November 6, 2018, valid until November 5, 2021

BIR Accreditation No. 08-001998-103-2019, November 7, 2019, valid until November 6, 2022

PTR No. 8534302, January 4, 2021, Makati City

October 30, 2021



SOLAR PHILIPPINES POWER PROJECT HOLDINGS, INC.
SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND
DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2020

Unappropriated Retained Earnings, as adjusted to available for dividend distribution to January 1, 2020		₱1,753,239,810
Net Income during the period closed to Retained Earnings	₱121,597,034	
Less: <i>Non-actual/unrealized income, net of tax</i>		
Remeasurement loss on retirement benefits (after tax)	<u>—</u>	121,597,034
Add (Less):		
Appropriations of Retained Earnings during the period	—	
Reversals of appropriations	—	
Effects of prior period adjustments	—	
Treasury shares	<u>—</u>	<u>—</u>
UNAPPROPRIATED RETAINED EARNINGS,		
DECEMBER 31, 2020, AVAILABLE FOR DIVIDEND		
DECLARATION		<u><u>₱1,874,836,844</u></u>



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

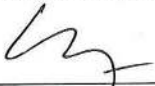
The management of Solar Philippines Power Project Holdings, Inc. is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as of and for the years ended December 31, 2019 and 2018, in accordance with Philippine Financial Reporting Standards, 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 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 Company to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the 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 or members.

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


LEANDRO L. LEVISTE
Chairman of the Board/CEO

Passport No.: P2911921A
Expiry date: May 4, 2022

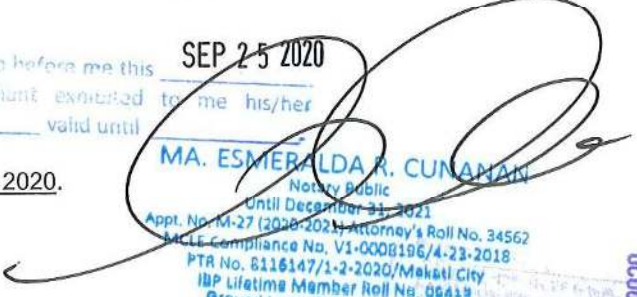

HAZEL IRIS P. LAFUENTE
Treasurer

Passport No.: P0333462B
Expiry date: January 20, 2029

SUBSCRIBED AND SWORN to before me this SEP 25 2020
at Makati City, Philippines. Aforesaid exhibited to me his/her
competent ID # _____ valid until _____

Signed this 14th day of September 2020.

DOC. NO. 490
PAGE NO. 99
BOOK NO. XXIV
SERIES OF MDA


MA. ESMERALDA R. CUNANANI
Notary Public
Appt. No. M-27 (2020-2021) Attorney's Roll No. 34562
JCLE Compliance No. V1-0008196/4-23-2018
PTR No. 8116147/1-2-2020/Makati City
IBP Lifetime Member Roll No. 05439
Ground Level, Dela Rosa Eastmark I
Rosa St. Legaspi Village
Makati City

20th Floor Philamlife Tower, 8767 Paseo De Roxas Avenue, Makati City 1227 Philippines



FS FOR FILING WITH SEC

AFTER THE BIR HAS DULY
STAMPED "RECEIVED."

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

C S 2 0 1 4 0 8 3 5 4

COMPANY NAME

S O L A R P H I L I P P I N E S P O W E R P R O J E C
T H O L D I N G S , I N C .

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

L P L T O W E R S , 1 1 2 L E G A S P I S T R E E T
, L E G A S P I V I L L A G E , B R G Y . S A N L
O R E N Z O , M A K A T I C I T Y 1 1 2 9 , P H I L
I P P I N E S

Form Type

A A F S

Department requiring the report

C R M D

Secondary License Type, If Applicable

N / A

COMPANY INFORMATION

Company's Email Address

legal@solarphilippines.ph

Company's Telephone Number

(02) 8817-2585

Mobile Number

N/A

No. of Stockholders

5

Annual Meeting (Month / Day)

First Monday of May

Fiscal Year (Month / Day)

12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person

Hazel Iris P. Lafuente

Email Address

hazel@solarphilippines.ph

Telephone Number/s

(02) 8817-2585

Mobile Number

09178816684

CONTACT PERSON'S ADDRESS

20th Floor Philamlife Tower, 8767 Paseo de Roxas, Makati City

NOTE 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.
2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.



OCT 16 2020

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
Solar Philippines Power Project Holdings, Inc.
LPL Towers, 112 Legaspi Street
Legaspi Village, Brgy. San Lorenzo, Makati City 1129 Philippines

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the accompanying parent company financial statements of Solar Philippines Power Project Holdings, Inc. (the Parent Company), which comprise the parent company statements of financial position as at December 31, 2019 and 2018, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the parent company as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years ended December 31, 2019 and 2018 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.

OCT 16 2020



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.



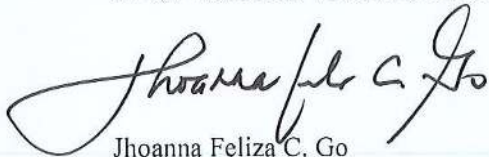
OCT 16 2020



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 16 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 Solar Philippines Power Project Holdings, Inc. 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.

SYCIP GORRES VELAYO & CO.



Jhoanna Feliza C. Go

Partner

CPA Certificate No. 0114122

SEC Accreditation No. 1414-AR-2 (Group A),

October 15, 2019, valid until October 14, 2022

Tax Identification No. 219-674-288

BIR Accreditation No. 08-001998-103-2019,

November 7, 2019, valid until November 6, 2022

PTR No. 8125241, January 7, 2020, Makati City

September 14, 2020



OCT 16 2020



SOLAR PHILIPPINES POWER PROJECT HOLDINGS, INC.
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2019	2018
ASSETS		
Current Assets		
Cash (Note 4)	₱26,939,446	₱1,073,216,060
Due from related parties (Note 10)	938,993,052	2,551,156,858
Other current assets (Note 6)	1,269,655	8,597,339
Total Current Assets	967,202,153	3,632,970,257
Noncurrent Assets		
Investments in subsidiaries (Note 5)	2,950,042,382	687,390,909
Other noncurrent assets (Note 7)	225,493,386	12,321,216
Total Noncurrent Assets	3,175,535,768	699,712,125
TOTAL ASSETS	₱4,142,737,921	₱4,332,682,382
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 8)	₱24,160,228	₱132,300,491
Due to related parties (Note 10)	1,482,837,883	704,855,673
Loans payable (Note 9)	782,500,000	2,000,000,000
Total Current Liabilities	2,289,498,111	2,837,156,164
Equity		
Common stock	100,000,000	100,000,000
Retained earnings	1,753,239,810	1,395,526,218
Total Equity	1,853,239,810	1,495,526,218
TOTAL LIABILITIES AND EQUITY	₱4,142,737,921	₱4,332,682,382

See accompanying Notes to Parent Company Financial Statements.



SOLAR PHILIPPINES POWER PROJECT HOLDINGS, INC.
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2019	2018
INCOME		
Service revenue (Note 10)	₱350,000,000	₱—
Dividend income (Notes 5 and 10)	168,700,000	1,083,000,000
Gain on sale of investment (Note 5)	—	648,100,000
Interest income (Note 4)	121,913	50,843
	518,821,913	1,731,150,843
GENERAL AND ADMINISTRATIVE EXPENSES (Note 11)	(63,352,979)	(143,517,178)
OTHER INCOME (EXPENSES)		
Finance costs (Note 9)	(89,904,026)	(126,453,180)
Foreign exchange losses	(1,177,911)	(23,880)
Miscellaneous income	333,260	13,859
	(90,748,677)	(126,463,201)
INCOME BEFORE INCOME TAX	364,720,257	1,461,170,464
PROVISION FOR CURRENT INCOME TAX (Note 12)	(7,006,665)	—
NET INCOME	357,713,592	—
OTHER COMPREHENSIVE INCOME	—	—
TOTAL COMPREHENSIVE INCOME	₱357,713,592	₱1,461,170,464

See accompanying Notes to Parent Company Financial Statements.



SOLAR PHILIPPINES POWER PROJECT HOLDINGS, INC.
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

	Common Stock	Retained Earnings	Total
Balances at January 1, 2018	₱100,000,000	(₱65,644,246)	₱34,355,754
Total comprehensive income	—	1,461,170,464	1,461,170,464
Balances at December 31, 2018	100,000,000	1,395,526,218	1,495,526,218
Total comprehensive income	—	357,713,592	357,713,592
Balances at December 31, 2019	₱100,000,000	₱1,753,239,810	₱1,853,239,810

See accompanying Notes to Parent Company Financial Statements.



OCT 16 2020
100



SOLAR PHILIPPINES POWER PROJECT HOLDINGS, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2019	2018
CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES		
Net income	₱364,720,257	₱1,461,170,464
Adjustments for:		
Dividend income (Notes 5 and 10)	(168,700,000)	(1,083,000,000)
Finance cost (Note 9)	89,904,026	126,453,180
Unrealized foreign exchange losses	1,177,911	-
Interest income (Note 4)	(121,913)	(50,843)
Gain on sale of investment (Note 5)	-	(648,100,000)
Impairment loss (Note 6)	-	408,743
Operating losses before changes in working capital	286,980,281	(143,118,456)
Increase in:		
Accounts payable and accrued expenses	(104,451,595)	127,321,853
Other current assets	3,525,124	(7,629,366)
Net cash used in operations	186,053,810	(23,425,969)
Interest received	121,913	50,843
Net cash flows from (used in) operating activities	186,175,723	(23,375,126)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Additions to investment in subsidiaries (Note 5)	(37,713,973)	(175,916,029)
Decrease in other noncurrent assets	(32,764,677)	(12,321,216)
Dividend received (Note 5 and 10)	168,700,000	1,083,000,000
Proceeds from sale of investment in subsidiary (Note 5)	-	750,000,000
Net cash flows from (used in) investing activities	98,221,350	1,644,762,755
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Net changes in accounts with related parties	(18,396,417)	(1,402,909,294)
Net proceeds from availment of short-term loan (Notes 9 and 14)	-	970,000,000
Payments of:		
Loans payable (Notes 9 and 14)	(1,217,500,000)	-
Interest paid	(93,599,359)	(127,858,125)
Net cash flows from (used in) financing activities	(1,329,495,776)	(560,767,419)
NET INCREASE (DECREASE) IN CASH	(1,045,098,703)	1,060,620,210
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH	(1,177,911)	-
CASH AT BEGINNING OF YEAR	1,073,216,060	12,595,850
CASH AT END OF YEAR (Note 4)	₱26,939,446	₱1,073,216,060

See accompanying Notes to Parent Company Financial Statements.



OCT 16 2020



SOLAR PHILIPPINES POWER PROJECT HOLDINGS, INC.

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

Solar Philippines Power Project Holdings, Inc. (the Parent Company) was incorporated in the Republic of the Philippines and was registered with the Securities and Exchange Commission (SEC) on April 30, 2014 primarily to invest in, hold, purchase, acquire, lease, contract or otherwise, within the limits allowed by law, any and all real and personal properties of every kind and description whatsoever which the Corporation may deem necessary or appropriate, and to own, hold, operate, improve, develop, manage, grant, lease, sell, exchange or otherwise dispose of the whole or any part thereof; to purchase, or otherwise acquire the stocks, bonds, and other securities or evidence of indebtedness of any other corporation, association, firm or entity, domestic or foreign, and to issue in exchange therefor its own stocks, bonds, or other obligations or to pay therefor in cash, or otherwise; to hold or own, use, sell, issue, deal in, dispose of, and turn to account, any such stocks, warrants, options, bonds, or other securities, and while the owner or holder thereof, to exercise all the rights and powers of ownership including the right to vote thereon for any purpose; to acquire, take over, hold and control all or any part of the business, goodwill, property and other assets, and to assume or undertake the whole or any part of the liabilities and obligations of any person, firm, association, or corporation, whether domestic or foreign, and whether a going concern or not, engaging in or previously engaged in business which the Corporation is or may become authorized to carry on or which may be appropriate or suitable for any and all of the purposes of the Corporation, and to pay for the same in cash or in stocks, bonds or securities of the Corporation or otherwise, and to hold, manage, operate, conduct and dispose of, in any manner, the whole or part of any such acquisition, and to exercise all the powers necessary or convenient for the conduct and management thereof, provided that the Corporation shall not act as dealer and broker of securities.

As of December 31, 2019, the Parent Company's principal office address is LPL Towers, 112 Legaspi Street, Legaspi Village, Brgy. San Lorenzo, Makati City. On January 30, 2020, the Parent Company changed the business address from Unit 2B, LPL Towers, 112 Legaspi Street, Legaspi Village, Brgy. San Lorenzo, Makati City to 20th Philamlife Tower 8767 Paseo De Roxas, Makati City.

The Parent Company financial statements as of and for the years ended December 31, 2019 and 2018 were approved and authorized for issue by the Board of Directors (BODs) on September 14, 2020.

2. Basis of Preparation, Statement of Compliance and Summary of Significant Accounting Policies

Basis of Preparation

The Parent Company financial statements have been prepared using the historical cost basis and are presented in Philippine Peso (₱), which is also the Parent Company's functional currency. All amounts are rounded to the nearest ₱, unless otherwise indicated.

Statement of Compliance

The Parent Company financial statements are prepared in compliance with Philippine Financial Reporting Standards (PFRSs) as issued by the Philippine Financial Reporting Standards Council and adopted by the Philippine SEC.

The Parent Company also prepares and issues consolidated financial statements, which are also presented in compliance with PFRSs, for the same financial year as the Parent Company financial statements. These are filed and may be obtained from the Philippine SEC.



Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Parent Company has adopted the following new accounting pronouncements starting January 1, 2019:

- PFRS 16, *Leases*

PFRS 16 supersedes PAS 17, *Leases*, Philippine Interpretation IFRIC 4, *Determining whether an Arrangement contains a Lease*, Philippine Interpretation SIC-15, *Operating Leases-Incentives* and Philippine Interpretation SIC-27, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases. Therefore, PFRS 16 did not have an impact for leases where the Parent Company is the lessor. This standard has no impact on the financial statements of the Parent Company.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances.

The entity is required to determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and use the approach that better predicts the resolution of the uncertainty. The entity shall assume that the taxation authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If an entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of the uncertainty for each uncertain tax treatment using the method the entity expects to better predict the resolution of the uncertainty.

Upon adoption of the Interpretation, the Parent Company has assessed whether it has any uncertain tax position. The Parent Company applies significant judgement in identifying uncertainties over its income tax treatments. The Parent Company determined, based on its tax compliance review and assessment, and in consultation with its tax counsel, that it is probable that its tax treatments will be accepted by the taxation authorities. Accordingly, the interpretation did not have an impact on the financial statements of the Parent Company.



- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract.

These amendments had no impact on the Parent Company's financial statements.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments had no impact on the financial statements of the Parent Company as it did not have any plan amendments, curtailments, or settlements during the period.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.



These amendments had no impact on the financial statements as the Parent Company does not have long-term interests in its associate and joint venture.

- *Annual Improvements to PFRSs 2015-2017 Cycle*

- Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements, Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.

These amendments had no impact on the financial statements of the Parent Company as there is no transaction where joint control is obtained.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted. These amendments had no impact on the financial statements of the Parent Company.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

These amendments had no impact on the Parent Company's financial statements.



Current versus Non-current Classification

The Parent Company presents assets and liabilities in the Parent Company statements of the financial position based on the current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Parent Company classifies all other liabilities as non-current.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities, respectively.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL).

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Parent Company's business model for managing them. The Parent Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Parent Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Parent Company commits to purchase or sell the asset.



Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

Financial assets at amortized cost (debt instruments)

The Parent Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows, and
- 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.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in the statement of comprehensive income when the asset is derecognized, modified or impaired.

The Parent Company's financial assets at amortized cost are "Cash" (excluding cash on hand) and "Due from related parties" as of December 31, 2019 and 2018.

As of December 31, 2019 and 2018, the Parent Company has no financial assets at FVOCI and FVPL.

Financial liabilities

Loans and borrowings

Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

Loans and borrowings are initially recognized at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, such loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized, as well as through the amortization process.

The Parent Company's loans and borrowing include "Accounts payable and accrued expenses", "Due to related parties" and "Loans payable" as of December 31, 2019 and 2018 (see Notes 8, 9 and 10).

As of December 31, 2019 and 2018, the Parent Company has no financial liabilities at FVPL.



Derecognition of Financial Assets and Liabilities

Financial asset

A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

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

Where the Parent Company has transferred its right to receive cash flows from an asset or has entered into a “pass-through” arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Parent Company’s continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Parent Company could be required to repay.

Financial liability

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Impairment of Financial Assets

The Parent Company applied the expected credit loss (ECL) model on the impairment of its financial assets. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Parent Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Offsetting Financial Instruments

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



Fair Value Measurement

Fair value is the estimated 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 Parent Company's 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 financial statements 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.

Cash

Cash in the statements of financial position comprise cash in banks and on hand which are subject to an insignificant risk of changes in value.

Other Current Assets

Other current assets consist mainly of advances to officers and employees, input value-added tax (VAT) and deferred input VAT. These are expected to be realized and consumed within twelve months after reporting date.



Input VAT

Expenses and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of VAT included

The net amount of VAT recoverable from or payable to, the taxation authority is included as part of "Other current assets" or "Accounts payable and accrued expenses" in the statement of financial position. Subject to the approval of the taxation authority, input VAT can be claimed for refund or as a tax credit for payment of certain types of taxes due from the Parent Company.

Deposit for Land Acquisition (DLA)

Deposit for future land acquisition pertain to deposits and payments made in relation to the acquisition of parcels of land and are stated at cost less any impairment in value.

Impairment of Nonfinancial Assets

The Parent Company assesses at each reporting date whether there is an indication that these nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Parent Company estimates these nonfinancial assets' recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. Impairment losses from continuing operations are recognized in profit or loss.

An assessment is made at each reporting date to determine whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Parent Company makes an estimate of recoverable amount. Any previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Parent Company statements of comprehensive income.

Investment in Subsidiaries

The Parent Company's investments in subsidiaries are accounted for under cost method of accounting. A subsidiary is an entity over the Parent Company has control. Control is achieved when the Parent Company is exposed, or has the rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Investments in subsidiary are carried in the Parent Company's balance sheet at cost less any impairment in value. Dividends received, if any, are recognized as income in profit or loss.



Common Stock

Common stock is measured at par value and is classified as equity for all shares issued. When the Parent Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Subscription Receivable

Subscription receivable represents common stock subscribed and issued by the Parent Company but payment from the shareholders has not yet been received. Subscription receivable is presented as current assets when it is expected to be collected within twelve months after the balance sheet date. Otherwise, this is presented as reduction from equity.

Retained Earnings

The amount included in retained earnings/deficit includes accumulated income (losses) attributable to the Parent Company's stockholders. Retained earnings may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Dividend Income

Dividend income is recognized when the shareholder's right to receive the payment is established.

Interest Income

Interest is recognized as it accrues using the EIR method that uses the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Other Income

Other income is recognized when earned.

Expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants, and are recognized when these are incurred. Costs and expenses are generally recognized when the services are used or the expenses arise.

Income Taxes

Current Income Tax

Current income tax assets and liabilities 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, at the reporting date in the countries where the Parent Company operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Income Tax

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



Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred income tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred income tax asset to be recovered.

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

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in other comprehensive income (OCI) or directly in equity.

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

VAT

Revenues, expenses and assets are recognized net of the amount of VAT, if applicable.

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



Contingencies

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

Events After the Balance Sheet Date

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

New Accounting Standards, Interpretation and Amendments to Existing Standards Effective Subsequent to December 31, 2019

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

Effective beginning on or after January 1, 2020

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

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

These amendments will apply on future business combinations of the Parent Company.

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

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgments.

An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

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



Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

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

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

The core of PFRS 17 is the general model, supplemented by:

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

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

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

Deferred effectivity

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

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

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



3. Significant Accounting Judgments and Estimates

The Parent Company financial statements prepared in accordance with PFRSs require management to make judgments and estimates that affect amounts reported in the financial statements and related notes. The judgments and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Parent Company financial statements. Actual results could differ from such estimates.

Judgments and estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following items are those matters which the Parent Company assess to have significant risks arising from estimation uncertainties:

Determination of Control over an Investee Company

Control is presumed to exist when an investor 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. The Parent Company has established that it has the ability to control its subsidiaries by virtue of either 100% or majority voting interest in the investee companies.

Estimates

Provision for expected credit losses on Cash in Banks and Due from Related Parties

The Parent Company calculates impairment on its financial assets using the ECL model.

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. 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.

No provision for impairment loss on cash in banks and due from related parties was recognized in the statement of comprehensive income for the year ended December 31, 2019. The carrying amount of these financial assets is ₱965.7 million and ₱3,624.1 million as of December 31, 2019 and 2018, respectively. (see Notes 4 and 10).

Estimating Impairment of Investment in Subsidiaries

The Parent Company performs an impairment review on its investments in subsidiaries whenever an impairment indicator exists. This requires an estimation of the value in use of the investments. Estimating the value in use requires the Parent Company to make an estimate of the expected future cash flows of the investments and to make use of a suitable discount rate to calculate the present value of those future cash flows. Management has determined that there are no events or circumstances in that may indicate that the carrying amounts of the investments in shares of stock are not recoverable. Thus, no impairment loss was recognized in 2019 and 2018. The carrying amount of investment in subsidiaries amounted to ₱2,950.0 million and ₱687.4 million as of December 31, 2019 and 2018, respectively (see Note 5).



Estimating Impairment of Nonfinancial Assets

The Parent Company assesses impairment on its nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Parent Company considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of assets in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For impairment loss on specific assets, the recoverable amount represents the fair value less costs to sell.

The carrying value of advances to suppliers and input VAT amounted to nil and ₱17.1 million as of December 31, 2019 and 2018, respectively (see Notes 6 and 7).

Estimating the Realizability of Deferred Income Tax Assets

Deferred income tax asset is recognized for all deductible temporary differences to the extent that it is probable that sufficient future taxable income will be available in the future against which the deductible temporary differences can be utilized. Significant management estimate is required to determine the amount of deferred income tax asset that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies. The Parent Company did not recognize deferred income tax asset on carryforward benefits of unused net operating loss carryover (NOLCO) and excess MCIT amounting to ₱40.5 million and ₱236.0 million as of December 31, 2019 and 2018, respectively (see Note 12).

4. Cash

	2019	2018
Cash in banks	₱26,675,826	₱1,072,952,440
Cash on hand	263,620	263,620
	₱26,939,446	₱1,073,216,060

Cash in bank earns interest at the prevailing bank deposit rates. Total interest income earned from cash in banks amounted to ₱0.1 million for the years ended December 31, 2019 and 2018.



5. Investment in Subsidiaries

The following is a list of the companies on which the Parent Company has control:

	Percentage of Voting Interest	
	2019	2018
Solar Philippines Calatagan Corporation (SPCC) ²	62	62
Solar Philippines Tanauan Corporation (SP Tanuan)	100	100
Solar Philippines Retail Electricity, Inc. (SP Retail Electricity) ¹	100	100
Solar Philippines Module Manufacturing Corporation (SPMMC)	100	100
Solar Philippines Rooftop Corporation (SPRC) ³	100	100
Solar Philippines Renewable Energy Projects, Inc. (SP Renewable) ¹	100	100
Solar Philippines Tarlac Corporation (SP Tarlac) ¹	100	100
Solar Philippines Tagoloan Corporation (SP Tagoloan) ¹	100	100
Solar Philippines Talingaan Corporation (SP Talingaan) ¹	100	100
Solar Philippines Zambales Corporation (SP Zambales) ¹	100	100
Solar Philippines City Mall Corporation (SP City Mall) ¹	100	100
Solar Philippines Seaside Mall Corporation (SP Sea Side Mall) ¹	100	100
Solar Philippines Naic Corporation (SP Naic) ¹	100	100
Solar Philippines Nueva Ecija Corporation (SP Nueva Ecija) ¹	100	100
Solar Philippines Palawan Corporation (SP Palawan) ¹	100	100
Solar Philippines Central Luzon Corporation (SP Central Luzon) ¹	100	100
Solar Philippines San Rafael Corporation (SP San Rafael) ¹	100	100
Solar Philippines Bulacan Corporation (SP Bulacan) ¹	100	100
Solar Philippines Mindoro Corporation (SP Mindoro) ¹	100	100
Solar Philippines Batangas Corporation (SP Batangas) ¹	100	100
Solar Philippines Visayas Corporation (SP Visayas) ¹	100	100
Solar Philippines Island Power Corporation (SP Island Power) ¹	100	100
Solar Philippines South Luzon Corporation (SP South Luzon) ¹	100	100
Solar Philippines Cavite Corporation (SP Cavite) ¹	100	100
Solar Philippines Biga Corporation (SP Biga) ¹	100	100
Solar Philippines Systems Manufacturing Corporation (SP Systems) ¹	100	100
Solar Asia Project Holdings Pte. Ltd. (Solar Asia) ⁴	100	100
PT Solar Indonesia Power Projects ⁶	100	—
Solar Myanmar Global Power Projects Limited ⁶	100	—
SPPPH Solar India Projects Private Limited ⁶	100	—
Solar Vietnam Limited Liability Company ⁶	100	—
Solar Africa Project Holdings (Solar Africa) ^{4,5}	100	—
SP Solar Kenya Limited ^{5,6}	100	—
Solar Nigeria for the People Limited ^{5,6}	100	—

¹Has not yet started commercial operations as of December 31, 2019

²Economic interest is 100% after dividend to preferred stock

³Changed corporate name in 2019 from Solar Philippines Island Corporation

⁴Serves as an investment holding company

⁵Newly established entities in 2019

⁶The Parent Company has 100% indirect interest

Details of investment in subsidiaries are as follows:

	2019	2018
SP Tarlac	₱2,224,999,995	₱62,495
SPCC	499,099,995	499,099,995
SP Tanuan	175,853,495	175,853,495
Solar Asia	37,191,012	39
SP Retail Electricity	10,999,995	10,999,995
Solar Africa	523,000	—

(Forward)



	2019	2018
SPRC	₱62,495	₱62,495
SP Renewable	62,495	62,495
SPMMC	62,495	62,495
SP Tagoloan	62,495	62,495
SP Talingaan	62,495	62,495
SP Zambales	62,495	62,495
SP Citymall	62,495	62,495
SP Seaside Mall	62,495	62,495
SP Naic	62,495	62,495
SP Nueva Ecija	62,495	62,495
SP Palawan	62,495	62,495
SP Central Luzon	62,495	62,495
SP San Rafael	62,495	62,495
SP Bulacan	62,495	62,495
SP Mindoro	62,495	62,495
SP Batangas	62,495	62,495
SP Visayas	62,495	62,495
SP Island Power	62,495	62,495
SP South Luzon	62,495	62,495
SP Cavite	62,495	62,495
SP Biga	62,495	62,495
SP Systems	62,495	62,495
	₱2,950,042,382	₱687,390,909

As of December 31, 2019 and 2018, the Parent Company has unpaid subscription price amounting to ₱37.5 million to its subsidiaries.

SPCC

On August 26, 2015, SPCC was registered with the Board of Investments (BOI). The certifications from the registration serves as the basis of entitlement to incentives under Republic Act No. 9513, otherwise known as the Renewable Energy Act of 2008, which includes an income tax holiday (ITH) benefit for a period of seven (7) years from the start of its commercial operation, duty-free importation of machineries for ten (10) years, and zero percent (0%) VAT among others.

The Calatagan Solar Power Project (Calatagan Project) is a 63.3 megawatt (MW) solar photovoltaic (PV) facility situated in the Municipality of Calatagan, Province of Batangas occupying a total Project Land area of 105.8 hectares with over 200,000 solar panels and 828 inverters. SPCC commenced the construction of the Calatagan Project on September 12, 2015 and started commercial operations on March 11, 2016.

Based on the requirements of BOI, SPCC must comply with the following:

- Minimum total stockholder's equity of at least 25% of total project costs.
- Minimum production of 87.7 mWh and minimum revenue amounting to ₱777.4 million during the second year of operations which is 2017.
- Minimum production of 87.4 mWh and minimum revenue amounting to ₱789.6 million during the third year of operations which is 2018.

As of December 31, 2019 and 2018, SPCC is compliant with the above requirements.



On March 14, 2016, the Energy Regulatory Commission (ERC) awarded SPCC the Feed-in-Tariff (FIT) Certificate of Compliance (COC), which entitles SPCC to a base FIT rate of ₱8.69 per kWh for 20 years.

On September 8, 2017, the Parent Company transferred cash amounting to ₱600.0 million to SPCC for future subscription of 600.0 million common stocks at par value of ₱1.0 per stock.

On December 27, 2017, SPCC filed its application for the approval of the proposed increase in authorized capital stock with SEC. In compliance with the SEC, SPCC classified the deposit for future stock subscriptions under equity as of December 31, 2017.

On January 18, 2018, the SEC approved the SPCC's increase in authorized capital stock from ₱1.0 billion divided into 1.0 billion common stocks with par value of ₱1 per stock to ₱1.2 billion divided into 1.2 billion common stocks with a par value of ₱1 per stock. Subsequently, SPCC converted its advances from the Parent Company amounting to ₱600.0 million into ₱600.0 million common stocks amounting to ₱600.0 million with par value of ₱1 per stock. On the same date, the SEC approved the amendment of Article VII of SPCC's articles of incorporation effecting the increase in authorized capital stock.

On November 27, 2018, SPCC filed with SEC application for the amendment of its article of incorporation for the proposed capital restructuring. On November 28, 2018, the SEC approved the amendment of the Article VII of the SPCC's articles of incorporation effecting the capital restructuring such that SPCC's authorized capital stock of ₱1.2 billion is divided from the original of ₱1.2 billion common stock with par value of ₱1 per stock into ₱305.9 million convertible preferred stock with a par value of ₱1 per convertible stock and 894.1 million common stock with a par value of ₱1 per stock.

Subsequently, 101.9 million common stock out of the 600.0 million common stock held by the Parent Company were converted into preferred stock.

Preferred stocks have the following features:

- (a) Voting and nonparticipating
- (b) Entitled to annual cumulative dividend of ₱0.8 per preferred stock until December 31, 2035, subject to the availability of retained earnings and approval of BOD
- (c) Has preference in the payment of dividends over common stocks
- (d) Convertible to common stock at the ratio of 1:1 (i) at the option of the holder until December 31, 2021 which shall be extended to December 31, 2022, subject to certain conditions agreed by the stockholders (ii) at the option of SPCC after December 31, 2035, provided all dividends to preferred stocks have been paid

From the 600.0 million issued and outstanding common stock, 499.1 million common stock were issued and outstanding as of December 31, 2018.

On October 16, 2018, the SPCC and the Parent Company entered into a Share Subscription Agreement and a Share Purchase Agreement, respectively, with KEPCO Philippines Holdings, Inc. (KPHI), a corporation organized in the Republic of the Philippines, which resulted KPHI owning ₱305.9 million in voting preferred stock of SPCC and gives KPHI 38% voting interest. As of December 31, 2018, the voting interest of SPPPHI and KPHI is 62% and 38%, respectively.



On December 21, 2018, KPHI purchased 101.9 million shares of preferred stock of SPCC from the Parent Company at a consideration of ₱750.0 million in relation to Share Purchase Agreement dated October 16, 2018. The Parent Company recognized a total gain on sale of investment amounting to ₱648.1 million.

On May 28, 2019, SPCC's BOD declared dividends to its common and preferred stockholders of record as of April 30, 2019 amounting to ₱90.7 million and ₱257.9 million, respectively (see Note 10). Further, on October 22, 2019, SPCC's BOD declared dividends to its common and preferred stockholders of record as of September 30, 2019 amounting to ₱78.0 million and ₱107.0 million, respectively (see Note 10).

On February 26, 2020, SPCC's BOD approved the declaration of cash dividends to its common and preferred stockholders of record as of December 31, 2019 amounting to ₱59.2 million for common stock, and ₱64.2 million for preferred stock or a total amount of ₱123.4 million. The dividends were paid to common and preferred stockholders on February 27, 2020 and March 5, 2020, respectively.

On May 27, 2020, SPCC's BOD approved the declaration of cash dividends to its common and preferred stockholders of record as of April 30, 2020 amounting to ₱105.8 million for common stock, and ₱85.6 million for preferred stock or a total amount of ₱191.4 million. The dividends amounting to ₱98.4 million for common stock and ₱85.6 million for preferred stock were paid on May 28, 2020. The dividend amounting to ₱7.4 million for common stock was paid on June 25, 2020.

SPMMC

SPMMC is primarily engaged in the business of manufacturing, production, assembly, sub-contracting, export, import, purchase, sale and distribution of any good forms, or merchandise which may be the object of commerce such as but not limited to solar panels or photovoltaic modules; to market, distribute and sell the same either wholesale or retail, both locally or internationally; to own and operate manufacturing lines and import equipment and materials; and to perform other activities which are ancillary and/or incidental thereto.

On October 28, 2016, SPMMC was accredited by the Department of Energy (DOE), with accreditation no.: RE-SW2016-10-009-00, as fabricator and supplier of locally-produced solar and wind energy equipment and components which shall serve as the basis of entitlement of incentives of SPMMC pursuant to the provisions of Republic Act No. 9513, otherwise known as Renewable Energy Act of 2008.

On November 14, 2016, SPMMC registered with the BOI as fabricator and supplier of locally-produced solar energy equipment and components under the 2014 IPP on non-pioneer status under the Omnibus Investments Code of 1987. These certifications served as the basis of entitlement to incentives under Republic Act No. 9513, otherwise known as the Renewable Energy Act of 2008, which includes an income tax holiday (ITH) for a period of seven (7) years from the date of recognition/accreditation, zero-percent (0%) value added tax, duty free importation of machineries, and tax credit on domestic capital components, parts and materials.

On April 17, 2017, SPMMC started its commercial operations.

SPRC

SPRC was incorporated to construct, erect, assemble, commission, operate and maintain power-generating plants, installations, shops, laboratories, pipelines, repair shops, electrical works, power houses, warehouses, terminals and related facilities for the conversion of renewable energy into usable form fit for electricity generation and distribution and to perform other ancillary and incidental activities as may be provided by and under contract with the Government of the Republic of the



Philippines, or any subdivision, instrumentality or agency thereof, or any government-owned and controlled corporation, or other entity engaged in the development, supply and distribution of renewable energy.

On November 4, 2019, the BOD and the stockholders of SPRC approved a resolution to change the corporate name from Solar Philippines Island Corporation to Solar Philippines Rooftop Corporation.

Engineering, Procurement and Construction (EPC) Agreements

On March 6, 2018, SPRC entered into an EPC agreement with Sunwest Water & Electric Company, Inc. (SUWECO) for the construction and development, installation, testing, and commissioning, operation and maintenance of a 7.5 Mega Watts power (MWp) Solar Storage Hybrid Power Plant, with all its auxiliaries and/or components in Brgy. Tumingad, Odiongan, Romblon, Philippines. However, SPRC and SUWECO mutually agreed to rescind the contract.

In December 2018, the EPC agreement with SUWECO was terminated by both parties. On January 31, 2019, a new EPC agreement with SUWECO Tablas Energy Corporation (STEC) was executed for the Project.

On October 23, 2018, SPRC entered into five (5) EPC agreements with RLC for the design, engineering, procurement of components for, and construction of PS for the following project sites:

Subject Mall	Location	Contract Price (in million)	Capacity (MWp)
Robinsons Place Santiago	Santiago, Isabela	₱96.6	2.1
Robinsons Place Gensan	Lagao, General Santos	67.2	1.5
Robinsons Place Naga	Naga, Camarines Sur	61.2	1.3
Robinsons Place Tacloban	Marasbaras, Tacloban	38.9	0.8
Robinsons Place Antique	San Jose de Buenavista, Antique	27.0	0.5

The expected turnover dates of the project are on March 23, 2019. However, as of December 31, 2019, the projects are not yet completed due to delays on both parties.

Photovoltaic System Sales Agreement (PVSA)

In 2018, SPRC entered into various PVSA with residential customers. SPRC intends to design, procure components for, and construct photovoltaic systems (PS) on the rooftops of residential customers.

SP Tarlac

On August 15, 2017, Solar Philippines Commercial Rooftop Projects, Inc. (SPCRPI), an affiliate of SP Tarlac, was awarded SESC No. 2017-07-442 for the exclusive right to explore and develop the Concepcion 1 Solar Power Project (the Tarlac Project), respectively, wherein the SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Concepcion, Tarlac. On September 27, 2017, SPCRPI executed Deed of Assignment transferring all his rights and obligations to SP Tarlac. On October 6, 2017, the DOE acknowledged and approved the Deed of Assignment between SPCRPI and SP Tarlac. Further, on that same day, the DOE issued and approved a new COR under the name of SP Tarlac which recognizes SP Tarlac as an RE developer. On October 20, 2017, SP Tarlac was able to issue its Declaration of Commerciality stating the commercial viability of the Project and which was confirmed and approved by the DOE through issuing its Confirmation of Commerciality on December 6, 2017.



On November 25, 2019, SP Tarlac has presented for filing its application with SEC for increase in authorized capital stock from ₱1.0 million divided into 1.0 million common stocks with par value of ₱1.0 per stock to ₱2,225.0 million divided into 2,225.0 million common stocks with par value of ₱1.0 per stock.

On December 27, 2019, the SEC requested additional documents for the SP Tarlac's application. On June 8, 2020, SP Tarlac has submitted the necessary documents. On July 30, 2020, SEC has approved the increase in authorized capital stock.

In August 2020, SP Tarlac applied to the SEC for the increase in authorized capital stock from ₱2,225.0 million divided into 2,225.0 million common stocks with par value of ₱1.0 per stock to ₱3,725.0 million divided into 2,225.0 million common stocks with par value of ₱1.0 per stock and into 1,500.0 million preferred stocks with par value of ₱1.0 per stock. On August 18, 2020, the SEC has approved the increase in authorized capital stock.

Investment Agreement (IA) between SP Tarlac and Prime Metro Power Holdings Corporation (PMPH)

On June 4, 2020, SP Tarlac and PMPH entered into an IA where, subject to the required consents and approval, SP Tarlac shall create and PMPH shall subscribed to redeemable preferred shares with an option to convert to common shares for a maximum amount of ₱1,500.0 million. In July and August 2020, SP Tarlac has received a total amount of ₱1,000.0 million from the said investment.

Power Supply Agreement (PSA) between SP Tarlac and Manila Electric Company (MERALCO)

A letter of notice dated August 25, 2017 was received from MERALCO awarding the PSA to SP Tarlac. SP Tarlac and MERALCO then jointly requested for the approval of the PSA from the Energy Regulatory Commission (ERC) on October 19, 2017 docketed as ERC Case No. 2017-094 RC, with a motion for confidential treatment of information. The ERC provisionally approved the PSA joint application for 85 megawatt (MW) at a price of ₱2.9999 per kWh (the Contract Price) on February 20, 2018, which coincides with the commencement date of the PSA. The PSA, subject to certain provisions, shall be in effect for a period of 20 years from the commencement date.

Based on the provisions of the PSA on replacement energy, since the commencement date occurred prior to the commercial operation date, and SP Tarlac failed to supply the agreed volume in megawatt-hour (MWh) upon commencement date, MERALCO was deemed to have sourced the replacement energy in mWh from the Wholesale Electricity Spot Market (WESM), subject to reimbursement by SP Tarlac of the difference between actual WESM price and the Contract Price.

On March 4, 2019, SP Tarlac received the final approval from the ERC dated January 23, 2019 allowing the 2% annual escalation of the Contract Price under the PSA.

SP Tanauan

On February 9, 2017, SPCRPI was awarded Solar Energy Service Contract (SESC) No. 2017-02-363 for the exclusive right to explore and develop the Calamba-Tanauan Solar Power Project (the Calamba-Tanauan Project), respectively, wherein the SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Calamba, Laguna and Tanauan, Batangas. On September 12, 2016, SPCRPI executed Deed of Assignment transferring all his rights and obligations to SP Tanauan. On February 23, 2017, the DOE acknowledged and approved the Deed of Assignment between SPCRPI and SP Tanauan. Further, on that same day, the DOE issued and approved a new Certificate of Registration (COR) under the name of SP Tanauan which recognizes SP Tanauan as a Renewable Energy (RE) developer. On December 22, 2016, SP Tanauan entered into a 20-year PSA with MERALCO.



PSA between SP Tanauan and MERALCO

On December 22, 2016, MERALCO awarded the PSA to SP Tanauan through a letter of notice dated December 14, 2016, after undergoing a rigorous competitive selection process.

In accordance with the PSA, SP Tanauan intends to construct, own, operate, manage and maintain solar energy power plants in Tanauan, Batangas (site 1) and Naic, Cavite (site 2). Each generation facility shall be capable of supplying at least 25 MW AC or a total of 50 MW AC from the solar photovoltaic panels. The obligations of SP Tanauan and MERALCO with respect to the sale and purchase of the power shall be for a duration of twenty (20) years from commercial operations date, determined separately for each plant.

On February 23, 2018, SP Tanauan received a copy of the ERC order dated November 28, 2017 granting interim relief for the parties, allowing both parties to implement the PSA, subject to the issuance of a final approval. As of August 5, 2019, SP Tanauan is still awaiting for the final approval from ERC, hence, SP Tanauan has not yet commenced commercial operations.

On February 7, 2019, SP Tanauan submitted its request for Declaration of Commerciality with the DOE. On September 11, 2020, SP Tanauan has conformed with MERALCO through joint certification that the occurrence of commencement date is on September 11, 2020.

As of September 14, 2020, SP Tanauan is yet to achieve its commercial operation date and is waiting for response from the DOE regarding SP Tanauan's request on declaration of commerciality.

Solar Asia

Solar Asia is a holding company incorporated on January 4, 2018 and registered in the Republic of Singapore. The following entities are the wholly owned subsidiaries of Solar Asia.

- PT Solar Indonesia Power Projects was incorporated on August 31, 2018 to lease activities without options for industrial machinery and equipment. The entity has two (2) projects on-going for feasibility studies: Bali West 25 megawatt, alternating current (MWac) Solar IPP and Bali East 25 MWac Solar IPP. As of September 14, 2020, the entity has not yet started its commercial operations.
- Solar Myanmar Global Power Projects Limited was incorporated on July 11, 2018. The entity commenced the construction for the Win Bo 59 kWp Mini-Grid Project in Win Bo Village, Myanmar. The entity was granted a subsidy from the government of Myanmar under its National Electrification Program (up to 60% of the acceptable project cost). As of September 14, 2020, the entity has not yet started its commercial operations.
- SPPPH Solar India Projects Private Limited was incorporated on December 19, 2018. In 2019, the entity has participated in a bidding for a project for 50 MWac Solar PV Power plants in various locations in Maharashtra, India. As of December 31, 2019, SPPPH Solar India Projects Private Limited is waiting for its letter of award for the project bidding and has not yet commenced its operation.
- Solar Vietnam Limited Liability Company was incorporated on February 21, 2019 to install rooftop solar system on the basic fee and contract, install electrical system for the works, construct of other civil engineering, repair and maintenance of solar equipment on the basic fee and contract, service management consultancy and other services relating to management consultancy and, carry out the right to export, the right to import, the right to wholesale



distribution of goods in accordance with the country's law. As of September 14, 2020, the entity has not yet started its commercial operations.

Solar Africa

On January 22, 2019, Solar Africa was incorporated and registered with the Corporate and Business Registration Department at Port Louis, Mauritius. Solar Africa serves as a holdings company for the Parent Company. The following entities are the wholly owned subsidiaries of Solar Africa.

- SP Solar Kenya Limited was incorporated on February 17, 2019. The entity has a pipeline solar hybrid project with a capacity of 130 kWp in Ngurumani, Kenya. As of September 14, 2020, the entity has not yet started its commercial operations.
- Solar Nigeria for the People Limited was incorporated on February 19, 2019. The entity has a pipeline solar hybrid project with a capacity of 224 kWp in Ode Omi, Nigeria. As of September 14, 2020, the entity has not yet started its commercial operations.

SP Nueva Ecija

On August 22, 2017, SPCRPI was awarded SESC No. 2017-06-404 for the exclusive right to explore and develop the Sta. Rosa Nueva Ecija 2 Solar Power Project (the Nueva Ecija Project), respectively, wherein the SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Santa Rosa, Penaranda and San Leonardo, Nueva Ecija. On December 29, 2017, SPCRPI executed Deed of Assignment transferring all his rights and obligations to SP Nueva Ecija. On February 23, 2018, the DOE acknowledged and approved the Deed of Assignment between SPCRPI and SP Nueva Ecija. Further, on that same day, the DOE issued and approved a new COR under the name of SP Nueva Ecija which recognizes SP Nueva Ecija as an RE developer. As of September 14, 2020, SP Nueva Ecija has not yet commenced construction of the project and has not yet commenced commercial operations.

SP Tagoloan

On June 26, 2015, SPCRPI, was awarded SESC No. 2015-06-236 for the exclusive right to explore and develop the Tagoloan Solar Power Project (the Tagoloan Project), respectively, wherein the SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Tagoloan, Misamis Oriental. On September 6, 2016, SPCRPI executed Deed of Assignment transferring all his rights and obligations to SP Tagoloan. On March 13, 2016, the DOE acknowledged and approved the Deed of Assignment between SPCRPI and SP Tagoloan. Further, on that same day, the DOE issued and approved a new COR under the name of SP Tagoloan which recognizes SP Tagoloan as an RE developer.

As of September 14, 2020, SP Tagoloan is still in the process of obtaining the Confirmation of Commerciality from the DOE.

SP South Luzon

On December 20, 2019, SP South Luzon was awarded Solar Energy Service Contract (SESC) No.2019-10-531 by the Department of Energy (DOE) for the exclusive right to explore and develop the Binangonan and Cardona, Rizal and Laguna de Bay Solar Power Project. SP South Luzon shall undertake exploration, assessment, harnessing, piloting and other studies of Solar Energy resources in Province of Rizal and Laguna de Bay. The SESC allows for two (2) years non-extendable term for pre-development within which SP South Luzon should be able to declare commerciality.

In 2019, the Laguna Lake Development Authority (LLDA) has allowed SP South Luzon to conduct the Cardona Floating Solar Pilot Project which aims to determine the feasibility of adopting a solar technology/system in Laguna de Bay.



SP Visayas

On December 27, 2019, SP Visayas, was awarded Solar Energy Service Contract (SESC) No. 2019-05-512 for the exclusive right to explore and develop the Kananga-Ormoc Solar Power Project (the Project), wherein SP Visayas shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Kananga and Ormoc City, Leyte. Further, on that same day, the DOE issued and approved a COR) under the name of SP Visayas which recognizes SP Visayas as a RE developer.

6. Other Current Assets

	2019	2018
Advances to officers and employees	1,031,297	949,233
Deferred input VAT	27,409	3,083,804
Input VAT	–	4,818,855
Others	210,949	154,190
	1,269,655	9,006,082
Less allowance for impairment loss on advances to officers and employees	–	408,743
	₱1,269,655	₱8,597,339

7. Other Noncurrent Assets

	2019	2018
Deposit for land acquisition	₱217,883,202	₱–
Cash bond deposit	2,271,875	–
Others	5,338,309	12,321,216
	₱225,493,386	₱12,321,216

Deposit for land acquisition

In 2019, the Parent Company entered into Contracts to Sell with various landowners for the acquisition of parcels of land located in various locations. The execution of DOAs and TCTs shall only be made upon full payment of the purchase price of the parcels of land. In 2019, various Contracts to Sell (CTS) entered into by the subsidiaries totaling ₱180.4 million, were assigned to the Parent Company. These CTS covers parcels of land located in Nueva Ecija, Bulacan and Batangas (see Note 10).

Prepaid Rent

In 2016, the Parent Company entered into a contract of lease with a landowner in Brgy, Las Pinas, Penaranda, Nueva Ecija, with the Parent Company as the lessee. It was agreed that prior to the commencement of the lease, the Parent Company must accomplish due diligence and submit to the lessor written notice for the commencement date of the lease. It was further agreed that the Parent Company may gain access to the property prior commencement date upon payment of gratuity fee of one peso per square meter. These payments shall be credited pro-rata to the first year of rent when the lease commencement date occurs. As of December 31, 2019, the Parent Company has yet to accomplish its due diligence and the lease has not yet commenced. Therefore, PFRS 16 has no impact yet for the said lease agreement. The Parent Company's prepaid rent amounting to ₱5.3 million as of December 31, 2019.



8. Accounts Payable and Accrued Expenses

	2019	2018
Accounts payable	16,714,781	30,109,417
VAT Payable	5,968,016	–
Accrued interest (Note 10)	739,028	4,434,361
Capital gains tax payable	–	97,215,000
Others	738,403	541,713
	₱24,160,228	₱132,300,491

Accounts payable consist of amounts unpaid for professional services incurred during the year.

9. Loans Payable

This account consists of short-term loans as follows:

	2019	2018
₱1.0 billion short-term loan [Philippines Business Bank (PBB)]	₱782,500,000	₱1,000,000,000
₱1.0 billion short-term loan (KPHI)	–	1,000,000,000
	₱782,500,000	₱2,000,000,000

₱1.0 billion short-term loan (PBB)

On September 8, 2017, the Parent Company obtained a short-term loan facility amounting to ₱1.0 billion from PBB. The short-term loan facility has a tenor of one year maturing on September 10, 2018 and has an interest rate of 8.5% payable on annual basis. As of December 31, 2019, the carrying value of short-term loan facility amounted to ₱782.5 million. In 2019 and 2018, interest expense charged to “Finance cost” amounted to ₱62.8 million and ₱86.4 million, respectively.

In 2019, PBB extends the maturity date of the short-term loan facility until October 9, 2020.

₱1.0 billion short-term loan (KPHI)

On July 16, 2018, the Parent Company obtained a short-term loan facility amounting to ₱1.0 billion from KPHI. The short-term loan facility has a tenor of one year maturing on January 15, 2019 and has an interest rate of 8.5% payable on annual basis.

In 2019 and 2018, interest expense costs charged to “Finance cost” amounted to ₱26.2 million and ₱39.3 million, respectively.

In 2019, the Parent Company paid additional charges for late payment recognized under “Finance cost” amounted to ₱0.9 million

In 2019, the Parent Company fully settled the principal and interest of the loan.



10. Related Party Transactions

The Parent Company, in its regular conduct of business, has entered into transactions with related parties. Parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, the parties are subject to common control or the party is an associate or a joint venture.

Affiliates are related entities of the Parent Company by virtue of common ownership and representation to management where significant influence is apparent.

Except as indicated, otherwise, the outstanding accounts with related parties shall be settled in cash.

- a. The Parent Company's outstanding balance arising from advances with related parties are as follows:

	Nature of Transaction	Terms	Transactions during the year		Outstanding balance as of December 31	
			2019	2018	2019	2018
Due from related parties:						
Subsidiaries						
		Unsecured and will be settled in cash				
SPMMC	Interest-free advances		₱467,866,939	₱501,764,171	₱532,775,554	₱1,205,119,967
SP Tarlac	Interest-free advances	-do-	1,892,742,864	415,341,575	130,971,744	511,795,978
SP Tagoloan	Interest-free advances	-do-	6,277,832	40,650,753	96,252,730	89,979,088
Solar Asia	Interest-free advances	-do-	26,196,344	23,719,252	49,915,597	23,719,252
SPRC	Interest-free advances	-do-	33,764,576	(19,858)	33,764,576	—
Solar Africa	Interest-free advances	-do-	16,523,449	—	16,000,449	—
SP Nueva Ecija	Interest-free advances	-do-	—	10,067,019	10,667,612	44,019,314
SP Bulacan	Interest-free advances	-do-	68,851,371	33,794,974	9,955,644	78,056,264
SP South Luzon	Interest-free advances	-do-	4,336,528	281,811	4,691,996	355,468
SP Palawan	Interest-free advances	-do-	1,955,248	4,075,294	4,311,197	6,266,445
SP Zambales	Interest-free advances	-do-	1,181,846	56,707	1,408,314	226,468
SP Naic	Interest-free advances	-do-	280,065	72,841	870,516	590,451
SP Central Luzon	Interest-free advances	-do-	481,292	47,219	528,511	47,219
SP San Rafael	Interest-free advances	-do-	395,092	56,512	501,658	106,566
SP City Mall	Interest-free advances	-do-	44,742	54,101	266,779	222,037
SP Batangas	Interest-free advances	-do-	80,366	139,401	246,125	165,759
SP Talingaan	Interest-free advances	-do-	44,742	56,382	173,201	128,459
SP Seaside Mall	Interest-free advances	-do-	44,742	54,271	160,228	115,486
SP Mindoro	Interest-free advances	-do-	44,742	55,060	138,293	93,551
SP Renewable	Interest-free advances	-do-	3,086,240	47,032	130,444	135,356
SP Visayas	Interest-free advances	-do-	44,742	37,763	118,587	73,845
(Forward)						



	Nature of Transaction	Terms	Transactions during the year		Outstanding balance as of December 31	
			2019	2018	2019	2018
SP Island Power	Interest-free advances	-do-	₱12,020	₱61,328	₱93,206	₱81,186
SP Biga	Interest-free advances	-do-	44,842	45,702	90,544	45,702
Due from related parties:						
<i>Subsidiaries</i>						
SP Cavite	Interest-free advances	-do-	1,885	54,621	85,869	83,984
SP Systems	Interest-free advances	-do-	44,852	22,917	67,769	22,917
SP Tanauan	Interest-free advances	-do-	—	54,445,205	—	62,019,147
<i>Entities under common control</i>						
Solar Para Sa Bayan Corporation (SPSBC)	Interest-free advances	-do-	156,608,678	171,435,275	41,621,671	—
Solar Maintenance Services Corporation (SMSC)	Interest-free advances	-do-	2,405,413	6,908,824	3,184,238	6,908,824
SPCRPI	Interest-free advances	-do-	—	(141,590,366)	—	520,778,125
					₱938,993,052	₱2,551,156,858

Due to related parties:

Subsidiaries

		Unsecured and will be settled in cash				
SPCC	Interest-free advances		₱—	(₱92,385,612)	₱77,008,958	₱78,962,355
SP Tarlac	Interest-free advances	-do-	59,469,183	(9,214,419)	59,469,183	—
SP Tanauan	Interest-free advances	-do-	5,545,090	1,631,281	36,380,984	—
SP Retail Electricity	Interest-free advances	-do-	—	—	9,849,967	9,977,310
SPRC	Interest-free advances	-do-	—	248,808,413	—	248,808,413
<i>Entities under common control</i>						
Stockholder	Interest-free advances	-do-	322,645,198	(508,200,684)	682,560,315	359,915,117
SPCRPI	Interest-free advances	-do-	617,488,215	(365,771,495)	617,488,215	—
Temple and Grove Realty Inc.	Interest-free advances	-do-	80,261	—	80,261	—
SPSBC	Interest-free advances	-do-	—	7,192,480	—	7,192,478
					₱1,482,837,883	₱704,855,673

- b. On August 14, 2020, the BOD authorized the declaration of stock dividends to all the Parent Company's stockholder amounting to ₱1,750.0 million or 1,750.0 million common shares with par value of ₱1.00 from its unrestricted retained earnings as of December 31, 2019, which will use as subscription for the increase of authorized capital stock (see Note 15).
- c. On October 22, 2019 and May 28, 2019, SPCC declared cash dividends amounting to ₱78.0 million and ₱90.7 million, respectively, to the Parent Company (see Note 5).
- d. On October 31, 2019, the Parent Company entered Project Development Service Agreement with SPSBC for the following primary scope of services provided (a) Business Plan; (b) Site Identification; (c) Government and community relations; (d) Commercial discussions with potential customers; and (e) Other services related to the project development of the Parent Company. Development fee amounting to ₱150.0 million exclusive of VAT is recognized under



- e. On April 24, 2019, the Parent Company entered into Service Agreement with the SP Tarlac for aggregation, locating and processing for the acquisition and conversion of the 90 hectares portion of Tarlac 1A Project land for a contract price of ₱200.0 million.
- f. In 2019, the Parent Company was assigned to various Contracts to Sell amounted to ₱180.4 million from its subsidiaries since the management assessed that the said parcels of land are to be subsequently acquired by the Parent Company (see Note 7).
- g. The Parent Company did not employ any personnel in 2019 and 2018. The administrative and finance functions of the Parent Company are being handled by SPCRPI, an affiliate.

11. General and Administrative Expenses

The details of general and administrative expenses in 2019 and 2018 are as follows:

	2019	2018
Software subscription	₱22,585,712	₱—
Professional fees	14,656,712	29,699,155
Taxes and licenses	7,318,420	103,697,695
Outsourcing expense	4,267,440	5,582,966
Representation expense	3,824,901	70,620
Transportation and accommodation	2,607,593	1,961,653
Rent expenses	1,252,461	—
Impairment losses	—	408,743
Others	6,839,740	2,096,346
	₱63,352,979	₱143,517,178

12. Income Tax

The provision for current income tax in 2019 and 2018 represents minimum corporate income tax (MCIT) and regular corporate income tax (RCIT), respectively.

The reconciliation of income tax at statutory income rate to the effective income tax is as follows:

	2019	2018
Income tax at statutory income tax rate	₱109,416,077	₱438,351,139
Adjustments for:		
Movement in unrecognized deferred income tax assets	(53,752,178)	51,180,601
Nontaxable dividend income	(50,610,000)	(324,900,000)
Nondeductible expenses	1,991,778	29,321,061
Interest income subject to final tax	(39,012)	(15,253)
Gain subject to capital gains tax	—	(194,430,000)
Expired NOLCO	—	492,452
	₱7,006,665	₱—



As of December 31, 2019 and 2018, the Parent Company has excess MCIT and carryover NOLCO for which no deferred income tax asset has been recognized as follows:

Year incurred	Year of expiration	MCIT	NOLCO
2019	2022	₱7,006,665	₱—
2018	2021	—	33,484,684
		₱7,006,665	₱33,484,684

The movements in NOLCO are as follows:

	2019	2018
Balances at beginning of year	₱236,022,288	₱65,420,285
Additions	—	172,243,510
Applications and expirations	(202,537,604)	(1,641,507)
Balances at end of year	₱33,484,684	₱236,022,288

Management has assessed that the carryforward benefits of NOLCO and excess of MCIT may not be utilized against future taxable income as it believes that it is not probable that sufficient future taxable income will be available to allow all or part of the deferred income tax asset to be utilized before its expiration.

13. Financial Risk Management Objectives and Policies

The Parent Company's principal financial instruments comprise of cash, due from related parties, accrued expenses, due to related parties and loans payable. The main purpose of these financial instruments is to finance the Parent Company's operations.

The BODs have overall responsibility for the establishment and oversight of the Parent Company's risk management framework. The Parent Company's risk management policies are established to identify and manage the Parent Company's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Parent Company's activities.

The Parent Company has exposure to liquidity risk and credit risk from the use of its financial instruments. The BODs review and approve the policies for managing these risks.

Liquidity risk

Liquidity risk is the risk that the Parent Company will not be able to meet its financial obligations as they fall due. The Parent Company's objectives to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking adverse effect to the Parent Company's credit standing.

The Parent Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility. As part of its liquidity risk management, the Parent Company regularly evaluates its projected and actual cash flows.



As of December 31, 2019 and 2018, the financial assets held by the Parent Company for liquidity purposes consist of cash and due from related parties. As of December 31, 2019 and 2018, the balances of accounts payable and accrued expenses, and loans payable are due within one year and due to related parties is neither of these is past due and payable in demand.

Credit risk

Credit risk is the risk of financial loss to the Parent Company if a customer or counterparty to financial instrument fails to meet its contractual obligations arises principally from the Parent Company's due from related parties.

The Parent Company's exposure to credit risk is currently limited to the aggregate carrying values of cash in bank and due from related parties amounting to P965.7 million and P3,624.1 million as of December 31, 2019 and 2018, respectively. Such exposure arises from a possible default of counter parties.

Credit Quality of Financial Assets

Financial assets are classified as high grade if the counterparties are not expected to default in settling their obligations. Thus, the credit risk exposure is minimal. These counterparties normally include customers, banks and related parties who pay on or before due date. Financial assets are classified as a standard grade if the counterparties settle their obligation with the Parent Company with tolerable delays. Low grade accounts are accounts, which have probability of impairment based on historical trend. These accounts show propensity of default in payment despite regular follow-up actions and extended payment terms. As of December 31, 2019 and 2018, cash in banks and due from related parties are viewed by management as 'high grade' since these financial assets are not expected to default. The Parent Company does not hold collateral for its financial asset as security.

Fair Value and Category of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash, Due from related parties, Loans Payable, Accounts payable and accrued expenses and Due to related parties

The carrying amounts of these financial instruments approximate their fair values due to their short-term maturities.

Capital Management

As the Parent Company has already started its operations, it ensures that the minimum capital infused by the shareholders is properly managed. The Parent Company manages its capital structure and makes adjustments to it in the light of changes in business and economic conditions.

No changes were made in the objectives, policies or processes for the years ended December 31, 2019 and 2018. The Parent Company was able to meet its capital management objectives as of December 31, 2019.

The Parent Company considers the following as its core capital:

	2019	2018
Due to related parties	P1,482,837,883	P704,855,673
Common stock	100,000,000	100,000,000
Retained earnings	1,753,239,810	1,395,526,218
	P3,336,077,693	P2,200,381,891



14. Notes to Statement of Cash Flows

Changes in liabilities arising from financing activities:

December 31, 2019

	January 1, 2019	Cash flows	Others	December 31, 2019
Loans payable	₱2,000,000,000	(₱1,217,500,000)	₱-	₱782,500,000
Accrued interest	4,434,361	(93,599,359)	89,904,026	739,028
Due to related parties	704,855,673	(18,396,417)	796,378,627	1,482,837,883
Total liabilities from financing activities	₱2,709,290,034	(₱1,329,495,776)	₱886,282,653	₱2,266,076,911

December 31, 2018

	January 1, 2018	Cash flows	Others	December 31, 2018
Loans payable	₱1,030,000,000	₱970,000,000	₱-	₱2,000,000,000
Accrued interest	5,839,306	(127,858,125)	126,453,180	4,434,361
Due to related parties	1,364,495,464	(1,402,909,294)	743,269,503	704,855,673
Total liabilities from financing activities	₱2,400,334,770	(₱560,767,419)	₱869,722,683	₱2,709,290,034

Others include the effects of debt issue costs and offsetting of balances with related parties. The Parent Company classifies interest paid as cash flows from financing activities.

15. Events After Financial Reporting Date

Utility Service Contract with SMSC

On March 1, 2020, the Parent Company entered into utility service contract with SMSC to provide general utility services such as utility staff, messenger, company drivers and other utility services for the corporate operations of the Parent Company.

Increase of authorized capital stock and stock dividend declaration

On August 14, 2020, the BOD approved the increase of authorized capital stock from ₱100.0 million, divided into 100.0 million common shares with a par value of ₱1.00 per share, to ₱1,850.0 million, divided into 1,850.0 million common shares with a par value of ₱1.00 per share. Subsequently, on the same date, the BOD authorized the declaration of stock dividend in the amount of ₱1,750.0 million or 1,750.0 million common shares with par value of ₱1.00 from its unrestricted retained earnings as of December 31, 2019, which will use as subscription for the increase of authorized capital stock.

Impact of COVID-19

In a move to contain the COVID-19 outbreak, on March 13, 2020, the Office of the President of the Philippines issued a Memorandum directive to impose stringent social distancing measures in the National Capital Region effective March 15, 2020. On March 16, 2020, Presidential Proclamation No. 929 was issued, declaring a State of Calamity throughout the Philippines for a period of six (6) months and imposed an enhanced community quarantine throughout the island of Luzon until April 12, 2020, which was subsequently extended to May 15, 2020 in selected areas including the NCR. Starting May 16 to May 31, 2020, the NCR and other selected areas were placed under modified ECQ. On May 28, 2020, President Rodrigo Duterte approved the recommendation of the



Inter-Agency Task Force for the Management of Emerging Infectious Diseases to ease the restriction in the NCR and other selected areas from modified ECQ to general community quarantine. Starting August 4, 2020 to August 18, 2020, the NCR and other selected areas were reinstated under a modified ECQ status. On August 19, 2020, NCR and other areas were subsequently placed back to GCQ, which will be effective until September 30, 2020. These measures have caused disruptions to businesses and economic activities, and its impact on businesses continue to evolve.

The Parent Company considers the events surrounding the outbreak as non-adjusting subsequent events, which do not impact its financial position and performance as of and for the year ended December 31, 2019. However, the outbreak could have a material impact on its 2020 financial results and even periods thereafter. Considering the evolving nature of this outbreak, the Parent Company cannot determine at this time the impact to its financial position, performance and cash flows. The Parent Company will continue to monitor the situation.

16. Supplementary Information Required Under Revenue Regulations 15-2010

The Parent Company provides the following disclosures in compliance with RR No. 15-2010 for the year ended December 31, 2019:

VAT

Details of the Parent Company's receipts, output VAT and input VAT accounts are as follows:

- a. Taxable receipts and output VAT for 2019 amounted to ₱150 million and ₱18 million, respectively.
- b. Details of input VAT account are shown as follows:

Balance at January 1	₱5,471,655
Domestic purchase of goods other than capital goods	7,168
Domestic purchase of services	6,553,161
Total	12,031,984
Application against output VAT	(18,000,000)
Balance at December 31	(₱5,968,016)

Documentary Stamp Taxes (DST)

In 2019, the Parent Company paid DST amounting to ₱6.85 million on the short-term loan facility extended by PBB. This is presented as part of "Taxes and licenses" under "General and administrative expense" in the statement of comprehensive income.

Taxes and Licenses

A. Local	
Local business licenses and permits	15,760
Community tax	500
B. National	
Annual registration fee	500
Total	₱16,760

Other taxes and licenses paid amounted to ₱0.43 million.



Withholding Taxes

The Parent Company paid and/or accrued expanded withholding taxes amounting to ₱3.15 million for the services incurred in 2019.

Tax Contingencies

The Parent Company did not receive any final tax assessments in 2019, nor did it have tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the administration of the BIR.



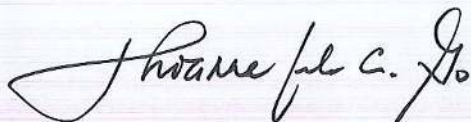
INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
Solar Philippines Power Project Holdings, Inc.
20th Floor Philamlife Tower,
8767 Paseo de Roxas, Makati City

We have audited the accompanying parent company financial statements of Solar Philippines Power Project Holdings, Inc., as at and for the year ended December 31, 2019, on which we have rendered the attached report dated September 14, 2020.

In compliance with Revised Securities Regulation Code Rule 68, we are stating that the above Parent Company has one stockholder owning one hundred (100) or more shares.

SYCIP GORRES VELAYO & CO.



Jhoanna Feliza C. Go

Partner

CPA Certificate No. 0114122

SEC Accreditation No. 1414-AR-2 (Group A),

October 15, 2019, valid until October 14, 2022

Tax Identification No. 219-674-288

BIR Accreditation No. 08-001998-103-2019,

November 7, 2019, valid until November 6, 2022

PTR No. 8125241, January 7, 2020, Makati City

September 14, 2020

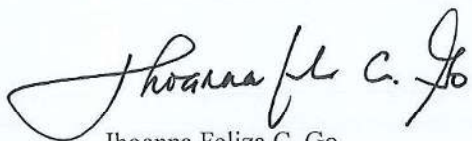


**INDEPENDENT AUDITOR'S REPORT
ON THE SCHEDULE OF RECONCILIATION
OF RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION**

The Board of Directors and the Stockholders
Solar Philippines Power Project Holdings, Inc.
20th Floor Philamlife Tower,
8767 Paseo de Roxas, Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Solar Philippines Power Project Holdings, Inc. as at and for the years ended December 31, 2019 and 2018 and have issued our report thereon dated September 14, 2020. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Parent Company's management. This schedule is presented for the purpose of complying with Revised Securities Regulation Code Rule 68, and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Joanna Feliza C. Go
Partner

CPA Certificate No. 0114122

SEC Accreditation No. 1414-AR-2 (Group A),

October 15, 2019, valid until October 14, 2022

Tax Identification No. 219-674-288

BIR Accreditation No. 08-001998-103-2019,

November 7, 2019, valid until November 6, 2022

PTR No. 8125241, January 7, 2020, Makati City

p

September 14, 2020



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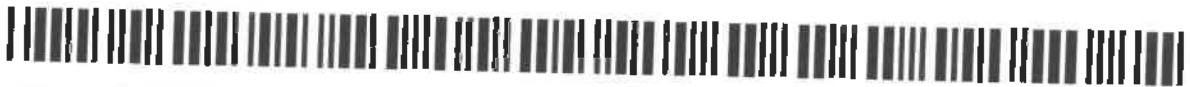


SOLAR PHILIPPINES POWER PROJECT HOLDINGS, INC.
SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND
DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2019

Unappropriated Retained Earnings, as adjusted to available for dividend distribution to January 1, 2019		₱1,395,526,218
Add: Net Income actually earned/realized during the period		
Net Income during the period closed to Retained Earnings	₱357,713,592	
Less: <i>Non-actual/unrealized income, net of tax</i>	—	
Equity in net income of associate/joint venture	—	
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	—	
Fair value adjustment (M2M gains)	—	
Fair value adjustment of Investment Property resulting to gain	—	
Adjustment due to deviation from PFRS/GAAP - gain	—	
Other unrealized gains or adjustments to the Retained Earnings as a result of certain transactions accounted for under PFRS	—	
Add: <i>Non-actual losses</i>		
Depreciation on revaluation increment (after tax)	—	
Adjustment due to deviation from PFRS/GAAP - loss	—	
Loss on fair value adjustment of investment property (after tax)	—	357,713,592
Add (Less):		
Dividend declarations during the period	—	
Appropriations of Retained Earnings during the period	—	
Reversals of appropriations	—	
Effects of prior period adjustments	—	
Treasury shares	—	—
UNAPPROPRIATED RETAINED EARNINGS, DECEMBER 31, 2019, AVAILABLE FOR DIVIDEND DECLARATION		<u>₱1,753,239,810</u>



OCT 16 2020



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**SECURITIES AND EXCHANGE COMMISSION**

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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Industry Classification Financial Holding Company Activities
Company Type Stock Corporation

Document Information

Document ID 108152019000423
Document Type FS-PARENT COMPANY
Document Code FS-P
Period Covered December 31, 2018
No. of Days Late 0
Department CRMD
Remarks

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **Solar Philippines Power Project Holdings, Inc.** is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as of and for the years ended December 31, 2018 and 2017, in accordance with Philippine Financial Reporting Standards, 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 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 Company to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the 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 or members.

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


Leandro L. Leviste
Chairman of the Board/CEO

Passport No.: P2911921A
Expiry date: May 4, 2022


Albert L. Pulido
Chief Financial Officer

License No.: N02-95-264711
Expiry date: September 9, 2029

Signed this 5th day of August 2019.

AUG 14 2019



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Solar Philippines Power Project Holdings, Inc.
112 Legaspi Street, Legaspi Village,
Brgy. San Lorenzo, Makati City

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the accompanying parent company financial statements of Solar Philippines Power Project Holdings, Inc. (the Parent Company), which comprise the parent company statements of financial position as at December 31, 2018 and 2017, and the parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the parent company as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years ended December 31, 2018 and 2017 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.



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 15 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 Solar Philippines Power Project Holdings, Inc. 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.

SYCIP GORRES VELAYO & CO.



Jhoanna Feliza C. Go
Partner

CPA Certificate No. 0114122

SEC Accreditation No. 1414-AR-1 (Group A),
March 2, 2017, valid until March 1, 2020

Tax Identification No. 219-674-288

BIR Accreditation No. 08-001998-103-2017,

January 31, 2017, valid until January 30, 2020

PTR No. 7332556, January 3, 2019, Makati City

August 5, 2019

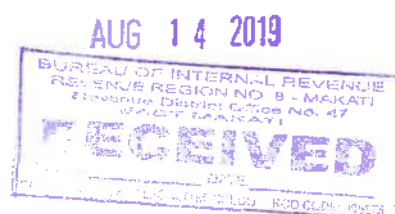
AUG 14 2019



SOLAR PHILIPPINES POWER PROJECT HOLDINGS, INC.
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2018	2017
ASSETS		
Current Assets		
Cash (Note 4)	₱1,073,216,060	₱12,595,850
Due from related parties (Note 10)	2,551,156,858	1,807,887,355
Other current assets (Note 6)	8,597,339	1,376,716
Total Current Assets	3,632,970,257	1,821,859,921
Noncurrent Assets		
Investment in subsidiaries (Note 5)	687,390,909	613,374,880
Advances to suppliers (Note 7)	12,321,216	—
Total Noncurrent Assets	699,712,125	613,374,880
TOTAL ASSETS	₱4,332,682,382	₱2,435,234,801
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 8)	₱132,300,491	₱6,383,583
Due to related parties (Note 10)	704,855,673	1,364,495,464
Loans payable (Note 9)	2,000,000,000	1,030,000,000
Total Current Liabilities	2,837,156,164	2,400,879,047
Equity		
Common stock (Note 12)	100,000,000	100,000,000
Retained Earnings (Deficit)	1,395,526,218	(65,644,246)
Total Equity	1,495,526,218	34,355,754
TOTAL LIABILITIES AND EQUITY	₱4,332,682,382	₱2,435,234,801

See accompanying Notes to Parent Company Financial Statements.

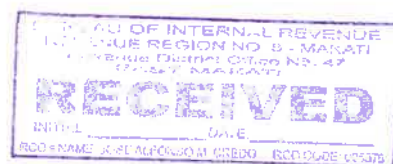


SOLAR PHILIPPINES POWER PROJECT HOLDINGS, INC.
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2018	2017
INCOME		
Dividend income (Notes 5 and 10)	₱1,083,000,000	₱—
Gain on sale of investment (Note 5)	648,100,000	—
Interest (Note 4)	50,843	81,961
	1,731,150,843	81,961
EXPENSES		
Finance cost (Note 9)	126,453,180	40,412,104
Taxes and licenses	103,697,695	5,499,209
Professional fees	29,699,155	1,925,191
Transportation and accommodation	1,961,653	226,334
Impairment loss (Note 6)	408,743	—
Others - net	7,759,953	456,650
	269,980,379	48,519,488
NET INCOME (LOSS)	1,461,170,464	(48,437,527)
OTHER COMPREHENSIVE INCOME	—	—
TOTAL COMPREHENSIVE INCOME (LOSS)	₱1,461,170,464	(₱48,437,527)

See accompanying Notes to Parent Company Financial Statements.

AUG 14 2019

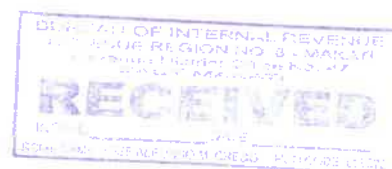


SOLAR PHILIPPINES POWER PROJECT HOLDINGS, INC.
PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	Common Stock (Note 12)	Subscription Receivable (Note 12)	Retained Earnings (Deficit)	Total
Balances at January 1, 2017	₱25,000,000	(₱18,750,000)	(₱17,206,719)	(₱10,956,719)
Issuance of common stock (Note 12)	75,000,000	—	—	75,000,000
Collection of subscription receivable (Note 12)	—	18,750,000	—	18,750,000
Total comprehensive loss	—	—	(48,437,527)	(48,437,527)
Balances at December 31, 2017	100,000,000	—	(65,644,246)	34,355,754
Total comprehensive income	—	—	1,461,170,464	1,461,170,464
Balances at December 31, 2018	₱100,000,000	₱—	₱1,395,526,218	₱1,495,526,218

See accompanying Notes to Parent Company Financial Statements.

AUG 14 2019



SOLAR PHILIPPINES POWER PROJECT HOLDINGS, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2018	2017
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net income (loss)	₱1,461,170,464	(₱48,437,527)
Adjustments for:		
Dividend income (Note 5)	(1,083,000,000)	—
Gain on sale of investment (Note 5)	(648,100,000)	—
Finance cost (Note 9)	126,453,180	40,412,104
Impairment loss (Note 6)	408,743	—
Interest income (Note 4)	(50,843)	(81,961)
Operating losses before changes in working capital	(143,118,456)	(8,107,384)
Increase in:		
Accounts payable and accrued expenses	127,321,853	318,277
Other current assets	(7,629,366)	(1,376,716)
Net cash used in operations	(23,425,969)	(9,165,823)
Interest received	50,843	81,961
Net cash flows used in operating activities	(23,375,126)	(9,083,862)
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Dividend received (Note 5)	1,083,000,000	—
Proceeds from sale of investment in subsidiary (Note 5)	750,000,000	—
Additions to investment in subsidiaries (Note 5)	(175,916,029)	(601,624,945)
Increase in advances to suppliers	(12,321,216)	—
Decrease in other noncurrent asset	—	10,984,659
Net cash flows from (used in) investing activities	1,644,762,755	(590,640,286)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net changes in accounts with related parties (Note 10)	(1,402,909,294)	(327,664,370)
Net proceeds from:		
Availment of short-term loan (Notes 9 and 13)	970,000,000	840,176,252
Issuance of common stock (Note 12)	—	75,000,000
Collection of subscription receivables (Note 12)	—	18,750,000
Interests paid (Notes 8, 9 and 13)	(127,858,125)	(34,864,290)
Net cash flows from (used in) financing activities	(560,767,419)	571,397,592
NET INCREASE (DECREASE) IN CASH	1,060,620,210	(28,326,556)
CASH AT BEGINNING OF YEAR	12,595,850	40,922,406
CASH AT END OF YEAR (Note 4)	₱1,073,216,060	₱12,595,850

See accompanying Notes to Parent Company Financial Statements.



SOLAR PHILIPPINES POWER PROJECT HOLDINGS, INC.

NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. Corporate Information

Solar Philippines Power Project Holdings, Inc. (the Parent Company) was incorporated in the Republic of the Philippines and was registered with the Securities and Exchange Commission (SEC) on April 30, 2014 primarily to invest in, hold, purchase, acquire, lease, contract or otherwise, within the limits allowed by law, any and all real and personal properties of every kind and description whatsoever which the Corporation may deem necessary or appropriate, and to own, hold, operate, improve, develop, manage, grant, lease, sell, exchange or otherwise dispose of the whole or any part thereof; to purchase, or otherwise acquire the stocks, bonds, and other securities or evidence of indebtedness of any other corporation, association, firm or entity, domestic or foreign, and to issue in exchange therefor its own stocks, bonds, or other obligations or to pay therefor in cash, or otherwise; to hold or own, use, sell, issue, deal in, dispose of, and turn to account, any such stocks, warrants, options, bonds, or other securities, and while the owner or holder thereof, to exercise all the rights and powers of ownership including the right to vote thereon for any purpose; to acquire, take over, hold and control all or any part of the business, goodwill, property and other assets, and to assume or undertake the whole or any part of the liabilities and obligations of any person, firm, association, or corporation, whether domestic or foreign, and whether a going concern or not, engaging in or previously engaged in business which the Corporation is or may become authorized to carry on or which may be appropriate or suitable for any and all of the purposes of the Corporation, and to pay for the same in cash or in stocks, bonds or securities of the Corporation or otherwise, and to hold, manage, operate, conduct and dispose of, in any manner, the whole or part of any such acquisition, and to exercise all the powers necessary or convenient for the conduct and management thereof, provided that the Corporation shall not act as dealer and broker of securities.

The Parent Company's registered address and principal place of business is 112 Legaspi Street, Legaspi Village, Brgy. San Lorenzo, Makati City.

The Parent Company financial statements as of and for the years ended December 31, 2018 and 2017 were approved and authorized for issue by the Board of Directors (BODs) on August 5, 2019.

2. Summary of Changes in Accounting Policies and Disclosures

Basis of Preparation

The Parent Company financial statements have been prepared using the historical cost basis and are presented in Philippine Peso (₱), which is also the Parent Company's functional currency. All amounts are rounded to the nearest peso unless otherwise indicated.

Statement of Compliance

The Parent Company financial statements are prepared in compliance with Philippine Financial Reporting Standards (PFRSs) as issued by the Philippine Financial Reporting Standards Council and adopted by the Philippine SEC.

The Parent Company also prepares and issues consolidated financial statements, which are also presented in compliance with PFRSs, for the same financial year as the Parent Company financial statements. These are filed and may be obtained from the Philippine SEC.



Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Parent Company has adopted the following new accounting pronouncements starting January 1, 2018:

- *PFRS 9, Financial Instruments*

PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Parent Company has adopted this new standard using the modified retrospective approach with January 1, 2018 as the initial date of application. The comparative financial information was no longer restated and continues to be reported under PAS 39. The adoption resulted to the following:

Classification and Measurement of Financial Instruments

The Parent Company revisited all of its financial instruments and applied the requirements of PFRS 9. The Parent Company's financial assets composed of "Cash" (excluding cash on hand) and "Due from related parties" continue to be classified and measured at amortized costs on the basis that these financial assets are expected to be held to collect contractual cash flows upon maturity at an amount equivalent to principal and interest only.

The Parent Company's financial liabilities comprising of "Accounts payable and accrued expenses", "Due to related parties" and "Loans payable" continue to be classified and measured at amortized costs.

Impairment of Financial Assets

The adoption of PFRS 9 resulted to a fundamental change in the way the Parents Company computes for impairment losses from "incurred loss" to "expected credit loss (ECL)" approach. The ECL approach incorporates forward-looking rates in the evaluation.

The adoption did not result to any changes on the way financial instruments are measured, and the application of the ECL model did not result to recognition of impairment losses.

Accordingly, no adjustments in the statement of financial position as of January 1, 2018 were recognized.

The following new and amended standards did not have any impact on the Parent Company's financial position and performance:

- *PFRS 15, Revenue from Contracts with Customers*

The adoption of PFRS 15 did not have any impact to the Parent Company since it does not have any revenue contract or arrangement with a customer.

- *Amendments to PFRS 2, Share-based Payment, Classification and Measurement of Share-based Payment Transactions*
- *Amendments to PFRS 4, Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts*



- Amendments to PAS 28, *Investments in Associates and Joint Ventures, Measuring an Associate or Joint Venture at Fair Value* (Part of Annual Improvements to PFRSs 2014 - 2016 Cycle)
- Amendments to PAS 40, *Investment Property, Transfers of Investment Property*
Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

Current versus Non-current Classification

The Parent Company presents assets and liabilities in the Parent Company statements of the financial position based on the current/non-current classification. An asset is current when it is:

- Expected to realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Parent Company classifies all other liabilities as non-current.

Deferred income tax assets and liabilities are classified as non-current assets and liabilities, respectively.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Prior to January 1, 2018, the Parent Company classifies its financial assets within the scope of PAS 39 in the following categories: financial assets at fair value through profit or loss (FVPL), held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, and loans and receivables. Financial liabilities are classified as either financial liabilities at FVPL or loans and borrowings.

The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. The initial measurement of financial instruments includes transaction costs, except for financial instruments at FVPL. Management determines the classification of its instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

Financial assets

Initial recognition and measurement

Beginning January 1, 2018, upon adoption of PFRS 9, financial assets are classified, at initial recognition, as financial assets at amortized cost, fair value through other comprehensive income (FVOCI), and FVPL.



The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Parent Company's business model for managing them. The Parent Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Parent Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Parent Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVPL

Financial assets at amortized cost (debt instruments)

The Parent Company measures financial assets at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- 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.

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in the statement of comprehensive income when the asset is derecognized, modified or impaired.

The Parent Company's financial assets at amortized cost are "Cash" (excluding cash on hand) and "Due from related parties" as of December 31, 2018. Prior to adoption of PFRS 9 on January 1, 2018, "Cash" (excluding cash on hand) and "Due from related parties" were classified as loans and receivables.

As of December 31, 2018 and 2017, the Parent Company has no financial assets at FVOCI and FVPL.

Loans and receivables (Policy applicable prior to adoption of PFRS 9)

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. These are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS financial assets or financial assets at FVPL.



After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized and impaired, as well as through the amortization process.

Financial liabilities

Loans and borrowings

Financial liabilities are classified in this category if these are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings.

Loans and borrowings are initially recognized at fair value of the consideration received, less directly attributable transaction costs. After initial recognition, such loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium. Gains and losses are recognized in the statement of comprehensive income when the liabilities are derecognized, as well as through the amortization process.

The Parent Company's loans and borrowing include "Accounts payable and accrued expenses", "Due to related parties" and "Loans payable" as of December 31, 2018 and 2017 (see Notes 8, 9 and 10). There are no changes to the classification of financial liabilities after the adoption of PFRS 9.

As of December 31, 2018 and 2017, the Parent Company has no financial liabilities at FVPL.

Derecognition of Financial Assets and Liabilities

Financial asset

A financial asset (or, where applicable, a part of a financial asset or part of a group of financial assets) is derecognized when:

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

Where the Parent Company has transferred its right to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Parent Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Parent Company could be required to repay.

Financial liability

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.



Impairment of Financial Assets

Beginning January 1, 2018 upon adoption of PFRS 9, the Parent Company applied the Expected Credit Loss (ECL) model on the impairment of its financial assets. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Parent Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Parent Company applies a simplified approach in calculating ECLs. Therefore, the Parent Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECL at each reporting date.

Prior to adoption of PFRS 9, the Parent Company assesses at each financial reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has or have occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables carried at amortized cost, the Parent Company first assesses whether an objective evidence of impairment (such as the probability of insolvency or significant financial difficulties of the debtor) exists individually for financial assets that are individually significant or collectively for financial assets that are not individually significant. If there is an objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the asset's carrying value and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). If the Parent Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

The carrying value of the asset is reduced through the use of an allowance account and the amount of loss is charged to the statement of comprehensive income. If in case the receivable has proven to have no realistic prospect of future recovery, any allowance provided for such receivable is written off against the carrying value of the impaired receivable. Interest income continues to be recognized based on the original effective interest rate of the asset. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was



recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at reversal date.

Offsetting Financial Instruments

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

Fair Value Measurement

Fair value is the estimated 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 Parent Company's 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 financial statements 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.

Cash

Cash in the statements of financial position comprise cash in banks and on hand which are subject to an insignificant risk of changes in value.

Other Current Assets

Other current assets consist mainly of advances to officers and employees, input value-added tax (VAT) and deferred input VAT. These are expected to be realized and consumed within twelve months after reporting date.

Input VAT

Expenses and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of VAT included

The net amount of VAT recoverable from or payable to, the taxation authority is included as part of "Other current assets" or "Accounts payable and accrued expenses" in the statement of financial position. Subject to the approval of the taxation authority, input VAT can be claimed for refund or as a tax credit for payment of certain types of taxes due from the Parent Company.

Advances to a Supplier

Advances to a supplier represents advances payment for the purchase of a computer software. This is classified as noncurrent asset since it is to be applied as payment for the purchase of an asset which is to be classified as noncurrent asset once the Parent Company has obtained its ownership.

Impairment of Nonfinancial Assets

The Parent Company assesses at each reporting date whether there is an indication that these nonfinancial assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Parent Company estimates these nonfinancial assets' recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. Impairment losses from continuing operations are recognized in profit or loss.

An assessment is made at each reporting date to determine whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Parent Company makes an estimate of recoverable amount. Any previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and



amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the Parent Company statements of comprehensive income.

Investment in Subsidiaries

The Parent Company's investments in subsidiaries are accounted for under cost method of accounting. A subsidiary is an entity over the Parent Company has control. Control is achieved when the Parent Company is exposed, or has the rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Investments in subsidiary are carried in the Parent Company's balance sheet at cost less any impairment in value. Dividends received, if any, are recognized as income in profit or loss.

Common Stock

Common stock is measured at par value and is classified as equity for all shares issued. When the Parent Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

Subscription Receivable

Subscription receivable represents common stock subscribed and issued by the Parent Company but payment from the shareholders has not yet been received. Subscription receivable is presented as current assets when it is expected to be collected within twelve months after the balance sheet date. Otherwise, this is presented as reduction from equity.

Retained Earnings (Deficit)

The amount included in retained earnings/deficit includes accumulated income (losses) attributable to the Parent Company's stockholders. Retained earnings (deficit) may also include effect of changes in accounting policy as may be required by the standard's transitional provisions.

Dividend Income

Dividend income is recognized when the shareholder's right to receive the payment is established.

Interest Income

Interest is recognized as it accrues using the EIR method that uses the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Other Income

Other income is recognized when earned.

Expenses

Expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants, and are recognized when these are incurred. Costs and expenses are generally recognized when the services are used or the expenses arise.

Income Taxes

Current Income Tax

Current income tax assets and liabilities 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, at the reporting date in the countries where the Parent Company operates and generates taxable income.



Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Income Tax

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

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred income tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred income tax asset to be recovered.

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

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in other comprehensive income (OCI) or directly in equity.

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



VAT

Revenues, expenses and assets are recognized net of the amount of VAT, if applicable.

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

Contingencies

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

Events After the Balance Sheet Date

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

New Accounting Standards, Interpretation and Amendments to Existing Standards Effective Subsequent to December 31, 2018

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

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

Under PFRS 9, a debt instrument can be measured at amortized cost or at fair value through other comprehensive income, provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to PFRS 9 clarify that a financial asset passes the SPPI criterion regardless of the event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. The amendments should be applied retrospectively and are effective from January 1, 2019, with earlier application permitted.

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

- PFRS 16, *Leases*

PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be also required to



remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17. Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Parent Company is currently assessing the impact of adopting PFRS 16 on its financial statements.

- Amendments to PAS 19, *Employee Benefits, Plan Amendment, Curtailment or Settlement*

The amendments to PAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event;
- Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognized in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognized in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after January 1, 2019, with early application permitted. These amendments will apply only to any future plan amendments, curtailments, or settlements of the Company.

The Parent Company is currently assessing the impact of adopting these amendments on its financial statements.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

The amendments clarify that an entity applies PFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant



because it implies that the expected credit loss model in PFRS 9 applies to such long-term interests.

The amendments also clarify that, in applying PFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying PAS 28, *Investments in Associates and Joint Ventures*.

The amendments do not have any impact on the Parent Company financial statements.

- **Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments***

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The Parent Company is currently assessing the impact of adopting this interpretation on its financial statements.

- ***Annual Improvements to PFRSs 2015-2017 Cycle***

- Amendments to PFRS 3, *Business Combinations*, and PFRS 11, *Joint Arrangements*, *Previously Held Interest in a Joint Operation*

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in PFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2019 and to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1, 2019, with early application permitted.



These amendments are currently not applicable to the Parent Company but may apply to future transactions.

- Amendments to PAS 12, *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*

The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events.

An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application is permitted.

The amendments are not expected to have any impact on the Parent Company financial statements because dividends declared by the Parent Company do not give rise to tax obligations under the current tax laws.

- Amendments to PAS 23, *Borrowing Costs, Borrowing Costs Eligible for Capitalization*

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1, 2019, with early application permitted.

The amendments do not have any impact on the Parent Company financial statements.

Effective beginning on or after January 1, 2020

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

The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

An entity shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.

The amendments do not have any impact on the Parent Company financial statements.



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

The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

An entity shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.

The amendments do not have any impact on the Parent Company financial statements.

Effective beginning on or after January 1, 2021

- PFRS 17, *Insurance Contracts*

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

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

The core of PFRS 17 is the general model, supplemented by:

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

PFRS 17 is effective for reporting periods beginning on or after January 1, 2021, with comparative figures required. Early application is permitted.

The Parent Company assessed that adopting PFRS 17 will have no impact on its financial statements since it is not engaged in insurance business.

Deferred Effectivity

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

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

On January 13, 2016, the Financial Reporting Standards Council (FRSC) deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity



accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

The Parent Company assessed that the amendments will have no impact on its financial statements since it does not have an associate or joint venture.

3. Summary of Significant Accounting Policies

The Parent Company financial statements prepared in accordance with PFRSs require management to make judgments and estimates that affect amounts reported in the financial statements and related notes. The judgments and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the Parent Company financial statements. Actual results could differ from such estimates.

Judgments and estimates are continually evaluated and are based on historical experiences and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The following items are those matters which the Parent Company assess to have significant risks arising from estimation uncertainties:

Determination of Control over an Investee Company

Control is presumed to exist when an investor 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. The Parent Company has established that it has the ability to control its subsidiaries by virtue of either 100% or majority voting interest in the investee companies.

Estimates

Provision for expected credit losses on Cash in Banks and Due from Related Parties (Applicable upon adoption of PFRS 9)

Beginning January 1, 2018, the Parent Company calculates impairment on its financial assets using the ECL model.

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. 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.

No provision for impairment loss on cash in banks and due from related parties was recognized in the statement of comprehensive income for the year ended December 31, 2018. The carrying amount of these financial assets is ₱3,624.1 million as of December 31, 2018 (see Notes 4 and 10).



Estimating Impairment Losses on Due from Related Parties (Applicable prior to adoption of PFRS 9)

The Parent Company reviews its due from related parties at each financial reporting date to assess whether an allowance for impairment should be recognized in the statement of comprehensive income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions on a number of factors and actual results may differ, resulting in future changes to the allowance.

No impairment loss on due from related parties was recognized in the statement of comprehensive income for the year ended December 31, 2017. The carrying amount of due from related parties is ₱1,807.9 million as of December 31, 2017 (see Note 10).

Estimating Impairment of Investment in Subsidiaries

The Parent Company performs an impairment review on its investments in subsidiaries whenever an impairment indicator exists. This requires an estimation of the value in use of the investments. Estimating the value in use requires the Parent Company to make an estimate of the expected future cash flows of the investments and to make use of a suitable discount rate to calculate the present value of those future cash flows. Management has determined that there are no events or circumstances in that may indicate that the carrying amounts of the investments in shares of stock are not recoverable. Thus, no impairment loss was recognized in 2018 and 2017. The carrying amount of investment in subsidiaries amounted to ₱687.4 million and ₱613.4 million as of December 31, 2018 and 2017, respectively (see Note 5).

Estimating Impairment of Nonfinancial Assets

The Parent Company assesses impairment on its nonfinancial assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Parent Company considers important which could trigger an impairment review include the following:

- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The estimated recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of assets in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. For impairment loss on specific assets, the recoverable amount represents the fair value less costs to sell.

The carrying value of advances to suppliers and input VAT amounted to ₱17.1 million and ₱0.2 million as of December 31, 2018 and 2017, respectively (see Notes 6 and 7).

Estimating the Realizability of Deferred Income Tax Assets

Deferred income tax asset is recognized for all deductible temporary differences to the extent that it is probable that sufficient future taxable income will be available in the future against which the deductible temporary differences can be utilized. Significant management estimate is required to determine the amount of deferred income tax asset that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies. The Parent



Company did not recognize deferred income tax asset on carryforward benefits of unused net operating loss carryover (NOLCO) amounting to ₱236.0 million and ₱65.4 million as of December 31, 2018 and 2017, respectively (see Note 11).

4. Cash

	2018	2017
Cash in banks	₱1,072,952,440	₱12,595,850
Cash on hand	263,620	—
	₱1,073,216,060	₱12,595,850

Cash in bank earns interest at the prevailing bank deposit rates. Total interest income earned from cash in banks amounted to ₱0.1 million for the years ended December 31, 2018 and 2017.

5. Investment in Subsidiaries

The following is a list of the companies on which the Parent Company has control:

	Percentage of Voting Interest	
	2018	2017
Solar Philippines Calatagan Corporation (SPCC) ⁴	62	100
Solar Philippines Tanauan Corporation (SP Tanuan) ¹	100	100
Solar Philippines Retail Electricity, Inc. (SP Retail Electricity) ¹	100	100
Solar Philippines Module Manufacturing Corporation (SPMMC)	100	100
Solar Philippines Island Corporation (SP Island)	100	100
Solar Philippines Renewable Energy Projects, Inc. (SP Renewable) ¹	100	100
Solar Philippines Tarlac Corporation (SP Tarlac) ¹	100	100
Solar Philippines Tagoloan Corporation (SP Tagoloan) ¹	100	100
Solar Philippines Talingaan Corporation (SP Talingaan) ¹	100	100
Solar Philippines Zambales Corporation (SP Zambales) ¹	100	100
Solar Philippines City Mall Corporation (SP City Mall) ¹	100	100
Solar Philippines Seaside Mall Corporation (SP Sea Side Mall) ¹	100	100
Solar Philippines Naic Corporation (SP Naic) ¹	100	100
Solar Philippines Nueva Ecija Corporation (SP Nueva Ecija) ¹	100	100
Solar Philippines Palawan Corporation (SP Palawan) ²	100	100
Solar Philippines Central Luzon Corporation (SP Central Luzon) ²	100	100
Solar Philippines San Rafael Corporation (SP San Rafael) ²	100	100
Solar Philippines Bulacan Corporation (SP Bulacan) ²	100	100
Solar Philippines Mindoro Corporation (SP Mindoro) ²	100	100
Solar Philippines Batangas Corporation (SP Batangas) ²	100	100
Solar Philippines Visayas Corporation (SP Visayas) ²	100	100
Solar Philippines Island Power Corporation (SP Island Power) ²	100	100
Solar Philippines South Luzon Corporation (SP South Luzon) ²	100	100
Solar Philippines Cavite Corporation (SP Cavite) ²	100	100
Solar Philippines Biga Corporation (SP Biga) ³	100	—
Solar Philippines Systems Manufacturing Corporation (SP Systems) ³	100	—
Solar Asia Project Holdings Pte. Ltd. (Solar Asia)	100	—

¹Has not yet started commercial operations

²Incorporated in 2017 and has not yet started commercial operations

³Incorporated in 2018 and has not yet started commercial operations

⁴Economic interest is 100% after dividend to preferred stock



Details of investment in subsidiaries are as follows:

	2018	2017
SPCC	₱499,099,995	₱600,999,995
SP Tanuan	175,853,495	62,495
SP Retail Electricity	10,999,995	10,999,995
SPMMC	62,495	62,495
SP Island	62,495	62,495
SP Renewable	62,495	62,495
SP Tarlac	62,495	62,495
SP Tagoloan	62,495	62,495
SP Talingaan	62,495	62,495
SP Zambales	62,495	62,495
SP City Mall	62,495	62,495
SP Sea Side Mall	62,495	62,495
SP Naic	62,495	62,495
SP Nueva Ecija	62,495	62,495
SP Palawan	62,495	62,495
SP Central Luzon	62,495	62,495
SP San Rafael	62,495	62,495
SP Bulacan	62,495	62,495
SP Mindoro	62,495	62,495
SP Batangas	62,495	62,495
SP Visayas	62,495	62,495
SP Island Power	62,495	62,495
SP South Luzon	62,495	62,495
SP Cavite	62,495	62,495
SP Biga	62,495	—
SP Systems	62,495	—
Solar Asia	39	—
	₱687,390,909	₱613,374,880

All of the foregoing subsidiaries are incorporated in the Philippines except Solar Asia which is incorporated in Singapore.

As of December 31, 2018, the Company has unpaid subscription price amounting to ₱37.5 million to its subsidiaries.

SPCC

On August 26, 2015, SPCC was registered with the Board of Investments (BOI). The certifications from the registration serves as the basis of entitlement to incentives under Republic Act No. 9513, otherwise known as the Renewable Energy Act of 2008, which includes an income tax holiday (ITH) benefit for a period of seven (7) years from the start of its commercial operation, duty-free importation of machineries for ten (10) years, and zero percent (0%) VAT among others.

The Calatagan Solar Power Project (Calatagan Project) is a 63.3 megawatt (MW) solar photovoltaic (PV) facility situated in the Municipality of Calatagan, Province of Batangas occupying a total Project Land area of 105.8 hectares with over 200,000 solar panels and 828 inverters. SPCC commenced the construction of the Calatagan Project on September 12, 2015 and started commercial operations on March 11, 2016.



Based on the requirements of BOI, SPCC must comply with the following:

- a. Minimum total stockholder's equity of at least 25% of total project costs.
- b. Minimum production of 87.7 mWh and minimum revenue amounting to ₱777.4 million during the second year of operations which is 2017.
- c. Minimum production of 87.4 mWh and minimum revenue amounting to ₱789.6 million during the third year of operations which is 2018.

As of December 31, 2018 and 2017, SPCC is compliant with the above requirements.

On March 14, 2016, the Energy Regulatory Commission (ERC) awarded SPCC the Feed-in-Tariff (FIT) Certificate of Compliance (COC), which entitles the Company to a base FIT rate of ₱8.69 per kWh for 20 years.

On September 8, 2017, the Parent Company transferred cash amounting to ₱600.0 million to SPCC for future subscription of 600.0 million common stocks at par value of ₱1.0 per stock.

On December 27, 2017, SPCC filed its application for the approval of the proposed increase in authorized capital stock with SEC. In compliance with the SEC, SPCC classified the deposit for future stock subscriptions under equity as of December 31, 2017.

On January 18, 2018, the SEC approved the SPCC's increase in authorized capital stock from ₱1.0 million divided into 1.0 million common stocks with par value of ₱1 per stock to ₱1.2 billion divided into 1.2 billion common stocks with a par value of ₱1 per stock. Subsequently, SPCC converted its advances from the Parent Company amounting to ₱600.0 million into ₱600.0 million common stocks amounting to ₱600.0 million with par value of ₱1 per stock. On the same date, the SEC approved the amendment of Article VII of SPCC's articles of incorporation effecting the increase in authorized capital stock.

On November 27, 2018, SPCC filed with SEC application for the amendment of its article of incorporation for the proposed capital restructuring. On November 28, 2018, the SEC approved the amendment of the Article VII of the SPCC's articles of incorporation effecting the capital restructuring such that SPCC's authorized capital stock of ₱1.2 billion is divided from the original of ₱1.2 billion common stock with par value of ₱1 per stock into ₱305.9 million convertible preferred stock with a par value of ₱1 per convertible stock and 894.1 million common stock with a par value of ₱1 per stock.

Subsequently, 101.9 million common stock out of the 600.0 million common stock held by the Parent Company were converted into preferred stock.

Preferred stocks have the following features:

- (a) Voting and nonparticipating
- (b) Entitled to annual cumulative dividend of ₱0.8 per preferred stock until December 31, 2035, subject to the availability of retained earnings and approval of BOD
- (c) Has preference in the payment of dividends over common stocks
- (d) Convertible to common stock at the ratio of 1:1 (i) at the option of the holder until December 31, 2021 which shall be extended to December 31, 2022, subject to certain conditions agreed by the stockholders (ii) at the option of the Company after December 31, 2035, provided all dividends to preferred stocks have been paid

From the 600.0 million issued and outstanding common stock, 499.1 million common stock were issued and outstanding as of December 31, 2018.



On October 16, 2018, the SPCC and the Parent Company entered into a Share Subscription Agreement and a Share Purchase Agreement, respectively, with KEPCO Philippines Holdings, Inc. (KPHI), a corporation organized in the Republic of the Philippines, which resulted KPHI owning ₱305.9 million in voting preferred stock of the Company and gives KPHI 38% voting interest. As of December 31, 2018, the voting interest of SPPPHI and KPHI is 62% and 38%, respectively.

On December 21, 2018, KPHI purchased 101.9 million shares of preferred stock of SPCC from the Parent Company at a consideration of ₱750.0 million in relation to Share Purchase Agreement dated October 16, 2018. The Parent Company recognized a total gain on sale of investment amounting to ₱648.1 million.

On December 12, 2018, SPCC declared cash dividends amounting to ₱1.1 billion or ₱1.80 per stock to the Parent Company of the outstanding capital stock as of record date of November 30, 2018. The dividends were paid on December 28, 2018 (see Note 10).

On May 28, 2019, SPCC's BOD declared dividends to its common and preferred stockholders of record as of April 30, 2019 amounting to ₱90.7 million and ₱257.9 million, respectively (see Note 10).

SPMMC

SPMMC is primarily engaged in the business of manufacturing, production, assembly, sub-contracting, export, import, purchase, sale and distribution of any good forms, or merchandise which may be the object of commerce such as but not limited to solar panels or photovoltaic modules; to market, distribute and sell the same either wholesale or retail, both locally or internationally; to own and operate manufacturing lines and import equipment and materials; and to perform other activities which are ancillary and/or incidental thereto.

On October 28, 2016, SPMMC was accredited by the Department of Energy (DOE), with accreditation no.: RE-SW2016-10-009-00, as fabricator and supplier of locally-produced solar and wind energy equipment and components which shall serve as the basis of entitlement of incentives of SPMMC pursuant to the provisions of Republic Act No. 9513, otherwise known as Renewable Energy Act of 2008.

On November 14, 2016, SPMMC registered with the BOI as fabricator and supplier of locally-produced solar energy equipment and components under the 2014 IPP on non-pioneer status under the Omnibus Investments Code of 1987. These certifications served as the basis of entitlement to incentives under Republic Act No. 9513, otherwise known as the Renewable Energy Act of 2008, which includes an income tax holiday (ITH) for a period of seven (7) years from the date of recognition/accreditation, zero-percent (0%) value added tax, duty free importation of machineries, and tax credit on domestic capital components, parts and materials.

On April 17, 2017, SPMMC started its commercial operations.

SP Island

SP Island was incorporated to construct, erect, assemble, commission, operate and maintain power-generating plants, installations, shops, laboratories, pipelines, repair shops, electrical works, power houses, warehouses, terminals and related facilities for the conversion of renewable energy into usable form fit for electricity generation and distribution and to perform other ancillary and incidental activities as may be provided by and under contract with the Government of the Republic of the Philippines, or any subdivision, instrumentality or agency thereof, or any government-owned and controlled corporation, or other entity engaged in the development, supply and distribution of renewable energy.



Engineering, Procurement and Construction (EPC) Agreements

On March 6, 2018, SP Island entered into an EPC agreement with Sunwest Water & Electric Company, Inc. (SUWECO) for the construction and development, installation, testing, and commissioning, operation and maintenance of a 7.5 Mega Watts power (MWp) Solar Storage Hybrid Power Plant, with all its auxiliaries and/or components in Brgy. Tumingad, Odiongan, Romblon, Philippines. However, SP Island and SUWECO mutually agreed to rescind the contract.

In December 2018, the EPC agreement with SUWECO was terminated by both parties. On January 31, 2019, a new EPC agreement with SUWECO Tablas Energy Corporation (STEC) was executed for the Project.

Photovoltaic System Sales Agreement (PVSA)

In 2018, SP Island entered into various PVSA with residential customers. SP Island intends to design, procure components for, and construct photovoltaic systems (PS) on the rooftops of residential customers.

SP Tarlac

On August 15, 2017, Solar Philippines Commercial Rooftop Projects, Inc. (SPCRPI), an affiliate of the Company, was awarded SESC No. 2017-07-442 for the exclusive right to explore and develop the Concepcion 1 Solar Power Project (the Tarlac Project), respectively, wherein the SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Concepcion, Tarlac. On September 27, 2017, SPCRPI executed Deed of Assignment transferring all his rights and obligations to SP Tarlac. On October 6, 2017, the DOE acknowledged and approved the Deed of Assignment between SPCRPI and SP Tarlac. Further, on that same day, the DOE issued and approved a new COR under the name of SP Tarlac which recognizes SP Tarlac as an RE developer. On October 20, 2017, SP Tarlac was able to issue its Declaration of Commerciality stating the commercial viability of the Project and which was confirmed and approved by the DOE through issuing its Confirmation of Commerciality on December 6, 2017.

Power Supply Agreement (PSA) between SP Tarlac and Manila Electric Company (MERALCO)

A letter of notice dated August 25, 2017 was received from MERALCO awarding the PSA to SP Tarlac. SP Tarlac and MERALCO then jointly requested for the approval of the PSA from the Energy Regulatory Commission (ERC) on October 19, 2017 docketed as ERC Case No. 2017-094 RC, with a motion for confidential treatment of information. The ERC provisionally approved the PSA joint application for 85 megawatt (MW) at a price of P2.9999 per kWh (the Contract Price) on February 20, 2018, which coincides with the commencement date of the PSA. The PSA, subject to certain provisions, shall be in effect for a period of 20 years from the commencement date.

Based on the provisions of the PSA on replacement energy, since the commencement date occurred prior to the commercial operation date, and SP Tarlac failed to supply the agreed volume in megawatt-hour (mWh) upon commencement date, MERALCO was deemed to have sourced the replacement energy in mWh from the Wholesale Electricity Spot Market (WESM), subject to reimbursement by SP Tarlac of the difference between actual WESM price and the Contract Price.

On March 4, 2019, SP Tarlac received the final approval from the ERC dated January 23, 2019 allowing the 2% annual escalation of the Contract Price under the PSA.



SP Tanauan

On February 9, 2017, SPCRPI was awarded Solar Energy Service Contract (SESC) No. 2017-02-363 for the exclusive right to explore and develop the Calamba-Tanauan Solar Power Project (the Calamba-Tanauan Project), respectively, wherein the SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Calamba, Laguna and Tanauan, Batangas. On September 12, 2016, SPCRPI executed Deed of Assignment transferring all his rights and obligations to SP Tanauan. On February 23, 2017, the DOE acknowledged and approved the Deed of Assignment between SPCRPI and SP Tanauan. Further, on that same day, the DOE issued and approved a new Certificate of Registration (COR) under the name of SP Tanauan which recognizes SP Tanauan as a Renewable Energy (RE) developer. On December 22, 2016, SP Tanauan entered into a 20-year PSA with MERALCO.

PSA between SP Tanauan and MERALCO

On December 22, 2016, MERALCO awarded the PSA to SP Tanauan through a letter of notice dated December 14, 2016, after undergoing a rigorous competitive selection process.

In accordance with the PSA, SP Tanauan intends to construct, own, operate, manage and maintain solar energy power plants in Tanauan, Batangas (site 1) and Naic, Cavite (site 2). Each generation facility shall be capable of supplying at least 25 MW AC or a total of 50 MW AC from the solar photovoltaic panels. The obligations of SP Tanauan and MERALCO with respect to the sale and purchase of the power shall be for a duration of twenty (20) years from commercial operations date, determined separately for each plant.

On February 23, 2018, SP Tanauan received a copy of the ERC order dated November 28, 2017 granting interim relief for the parties, allowing both parties to implement the PSA, subject to the issuance of a final approval. As of August 5, 2019, SP Tanauan is still awaiting for the final approval from ERC, hence, SP Tanauan has not yet commenced commercial operations.

On February 7, 2019, SP Tanauan submitted its request for Declaration of Commerciality with the DOE. As of August 5, 2019, no response from the DOE has been received regarding SP Tanauan's request.

SP Nueva Ecija

On August 22, 2017, SPCRPI was awarded SESC No. 2017-06-404 for the exclusive right to explore and develop the Sta. Rosa Nueva Ecija 2 Solar Power Project (the Nueva Ecija Project), respectively, wherein the SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Santa Rosa, Penaranda and San Leonardo, Nueva Ecija. On December 29, 2017, SPCRPI executed Deed of Assignment transferring all his rights and obligations to SP Nueva Ecija. On February 23, 2018, the DOE acknowledged and approved the Deed of Assignment between SPCRPI and SP Nueva Ecija. Further, on that same day, the DOE issued and approved a new COR under the name of SP Nueva Ecija which recognizes SP Nueva Ecija as an RE developer. As of August 5, 2019, SP Nueva Ecija has not yet commenced construction of the project and has not yet commenced commercial operations.

SP Tagoloan

On June 26, 2015, SPCRPI, was awarded SESC No. 2015-06-236 for the exclusive right to explore and develop the Tagoloan Solar Power Project (the Tagoloan Project), respectively, wherein the SPCRPI shall undertake exploration, assessment, harnessing, piloting and other studies of the solar energy resources in Tagoloan, Misamis Oriental. On September 6, 2016, SPCRPI executed Deed of Assignment transferring all his rights and obligations to SP Tagoloan. On March 13, 2016, the DOE acknowledged and approved the Deed of Assignment between SPCRPI and SP Tagoloan. Further, on



that same day, the DOE issued and approved a new COR under the name of SP Tagoloan which recognizes SP Tagoloan as an RE developer.

6. Other Current Assets

	2018	2017
Input VAT	₱4,818,855	₱243,919
Deferred input VAT	3,083,804	219,295
Advances to officers and employees	949,233	913,502
Others	154,190	—
	9,006,082	1,376,716
Less allowance for impairment loss on advances to officers and employees	408,743	—
	₱8,597,339	₱1,376,716

In 2018, the Parent Company recognized provision on impairment loss on advances to officers and employees amounting to ₱0.4 million which is presented as “Impairment loss” under “Expenses” in the statements of comprehensive income. No provision of impairment loss on advances to officers and employees is recognized in 2017.

7. Advances to Suppliers

In 2018, the Parent Company made a down payment amounting to ₱12.3 million for the acquisition of computer software. Installation is expected to be completed in 2019.

8. Accounts Payable and Accrued Expenses

	2018	2017
Capital gains tax payable	₱97,215,000	₱—
Accounts payable	30,109,417	542,980
Accrued interest (see Note 9)	4,434,361	5,839,306
Others	541,713	1,297
	₱132,300,491	₱6,383,583

Capital gains tax payable pertains to liability to the government on the sale of SPCC's interest.

Accounts payable consist of amounts unpaid for professional services incurred during the year.

9. Loans Payable

This account consists of short-term loans as follows:

	2018	2017
₱1.0 billion short-term loan [Philippines Business Bank (PBB)]	₱1,000,000,000	₱1,000,000,000
₱1.0 billion short-term loan (KPHI)	1,000,000,000	—
₱30.0 million short-term loan	—	30,000,000
	₱2,000,000,000	₱1,030,000,000



₱1.0 billion short-term loan (PBB)

On September 8, 2017, the Parent Company obtained a short-term loan facility amounting to ₱1.0 billion from PBB. The short-term loan facility has a tenor of one year maturing on September 10, 2018 and has an interest rate of 8.5% payable on annual basis. As of December 31, 2018, the carrying value of short-term loan facility amounted to ₱1.0 billion.

In 2018 and 2017, interest expense charged to "Finance cost" amounted to ₱86.4 million and ₱36.6 million, respectively.

In 2019, PBB extends the maturity date of the short-term loan facility until December 27, 2019.

₱1.0 billion short-term loan (KPHI)

On July 16, 2018, the Parent Company obtained a short-term loan facility amounting to ₱1.0 billion from KPHI. The short-term loan facility has a tenor of one year maturing on January 15, 2019 and has an interest rate of 8.5% payable on annual basis. As of December 31, 2018, the carrying value of short-term loan facility amounted to 1.0 billion.

In 2018, interest expense costs charged to "Finance cost" amounted to 39.3 million.

In 2019, the Parent Company fully settled the principal and interest of the loan.

₱30.0 million short-term loan

On September 13, 2017, the Parent Company obtained a short-term loan facility amounting to ₱30.0 million from Sterling Bank of Asia. The short-term loan facility has a tenor of 190 days maturing on March 12, 2018 and has an interest rate of 4.5% payable on annual basis. As of December 31, 2017, the carrying value of short-term loan facility amounted to ₱30.0 million. The loan facility is settled in 2018.

In 2018 and 2017, interest expense costs charged to "Finance cost" amounted to ₱0.7 million and ₱0.5 million, respectively.

₱130.0 million short-term loan

On December 29, 2015, the Parent Company obtained a short-term loan facility amounting to ₱130.0 million from Philippine Bank of Commerce. The short-term loan facility has a tenor of one year, maturing on December 29, 2016 and has an interest rate of 6.5% payable on an annual basis. The maturity date of the loan was extended to April 3, 2017. On April 30, 2017, the loan was settled by paying the whole amount of ₱130.0 million.

In 2017, interest expense charged to "Finance cost" amounted to ₱1.8 million.

₱59.9 million short-term loan

On February 9, 2016, the Parent Company obtained a short-term loan facility amounting to ₱59.9 million from Philippine Bank of Commerce. The short-term loan facility has a tenor of one year maturing on February 9, 2017 and has an interest rate of 6.5% payable on annual basis. The short-term facility loan was secured by personal properties.

On April 30, 2017, the loan was settled by paying the whole amount of ₱59.8 million.

In 2017, interest expense costs charged to "Finance cost" amounted to ₱1.5 million.



10. Related Party Transactions

The Parent Company, in its regular conduct of business, has entered into transactions with related parties. Parties are considered to be related if, among others, one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, the parties are subject to common control or the party is an associate or a joint venture.

Affiliates are related entities of the Parent Company by virtue of common ownership and representation to management where significant influence is apparent.

Except as indicated, otherwise, the outstanding accounts with related parties shall be settled in cash.

- a. The Parent Company's outstanding balance arising from advances with related parties are as follows:

	Nature of Transaction	Terms	Transactions during the year		Outstanding balance as of December 31	
			2018	2017	2018	2017
<i>Due from related parties:</i>						
SP MMC	Interest-free advances	Unsecured and will be settled in cash	₱501,764,171	₱636,957,822	₱1,205,119,967	₱703,355,796
SPCRPI	Interest-free advances	Unsecured and will be settled in cash	(141,590,366)	136,792,550	520,778,125	662,368,491
SP Tarlac	Interest-free advances	Unsecured and will be settled in cash	415,341,575	74,648,099	511,795,978	96,454,403
SP Calatagan	Interest-free advances	Unsecured and will be settled in cash	(31,234,199)	10,196,742	—	31,234,199
SP Tagoloan	Interest-free advances	Unsecured and will be settled in cash	40,654,943	49,008,795	89,979,088	49,324,145
SP Bulacan	Interest-free advances	Unsecured and will be settled in cash	33,794,974	44,261,290	78,056,264	44,261,290
SP Tanauan	Interest-free advances	Unsecured and will be settled in cash	(121,345,795)	80,347,309	62,019,147	183,364,942
SP Nueva Ecija	Interest-free advances	Unsecured and will be settled in cash	10,057,019	33,289,345	44,019,314	33,962,295
Solar Asia	Interest-free advances	Unsecured and will be settled in cash	23,719,252	—	23,719,252	—
Solar Maintenance Services Corporation (SMSC)	Interest-free advances	Unsecured and will be settled in cash	6,908,824	—	6,908,824	—
SP Palawan	Interest-free advances	Unsecured and will be settled in cash	4,075,294	2,191,151	6,266,445	2,191,151
SP Naic	Interest-free advances	Unsecured and will be settled in cash	72,841	71,897	590,451	517,610
SP South Luzon	Interest-free advances	Unsecured and will be settled in cash	281,111	73,657	355,468	73,657
SP Zambales (Forward)	Interest-free advances	Unsecured and will be settled in cash	56,707	129,092	226,468	169,761



	Nature of Transaction	Terms	Transactions during the year		Outstanding balance as of December 31	
			2018	2017	2018	2017
SP City Mall	Interest-free advances	Unsecured and will be settled in cash	P54,101	P167,936	P222,037	P167,936
SP Batangas	Interest-free advances	Unsecured and will be settled in cash	139,401	26,358	165,759	26,358
SP Renewable	Interest-free advances	Unsecured and will be settled in cash	47,032	88,324	135,356	88,324
SP Talingaan	Interest-free advances	Unsecured and will be settled in cash	56,382	72,077	128,459	72,077
SP Seaside Mall	Interest-free advances	Unsecured and will be settled in cash	54,271	61,215	115,486	61,215
SP San Rafael	Interest-free advances	Unsecured and will be settled in cash	56,512	50,054	106,566	50,054
SP Mindoro	Interest-free advances	Unsecured and will be settled in cash	55,060	38,491	93,551	38,491
SP Cavite	Interest-free advances	Unsecured and will be settled in cash	54,621	29,363	83,984	29,363
SP Island Power	Interest-free advances	Unsecured and will be settled in cash	61,328	19,858	81,186	19,858
SP Central Luzon	Interest-free advances	Unsecured and will be settled in cash	47,219	-	47,219	-
SP Visayas	Interest-free advances	Unsecured and will be settled in cash	37,764	36,081	73,845	36,081
SP Biga	Interest-free advances	Unsecured and will be settled in cash	45,702	-	45,702	-
SP Systems	Interest-free advances	Unsecured and will be settled in cash	22,917	-	22,917	-
SP Island	Interest-free advances	Unsecured and will be settled in cash	(19,858)	19,858	-	19,858
Stockholder	Interest-free advances	Unsecured and will be settled in cash	-	(6,250,030)	-	-
SP Retail Electricity	Interest-free advances	Unsecured and will be settled in cash	-	(227,500)	-	-
					P2,551,156,858	P1,807,887,355

Due to related parties:

SP Island	Interest-free advances	Unsecured and will be settled in cash	P248,808,413	P-	P248,808,413	P-
SPCC	Interest-free advances	Unsecured and will be settled in cash	(92,385,612)	171,347,967	78,962,355	171,347,967
SP Retail Electricity	Interest-free advances	Unsecured and will be settled in cash	(56,569)	(903,621)	9,977,310	10,033,879
Solar Para Sa Bayan Corporation (SPSBC)	Interest-free advances	Unsecured and will be settled in cash	7,192,478	-	7,192,478	-
SPCRPI	Interest-free advances	Unsecured and will be settled in cash	(365,771,495)	305,771,495	-	305,771,495
SP Tarlac (Forward)	Interest-free advances	Unsecured and will be settled in cash	(9,214,419)	9,214,419	-	9,214,419



	Nature of Transaction	Terms	Transactions during the year		Outstanding balance as of December 31	
			2018	2017	2018	2017
SP Central Luzon	Interest-free advances	Unsecured and will be settled in cash	(P11,903)	P11,903	P-	P11,903
Stockholder	Interest-free advances	Unsecured and will be settled in cash	(508,200,684)	248,993,300	359,915,117	868,115,801
					P704,855,673	P1,364,495,464

- b. On December 12, 2018, SPCC declared cash dividends amounting to P1.1 billion to the Parent Company (see Note 5).
- c. On May 28, 2019, SPCC declared cash dividends amounting to P90.7 million to the Parent Company (see Note 5).
- d. The Parent Company did not employ any personnel in 2018 and 2017. The administrative and finance functions of the Parent Company are being handled by SPCRPI, an affiliate.

11. Income Tax

No provision for income tax is recognized in 2018 and 2017 due to the Parent Company's net taxable loss position.

The reconciliation of income tax at statutory income rate to the effective income tax is as follows:

	2018	2017
Income tax at statutory income tax rate at 30%	P438,351,139	(P14,531,258)
Adjustments for:		
Nontaxable dividend income	(324,900,000)	-
Gain subject to capital gains tax	(194,430,000)	-
Movement in unrecognized deferred income tax assets	51,180,601	14,463,668
Nondeductible expenses	29,321,061	10,361
Expired NOLCO	492,452	81,817
Interest income subject to final tax	(15,253)	(24,588)
	P-	P-

As of December 31, 2018 and 2017, the Parent Company has carryover NOLCO for which no deferred income tax asset has been recognized as follows:

Year Incurred	Year of Expiration	NOLCO
2018	2021	P172,243,510
2017	2020	48,484,949
2016	2019	15,293,829
		P236,022,288



The movements in NOLCO are as follows:

	2018	2017
Balances at beginning of year	₱65,420,285	₱17,208,058
Additions	172,243,510	48,484,949
Expirations	(1,641,507)	(272,722)
Balances at end of year	₱236,022,288	₱65,420,285

Management has assessed that the carryforward benefits of NOLCO may not be utilized against future taxable income as it believes that it is not probable that sufficient future taxable income will be available to allow all or part of the deferred income tax asset to be utilized before its expiration.

12. Equity

As of December 31, 2018 and 2017, movements in capital stock are as follows:

	Number of shares	
	2018	2017
Common stock - ₱1 par value		
Authorized	100,000,000	100,000,000
Issued and outstanding	100,000,000	100,000,000

On April 11, 2017, the stockholder fully paid the subscription amounting to ₱18.8 million. In 2017, the Parent Company issued 75.0 million shares for a total consideration of ₱75.0 million.

13. Notes to Statement of Cash Flows

Changes in liabilities arising from financing activities:

December 31, 2018

	January 1, 2018	Cash flows	Others	December 31, 2018
Loans payable	₱1,030,000,000	₱970,000,000	₱-	₱2,000,000,000
Accrued interest	5,839,306	(127,858,125)	126,453,180	4,434,361
Due to related parties	1,364,495,464	(1,402,909,294)	743,269,503	704,855,673
Total liabilities from financing activities	₱2,400,334,770	(₱560,767,419)	₱869,722,683	₱2,709,290,034

December 31, 2017

	January 1, 2017	Cash flows	Others	December 31, 2017
Loans payable	₱189,823,748	₱840,176,252	₱-	₱1,030,000,000
Accrued interest	291,492	(34,864,290)	40,412,104	5,839,306
Due to related parties	630,060,000	(327,664,370)	1,062,099,834	1,364,495,464
Total liabilities from financing activities	₱820,175,240	₱477,647,592	₱1,102,511,938	₱2,400,334,770

Others include the effects of debt issue costs and offsetting of balances with related parties. The Parent Company classifies interest paid as cash flows from financing activities.



14. Financial Assets and Financial Liabilities

The Parent Company's principal financial instruments comprise of cash, due from related parties, accrued expenses, due to related parties and loans payable. The main purpose of these financial instruments is to finance the Company's operations.

The BODs have overall responsibility for the establishment and oversight of the Parent Company's risk management framework. The Parent Company's risk management policies are established to identify and manage the Parent Company's exposure to financial risks, to set appropriate transaction limits and controls, and to monitor and assess risks and compliance to internal control policies. Risk management policies and structure are reviewed regularly to reflect changes in market conditions and the Parent Company's activities.

The Parent Company has exposure to liquidity risk and credit risk from the use of its financial instruments. The BODs review and approve the policies for managing these risks.

Liquidity risk

Liquidity risk is the risk that the Parent Company will not be able to meet its financial obligations as they fall due. The Parent Company's objectives to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking adverse effect to the Parent Company's credit standing.

The Parent Company manages liquidity risk by maintaining a balance between continuity of funding and flexibility. As part of its liquidity risk management, the Parent Company regularly evaluates its projected and actual cash flows.

As of December 31, 2018 and 2017, the financial assets held by the Parent Company for liquidity purposes consist of cash and due from related parties. As of December 31, 2018 and 2017, the balances of accrued expenses and loans payable are due within one year and due to related parties is neither of these is past due.

Credit risk

Credit risk is the risk of financial loss to the Parent Company if a customer or counterparty to financial instrument fails to meet its contractual obligations arises principally from the Parent Company's due from related parties.

The Parent Company's exposure to credit risk is currently limited to the aggregate carrying values of cash in bank and due from related parties amounting to ₱3,624.1 million and ₱1,820.5 million as of December 31, 2018 and 2017, respectively. Such exposure arises from a possible default of related parties. As of December 31, 2018 and 2017, only cash in bank is viewed by management as 'high grade' since the banks are not expected to default. The Parent Company does not hold collateral for its financial asset as security.

Credit Quality of Financial Assets

Financial assets are classified as high grade if the counterparties are not expected to default in settling their obligations. Thus, the credit risk exposure is minimal. These counterparties normally include customers, banks and related parties who pay on or before due date. The Parent Company considers cash in banks as high grade.



Fair Value and Category of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash, Due from related parties, Accounts payable and accrued expenses and Due to related parties
The carrying amounts of these financial instruments approximate their fair values due to their short-term maturities.

Loans Payable

The fair values of loans payable were calculated based on the discounted value of future cash flows using the applicable risk free rates for similar types of loans adjusted for credit risks (Level 3 of the fair value hierarchy). The carrying amount of the short-term loan approximate its fair value due to its short-term maturity. The fair value of the long-term loan amounted to ₱2.0 billion and ₱1.0 billion as of December 31, 2018 and 2017, respectively.

Capital Management

As the Parent Company has already started its operations, it ensures that the minimum capital infused by the shareholders is properly managed. The Parent Company manages its capital structure and makes adjustments to it in the light of changes in business and economic conditions.

No changes were made in the objectives, policies or processes for the years ended December 31, 2018 and 2017. The Parent Company was able to meet its capital management objectives as of December 31, 2018.

The Parent Company considers the following as its core capital:

	2018	2017
Due to related parties	₱704,855,673	₱1,364,495,462
Common stock (net of subscription receivable)	100,000,000	100,000,000
Retained earnings (deficit)	1,395,526,218	(65,644,246)
	₱2,200,381,891	₱1,398,851,216

15. Supplementary Information Required Under Revenue Regulations 15-2010

The Company reported and accrued/paid the following types of taxes in 2018:

VAT

The Company's sales are subject to output VAT while its purchases of goods and services from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate is 12%.

- The Company has no declared and paid output VAT in 2018.
- Details of input VAT account are shown as follows:

Balance at January 1	₱243,919
Domestic purchase of services	4,574,936
Balance at December 31	₱4,818,855



Capital Gains Tax (CGT)

The Parent Company accrued CGT amounting to ₱97,215,000 on the sale of SPCC's interest, and subsequently paid in 2019.

Documentary Stamp Taxes (DST)

	Base	DST
KPHI Loan	₱1,000,000,000	₱3,750,000
PBB Loan	28,569,444	2,445,207
	₱1,028,569,444	₱6,195,207

Taxes and Licenses

CGT	₱97,215,000
DST	6,195,207
Philippine competition commission	250,000
Local business licenses and permits	18,600
SEC fees	12,515
Others	6,363
Total	₱103,697,685

Withholding Taxes

The Parent Company has paid ₱45,550 expanded withholding taxes for the services incurred in 2018.

Tax Contingencies

The Parent Company did not receive any final tax assessments in 2018, nor did it have tax cases under preliminary investigation, litigation and/or prosecution in courts or bodies outside the administration of the BIR.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Solar Philippines Power Project Holdings, Inc.
112 Legaspi Street, Legaspi Village
Brgy. San Lorenzo, Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Solar Philippines Power Project Holdings, Inc. as at and for the years ended December 31, 2018 and 2017 and have issued our report thereon dated August 5, 2019. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedules of Reconciliation of Retained Earnings Available for Dividend Declaration and All Effective Standards as at December 31, 2018 are the responsibilities of the Parent Company's management. These schedules are presented for the purpose of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Jhoanna Feliza C. Go

Partner

CPA Certificate No. 0114122

SEC Accreditation No. 1414-AR-1 (Group A),

March 2, 2017, valid until March 1, 2020

Tax Identification No. 219-674-288

BIR Accreditation No. 08-001998-103-2017,

January 31, 2017, valid until January 30, 2020

PTR No. 7332556, January 3, 2019, Makati City

August 5, 2019

