

ACEN CORPORATION
(Formerly AC Energy Corporation)
and Subsidiaries

Consolidated Financial Statements
December 31, 2022 and 2021
and for each of the three years
in the period ended December 31, 2022

and

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
ACEN CORPORATION (formerly AC Energy Corporation)

Opinion

We have audited the consolidated financial statements of ACEN CORPORATION (formerly AC Energy Corporation) and its Subsidiaries (collectively, the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2022, 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022 in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.



Accounting for Acquisition of UPC-AC Energy Australia HK Ltd.

On March 21, 2022, the Group, through its subsidiary, ACEN Renewables International (ACRI) acquired additional 30% interest in UPC-AC Energy Australia HK Ltd. (UPC-ACE Australia) increasing ACRI's ownership to 80%. However, by virtue of agreed governance structure between UPC Renewables Asia Pacific Holdings (UPC APH) and ACRI, the investment was treated as joint venture and accounted for using equity method. On November 8, 2022, the Group and UPCAPH executed a proxy-rights assignment in favor of ACRI which resulted in ACRI gaining control over UPC-ACE Australia. Accordingly, the Group recognized a gain of ₱10,921.03 million from the remeasurement of its previously held interest in UPC-ACE Australia.

Also, the Group performed a notional purchase price allocation using the provisional fair values of the underlying assets and liabilities of UPC-ACE Australia which resulted in the recognition of goodwill amounting to ₱21,544.49 million.

This matter is important to our audit because the amounts involved are material and it required significant management judgment in determining the date when the control is obtained and thus for the previously held interest to be remeasured. It also required significant estimation in the determination of acquisition date fair value of previously held interest, and the determination of the fair values of the underlying acquired assets and liabilities of UPC-ACE Australia for the purchase price allocation.

The Group's disclosure are included in Notes 3 and 23 to the consolidated financial statements.

Audit Response

We sent instructions to the statutory auditors of ACRI to perform an audit on the relevant financial information of ACRI for the purpose of our audit of the consolidated financial statements of the Group. These audit instructions contained a discussion of their scope of work, risk assessment procedures and reporting requirements. We discussed with the statutory auditors of ACRI their identified key audit areas, including the significant areas of estimation and judgment, planning and execution of audit procedures, and results of their work for the year ended December 31, 2022.

We reviewed the audit working papers of the statutory auditor of ACRI particularly the audit procedures performed in relation to this transaction. We also reviewed the procedures performed in assessing the competence, capabilities and objectivity of the external specialist who prepared the purchase price allocation report.

For the gain on remeasurement of previously held interest, we reviewed the procedures performed by the statutory auditor on the determination of the basis of acquisition date and the previously held interest to be remeasured based on support such as Sale and Purchase Agreement, proxy rights assignment, pricing spreadsheet and consideration paid by ACRI. We also recomputed the gain on remeasurement, and reviewed the presentation and disclosures related to this transaction in the consolidated financial statements.



For the notional purchase price allocation and goodwill recognition, we reviewed the procedures performed on the identification of UPC-ACE Australia's underlying assets and liabilities and the methodologies and assumptions used in determining their fair values. We recomputed the Group's share in the net fair values of UPC-ACE Australia's identifiable assets and liabilities and the resulting goodwill from the total consideration transferred. We also reviewed the presentation and disclosures related to this transaction in the consolidated financial statements.

Accounting for the Divestment of South Luzon Thermal Energy Corporation (SLTEC)

In 2021, the Board of Directors of ACEN approved and authorized management to work towards the early retirement of SLTEC coal plant by 2040 using an Energy Transition Mechanism (ETM), which includes the redemption, retirement and sale of common and redeemable preferred shares held by ACEN. In 2022, SLTEC executed the notice of retirement of common shares and notice of redemption of preferred shares. In addition, ACEN and ETM Philippines Holdings Inc. (EPHI) executed the Deed of Absolute Sale over the SLTEC common shares and preferred shares to qualified third-party investors (the "Transaction"). In addition, option agreements over the SLTEC shares were executed, which entitled ACEN and the investors, severally, to exercise the call and put options, respectively, based on certain pre-agreed conditions.

The Transaction was accounted for as a loss of control transaction which resulted in the deconsolidation of the assets and liabilities of SLTEC in the Group's consolidated financial statements as at the date of loss of control. The Group recognized loss on deconsolidation amounting to ₱121.11 million. We considered the accounting for the Transaction as a key audit matter due to the complexity and financial impact of the Transaction to the Group.

The Group's disclosures about the divestment of SLTEC are included in Note 2 to the consolidated financial statements.

Audit Response

We obtained and reviewed the relevant contracts and agreements pertaining to the Transaction. We obtained and reviewed management's assessment of ACEN's loss of control over SLTEC considering the control criteria under Philippine Financial Reporting Standard 10, *Consolidated Financial Statements*. We traced the proceeds received by ACEN from the sale, retirement and redemption of the SLTEC common and preferred shares to supporting documents such as bank statements. We tested management's accounting for the loss of control transaction by checking the deconsolidation of SLTEC's assets and liabilities as at the date of loss of control. We recomputed the loss on deconsolidation based on proceeds received against the carrying amount of net assets of SLTEC as at the date of loss of control. We also reviewed the presentation and disclosures in the notes to consolidated financial statements.

Recoverability of Deferred Tax Assets

The Parent Company recognized deferred tax assets of ₱1,228.29 million as at December 31, 2022 on net operating loss carry over (NOLCO) which resulted in an equivalent amount of benefit from deferred income tax in the consolidated statement of income in 2022. The recognition of deferred tax assets is significant to our audit because it requires significant judgment and is based on assumptions such as availability of future taxable income that are affected by expected future market or economic conditions and the expected performance of the Parent Company.



The disclosures in relation to deferred tax assets are included in Notes 3 and 24 to the consolidated financial statements.

Audit Response

We evaluated management's assessment on the availability of future taxable income in reference to financial forecast and tax strategies. We obtained and reviewed revenue contracts with its customers and forecasted volume. We evaluated management's financial forecast by testing the assumptions used by management. These assumptions include forecasted revenue growth rates and gross margin and prices in the energy spot market. We compared the key assumptions used against the historical performance of the Parent Company and other relevant external data. We re-performed the calculation of the deferred tax assets. We also assessed the timing of the reversal deferred tax assets on NOLCO.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2022 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

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.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Benjamin N. Villacorte.

SYCIP GORRES VELAYO & CO.



Benjamin N. Villacorte

Partner

CPA Certificate No. 111562

Tax Identification No. 242-917-987

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

SEC Partner Accreditation No. 111562-SEC (Group A),

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

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

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

BIR Accreditation No. 08-001998-120-2022, January 20, 2022, valid until January 19, 2025

PTR No. 9566017, January 3, 2023, Makati City

March 7, 2023



ACEN CORPORATION
(Formerly AC Energy Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 29)	₱34,630,011	₱26,445,429
Accounts and notes receivable - net (Notes 5, 26 and 29)	30,503,231	33,309,297
Fuel and spare parts	806,986	1,490,559
Financial assets at fair value through profit or loss (FVTPL) (Note 9)	42,863	—
Current portion of:		
Input value added tax (VAT)	2,132,179	1,173,169
Creditable withholding taxes	940,403	837,472
Other current assets (Notes 14 and 29)	966,907	812,579
	70,022,580	64,068,505
Noncurrent assets held for sale (Note 6)	—	203,464
Total Current Assets	70,022,580	64,271,969
Noncurrent Assets		
Investments in:		
Associates and joint ventures (Note 7)	24,766,433	21,358,301
Other financial assets at amortized cost (Note 8)	21,260,907	26,085,959
Financial assets at FVTPL (Note 9)	1,260,023	406,739
Financial assets at fair value through other comprehensive income (FVOCI) (Note 10)	366,844	354,868
Property, plant and equipment (Note 11)	58,398,228	36,038,563
Right-of-use assets (Note 12)	3,726,647	2,135,479
Accounts and notes receivable - net of current portion (Notes 5, 26 and 29)	16,387,729	13,191,314
Goodwill and other intangible assets (Note 13)	23,268,743	2,375,980
Net of current portion:		
Input VAT	2,336,747	524,733
Creditable withholding taxes	752,317	726,804
Deferred income tax assets - net (Note 24)	1,730,194	512,366
Other noncurrent assets (Notes 14 and 29)	8,495,171	3,178,312
Total Noncurrent Assets	162,749,983	106,889,418
TOTAL ASSETS	₱232,772,563	₱171,161,387

(Forward)



	December 31	
	2022	2021
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 15, 26 and 29)	₱13,322,569	₱6,280,829
Short-term loans (Notes 16 and 32)	2,900,000	–
Current portion of:		
Long-term loans (Notes 16, 29 and 30)	719,385	824,488
Lease liabilities (Notes 12, 29 and 30)	258,562	536,950
Income and withholding taxes payable	479,435	169,920
Due to stockholders (Note 26)	16,585	16,585
Total Current Liabilities	17,696,536	7,828,772
Noncurrent Liabilities		
Notes payable (Notes 16, 29 and 30)	32,093,314	20,195,054
Long-term loans – net of current portion (Notes 16, 29 and 30)	28,051,903	20,117,733
Lease liabilities – net of current portion (Notes 12, 29 and 30)	4,206,459	2,159,302
Pension and other employee benefits (Note 25)	76,997	80,422
Deferred income tax liabilities - net (Note 24)	226,268	74,422
Other noncurrent liabilities (Note 17)	827,643	2,736,920
Total Noncurrent Liabilities	65,482,584	45,363,853
Total Liabilities	83,179,120	53,192,625
Equity		
Capital stock (Notes 1 and 18)	39,691,895	38,338,527
Additional paid-in capital (Notes 1 and 18)	107,492,243	98,043,831
Other equity reserves (Note 18)	(56,585,740)	(56,604,532)
Unrealized fair value loss on equity instruments at FVOCI (Note 10)	(114,566)	(90,089)
Unrealized fair value gain on derivative instruments designated as hedges – net of tax (Note 29)	326,676	6,228
Remeasurement loss on defined benefit plans – net of tax (Note 25)	(43,910)	(24,436)
Accumulated share in other comprehensive (loss) gain of associates and joint ventures (Note 7)	(5,794)	29,723
Cumulative translation adjustments	7,449,690	(359,910)
Retained earnings (Note 18)	19,551,839	8,707,301
Treasury shares (Note 18)	(28,657)	(28,657)
Total equity attributable to equity holders of the Parent Company	117,733,676	88,017,986
Non-controlling interests (Note 18)	31,859,767	29,950,776
Total Equity	149,593,443	117,968,762
TOTAL LIABILITIES AND EQUITY	₱232,772,563	₱171,161,387

See accompanying Notes to Consolidated Financial Statements.



ACEN CORPORATION
(Formerly AC Energy Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except Per Share Figures)

	Years Ended December 31		
	2022	2021	2020
REVENUES			
Revenue from sale of electricity (Note 19)	₱34,995,488	₱25,878,039	₱20,283,303
Rental income	68,469	61,466	86,622
Dividend income	3,635	11,725	14,034
Other revenues	170,959	130,211	104,276
	35,238,551	26,081,441	20,488,235
COSTS AND EXPENSES			
Costs of sale of electricity (Note 20)	34,183,239	21,469,733	13,420,538
General and administrative expenses (Note 21)	3,901,817	2,785,549	3,017,665
	38,085,056	24,255,282	16,438,203
INTEREST AND OTHER FINANCE CHARGES (Note 22)	(2,357,531)	(1,694,380)	(1,988,086)
EQUITY IN NET INCOME OF ASSOCIATES AND JOINT VENTURES (Note 7)	937,834	1,952,753	1,490,192
OTHER INCOME - NET (Note 23)	18,201,992	5,723,640	3,551,889
INCOME BEFORE INCOME TAX	13,935,790	7,808,172	7,104,027
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 24)			
Current	415,325	297,689	404,053
Deferred	(1,077,423)	(155,552)	297,823
	(662,098)	142,137	701,876
NET INCOME	₱14,597,888	₱7,666,035	₱6,402,151
Net Income Attributable To:			
Equity holders of the Parent Company	₱13,055,119	₱5,250,972	₱4,288,102
Non-controlling interests	1,542,769	2,415,063	2,114,049
	₱14,597,888	₱7,666,035	₱6,402,151
Basic/Diluted Earnings Per Share (Note 27)	₱0.33	₱0.18	₱0.40

See accompanying Notes to Consolidated Financial Statements.



ACEN CORPORATION
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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands, Except Per Share Figures)

	Years Ended December 31		
	2022	2021	2020
NET INCOME	₱14,597,888	₱7,666,035	₱6,402,151
OTHER COMPREHENSIVE INCOME (LOSS)			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods</i>			
Cumulative translation adjustment	7,780,911	3,155,451	(3,552,333)
Unrealized fair value (loss) gain on derivative instruments designated as hedges - net of tax	362,555	(47,029)	72,151
	8,143,466	3,108,422	(3,480,182)
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods</i>			
Net changes in the fair value of equity instruments at FVOCI	(24,477)	(44,909)	92,821
Remeasurement loss on defined benefit plans – net of tax	(25,265)	(17,437)	35
	(49,742)	(62,346)	92,856
	8,093,724	3,046,076	(3,387,326)
SHARE IN OTHER COMPREHENSIVE INCOME (LOSS) OF ASSOCIATES AND JOINT VENTURES (Note 7)			
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods</i>			
Unrealized fair value gain (loss) on derivative instruments designated as hedges - net of tax	45,224	104,994	(32,997)
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods</i>			
Remeasurement gain (loss) on defined benefit plans - net of tax	7,628	(54,608)	(28,693)
	52,852	50,386	(61,690)
TOTAL OTHER COMPREHENSIVE INCOME	8,146,576	3,096,462	(3,449,016)
TOTAL COMPREHENSIVE INCOME	₱22,744,464	₱10,762,497	₱2,953,135
Total Comprehensive Income Attributable To:			
Equity holders of the Parent Company	₱21,188,277	₱8,281,629	₱841,484
Non-controlling interests	1,556,187	2,480,868	2,111,651
	₱22,744,464	₱10,762,497	₱2,953,135

See accompanying Notes to Consolidated Financial Statements.



ACEN CORPORATION
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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in Thousands)

	Attributable to Equity Holders of the Parent Company											Non-controlling Interests (Note 18)	Total Equity
	Capital Stock (Note 18)	Additional Paid-in Capital	Other Equity Reserves (Note 18)	Unrealized Fair Value Loss on Equity Instruments at FVOCI	Unrealized Fair Value Gain on derivative instruments designated as hedge – net of tax (Note 29)	Remeasurement Loss On Defined Benefit Plans – net of tax	Accumulated Share in Other Comprehensive Income (Loss) gain of Associates and Joint Ventures (Note 7)	Cumulative Translation Adjustments	Retained Earnings (Note 18)	Treasury Shares (Note 18)	Total		
Balances at January 1, 2022	₱38,338,527	₱98,043,831	(₱56,604,532)	(₱90,089)	₱6,228	(₱24,436)	₱29,723	(₱359,910)	₱8,707,301	(₱28,657)	₱88,017,986	₱29,950,776	₱117,968,762
Net income (loss)	–	–	–	–	–	–	–	–	13,055,119	–	13,055,119	1,542,769	14,597,888
Other comprehensive income (loss)	–	–	–	(24,477)	320,448	(25,265)	52,852	7,809,600	–	–	8,133,158	13,418	8,146,576
Total comprehensive income (loss)	–	–	–	(24,477)	320,448	(25,265)	52,852	7,809,600	13,055,119	–	21,188,277	1,556,187	22,744,464
Dividends declared (Note 18)	–	–	–	–	–	–	–	–	(2,298,950)	–	(2,298,950)	(1,504,247)	(3,803,197)
Issuance of capital stock (Note 18)	1,320,746	9,237,832	–	–	–	–	–	–	–	–	10,558,578	–	10,558,578
Grants through Employee Stock Ownership Plan (Note 18)	32,623	210,586	–	–	–	–	–	–	–	–	243,209	–	243,209
Adjustment in grants through Employee Stock Ownership Plan	(1)	(6)	–	–	–	–	–	–	–	–	(7)	–	(7)
Changes due to loss of control	–	–	–	–	–	5,791	–	–	–	–	5,791	–	5,791
Business combination during the year	–	–	–	–	–	–	(88,369)	–	88,369	–	–	–	–
Non-controlling interest arising from a business combination (Note 18)	–	–	–	–	–	–	–	–	–	–	–	1,947,104	1,947,104
Effects of common control business combination (Note 18)	–	–	121,830	–	–	–	–	–	–	–	121,830	(105,192)	16,638
Acquisition of non-controlling interest in a subsidiary (Note 18)	–	–	(110,463)	–	–	–	–	–	–	–	(110,463)	15,139	(95,324)
*Others	–	–	7,425	–	–	–	–	–	–	–	7,425	–	7,425
	1,353,368	9,448,412	18,792	–	–	5,791	(88,369)	–	(2,210,581)	–	8,527,413	352,804	8,880,217
Balances at December 31, 2022	₱39,691,895	₱107,492,243	(₱56,585,740)	(₱114,566)	₱326,676	(₱43,910)	(₱5,794)	₱7,449,690	₱19,551,839	(₱28,657)	₱117,733,676	₱31,859,767	₱149,593,443
Balances at January 1, 2021	13,706,957	8,692,555	28,662,357	143,625	57,409	(6,999)	(229,844)	(3,453,708)	6,349,082	(40,930)	53,880,504	50,398,831	104,279,335
Net income (loss)	–	–	–	–	–	–	–	–	5,250,972	–	5,250,972	2,415,063	7,666,035
Other comprehensive income (loss)	–	–	–	(44,909)	(51,181)	(17,437)	50,386	3,093,798	–	–	3,030,657	65,805	3,096,462
Total comprehensive income (loss)	–	–	–	(44,909)	(51,181)	(17,437)	50,386	3,093,798	5,250,972	–	8,281,629	2,480,868	10,762,497
Dividends declared (Note 18)	–	–	–	–	–	–	–	–	(1,195,787)	–	(1,195,787)	(2,231,038)	(3,426,825)

(Forward)



	Attributable to Equity Holders of the Parent Company												
	Capital Stock (Note 18)	Additional Paid-in Capital	Other Equity Reserves (Note 18)	Unrealized Fair Value Loss on Equity Instruments at FVOCI	Unrealized Fair Value Gain on derivative instruments designated as hedge – net of tax (Note 29)	Remeasurement Loss On Defined Benefit Plans – net of tax	Accumulated Share in Other Comprehensive Income (Loss) gain of Associates and Joint Ventures (Note 7)	Cumulative Translation Adjustments	Retained Earnings (Note 18)	Treasury Shares (Note 18)	Total	Non-controlling Interests (Note 18)	Total Equity
Issuance of capital stock (Note 18)	24,623,381	89,851,457	–	–	–	–	–	–	–	–	114,474,838	–	114,474,838
Reissuance of treasury shares (Note 18)	–	127,746	–	–	–	–	–	–	–	67,457	195,203	–	195,203
Grants through Employee Stock Ownership Plan (Note 18)	8,189	52,360	–	–	–	–	–	–	–	–	60,549	–	60,549
Stock issuance costs (Note 18)	–	(680,287)	–	–	–	–	–	–	–	–	(680,287)	–	(680,287)
Acquisition of treasury shares (Note 18)	–	–	–	–	–	–	–	–	–	(55,184)	(55,184)	–	(55,184)
Reversal of unrealized fair value gain upon redemption (Note 10)	–	–	–	(25,906)	–	–	–	–	–	–	(25,906)	–	(25,906)
Acquisition of non-controlling interest in a subsidiary (Note 18)	–	–	(985,702)	–	–	–	–	–	–	–	(985,702)	(313,598)	(1,299,300)
Capital redemption of non-controlling interest in a subsidiary (Note 18)	–	–	–	–	–	–	–	–	–	–	–	(20,386,275)	(20,386,275)
Capital infusion of non-controlling interest in a subsidiary (Note 18)	–	–	–	–	–	–	–	–	–	–	–	1,988	1,988
Effects of common control business combination	–	–	(84,281,187)	(162,899)	–	–	209,181	–	(1,696,966)	–	(85,931,871)	–	(85,931,871)
	24,631,570	89,351,276	(85,266,889)	(188,805)	–	–	209,181	–	(2,892,753)	12,273	25,855,853	(22,928,923)	2,926,930
Balances at December 31, 2021	₱38,338,527	₱98,043,831	(₱56,604,532)	(₱90,089)	₱6,228	(₱24,436)	₱29,723	(₱359,910)	₱8,707,301	(₱28,657)	₱88,017,986	₱29,950,776	₱117,968,762
Balances at January 1, 2020	7,521,775	83,768	41,570,060	(26,546)	(14,742)	9,254	(168,154)	96,227	3,943,403	(27,704)	52,987,341	39,371,962	92,359,303
Net income (loss)	–	–	–	–	–	–	–	–	4,288,102	–	4,288,102	2,114,049	6,402,151
Other comprehensive income (loss)	–	–	–	92,821	72,151	35	(61,690)	(3,549,935)	–	–	(3,446,618)	(2,398)	(3,449,016)
Total comprehensive income (loss)	–	–	–	92,821	72,151	35	(61,690)	(3,549,935)	4,288,102	–	841,484	2,111,651	2,953,135
Dividends declared	–	–	–	–	–	–	–	–	(546,751)	–	(546,751)	(1,961,062)	(2,507,813)
Issuance of capital stock	6,185,182	8,473,700	–	–	–	–	–	–	–	–	14,658,882	–	14,658,882
Stock issuance costs	–	(94,782)	–	–	–	–	–	–	–	–	(94,782)	–	(94,782)
Acquisition of treasury shares	–	–	–	–	–	–	–	–	–	(28,657)	(28,657)	–	(28,657)
Reissuance of treasury shares	–	71,402	–	–	–	–	–	–	–	15,431	86,833	–	86,833
Reversal of unrealized fair value gain upon redemption	–	–	–	(11,105)	–	–	–	–	–	–	(11,105)	–	(11,105)
Capital infusion of non-controlling interest in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	9,776,936	9,776,936
Non-controlling interest arising from a business combination	–	–	–	–	–	–	–	–	–	–	–	1,099,344	1,099,344
Effects of common control business combinations	–	158,467	(12,907,703)	88,455	–	(16,288)	–	–	(1,335,672)	–	(14,012,741)	–	(14,012,741)
	6,185,182	8,608,787	(12,907,703)	77,350	–	(16,288)	–	–	(1,882,423)	(13,226)	51,679	8,915,218	8,966,897
Balances at December 30, 2020	₱13,706,957	₱8,692,555	₱28,662,357	₱143,625	₱57,409	(₱6,999)	(₱229,844)	(₱3,453,708)	₱6,349,082	(₱40,930)	₱53,880,504	₱50,398,831	₱104,279,335

See accompanying Notes to Consolidated Financial Statements.



ACEN CORPORATION
(Formerly AC Energy Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱13,935,790	₱7,808,172	₱7,104,027
Adjustments for:			
Interest and other finance charges (Note 22)	2,357,531	1,694,380	1,988,086
Depreciation and amortization (Notes 20 and 21)	2,178,408	2,005,865	1,810,743
Employee stock ownership plan expense (Note 18)	31,161	3,553	—
Interest and other financial income (Note 23)	(5,639,184)	(4,376,158)	(2,060,084)
Equity in net income of associates and joint ventures (Note 7)	(937,834)	(1,952,753)	(1,490,192)
Foreign exchange (gains) losses - net	(100,538)	49,230	(45,759)
Pension and other employee benefits	(19,463)	12,056	(20,071)
Dividend income	(3,635)	(11,725)	(14,034)
Provision for (reversal of):			
Impairment loss on:			
Other financial assets at amortized cost (Notes 8 and 21)	1,284,409	—	—
Property, plant and equipment - net (Notes 11, 21 and 23)	41,444	211,405	381,105
Advances to contractors, net (Notes 14, 21 and 23)	(1,256)	(22,447)	49,884
Investments in associates and joint ventures (Note 21)	—	—	186,513
Probable losses on deferred exploration costs (Notes 13 and 21)	584	23,379	—
Expected credit losses (Notes 5, 21 and 23)	(13,755)	873	(32)
Loss (gain) on:			
Remeasurement of previously held interest (Notes 23 and 28)	(10,921,026)	—	—
Divestment of investment in associate (Notes 7 and 23)	(734,672)	(37,635)	—
Settlement of derivatives (Notes 23 and 31)	(297,342)	(41,802)	3,414
Sale of inventories and by-product (Note 23)	(32,953)	(24,733)	(15,354)
Unrealized commodity swaps (Note 23)	(1,647)	—	—
Bargain purchase (Note 23)	(138)	—	(49,970)
Fair value adjustment on financial asset at FVTPL (Notes 9 and 23)	124,513	—	—
Change due to loss of control (Note 2, 7, and 23)	121,107	(21,808)	—
Discount on long-term receivables (Note 23)	82,508	—	—
Sale of noncurrent assets held for sale (Notes 6 and 23)	8,400	—	—
Sale of property and equipment (Note 23)	7,049	(1,095)	4,280
Write-off of FVOCI (Notes 23)	500	—	—
Recovery of tax credit certificate on real property tax (Note 23)	—	(69,154)	—
Sale of investments (Note 23)	—	—	(867,067)
Operating income before working capital changes	1,469,961	5,249,603	6,965,489
Decrease (increase) in:			
Accounts and other receivable	(998,413)	(1,120,936)	(3,292,512)
Fuel and spare parts	(139,581)	(74,486)	(426,969)
Other current assets	(1,945,311)	(606,418)	182,026
Increase in accounts payable and other current liabilities	3,772,606	324,303	(353,687)
Cash generated from operations	2,159,262	3,772,066	3,074,347
Interest received	202,706	124,485	294,313
Income and withholding taxes paid	(66,062)	(472,425)	(244,917)
Net cash flows from operating activities	2,295,906	3,424,126	3,123,743
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Loans to related parties (Note 26)	(20,319,739)	(27,374,988)	(11,488,821)
Property, plant and equipment (Note 11)	(20,717,831)	(5,816,321)	(6,259,461)
Investments in subsidiaries, net of cash acquired (Note 28)	(4,033,180)	—	(4,026,861)
Investments in redeemable preferred shares (Note 8)	(3,571,739)	(866,258)	(2,899,776)
Investments in associates and joint venture, net (Note 7)	(2,996,379)	(536,189)	(2,853,713)
Issuance of convertible loans (Notes 8 and 28)	(2,807,214)	(6,542,561)	(5,983,388)
Financial assets at FVTPL (Note 9)	(912,534)	(402,680)	(5,474,708)
(Forward)			



	Years Ended December 31		
	2022	2021	2020
Subscription deposits (Note 8)	(P180,448)	(P3,150,370)	(P2,087,275)
Deferred exploration costs (Note 13)	(1,471)	(19,766)	(13,836)
Investment properties	–	(109,910)	(44,605)
Short-term investments	–	(68,310)	–
Right-of-use assets	–	–	(378,492)
Proceeds from:			
Collection of loans to related parties (Note 26)	25,251,588	7,488,683	3,523,334
Change due to loss of control, net of cash surrender (Note 2)	5,494,611	–	–
Divestment of investment in associate (Note 7)	734,672	–	–
Sale of noncurrent assets held for sale (Notes 6)	193,525	4,963	–
Termination of short-term investments (Note 14)	67,782	–	100,000
Redemption of convertible loan (Note 8)	14,508	791,328	–
Sale of property, plant and equipment (Note 11)	3,933	19,445	2,627
Redemption of financial assets at FVOCI (Note 10)	–	12,687,858	7,275,900
Sale of investments in financial assets at FVTPL	–	–	6,346,901
Insurance claim	–	–	35,282
Dividends received from:			
Investments in associates and joint ventures (Note 7)	2,222,356	1,693,682	2,162,400
Financial assets at FVOCI (Note 10)	3,635	11,725	14,034
Interest received	4,200,750	1,599,069	1,508,615
Increase in other noncurrent assets, non-current portion of input VAT and CWT	(6,984,890)	(2,478,046)	(1,766,093)
Net cash flows used in investing activities	(24,338,065)	(23,068,646)	(22,307,936)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Availment of short-term debts (Notes 16 and 32)	23,259,020	3,000,000	14,184,275
Availment of long-term debts (Notes 16 and 32)	23,012,509	848,276	3,807,614
Issuance of capital stock (Notes 18 and 32)	10,558,578	27,581,162	–
Issuance of notes payable (Note 16)	10,000,000	20,383,600	–
Reissuance of treasury shares	–	195,202	86,833
Capital infusion of non-controlling interest in subsidiaries (Note 18)	–	1,988	9,776,936
Payments of:			
Short-term loans (Notes 16 and 32)	(20,359,020)	(7,635,000)	(9,630,319)
Long-term loans (Notes 16 and 32)	(7,387,050)	(2,188,811)	(4,602,920)
Cash dividends (Notes 18 and 32)	(3,803,197)	(3,410,239)	(2,507,813)
Interest on short-term and long-term loans (Note 32)	(1,955,949)	(1,165,047)	(1,682,101)
Debt issue cost (Note 16)	(390,065)	(133,396)	(28,500)
Interest on lease liabilities (Notes 12 and 22)	(198,050)	(164,416)	(171,097)
Acquisition of non-controlling interest (Note 18)	(95,324)	(280,500)	–
Lease liabilities (Notes 12 and 32)	(93,035)	(285,855)	(68,670)
Capital redemption of non-controlling interest in subsidiary (Note 18)	–	(20,386,275)	–
Stock issuance costs	–	(680,287)	(94,782)
Treasury shares (Note 18)	–	(55,184)	(28,657)
Decrease in due to stockholders	–	(18,272)	1,678
Increase in other noncurrent liabilities	(1,040,364)	1,016,196	27,263
Net cash flows from financing activities	31,508,053	16,623,142	9,069,740
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS			
	(1,281,312)	1,389,636	(1,438,672)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,184,582	(1,631,742)	(11,553,125)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
	26,445,429	28,077,171	39,630,296
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 4)			
	P34,630,011	P26,445,429	P28,077,171

See accompanying Notes to Consolidated Financial Statements.



ACEN CORPORATION
(Formerly AC Energy Corporation)
AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Except When Otherwise Indicated)

1. Corporate Information

ACEN CORPORATION, formerly AC Energy Corporation (“ACEN” or “the Parent Company”) incorporated on September 8, 1969 and registered with the Philippine Securities and Exchange Commission (“SEC”), is engaged in power generation and trading, oil and mineral exploration, development and production. The Parent Company is a licensed Retail Electricity Supplier (“RES”). As a RES, the Parent Company is allowed to supply electricity to the contestable market pursuant to the Electric Power Industry Reform Act (“EPIRA”). Other activities of the Parent Company include investing in various operating companies and financial instruments. ACEN and its subsidiaries are referred to as “the Group”.

The direct parent company (or intermediate parent company) of ACEN is AC Energy and Infrastructure Corporation (“ACEIC”), a wholly owned subsidiary of Ayala Corporation (“AC”). AC is a publicly listed company which is 47.91% owned by Mermac, Inc. (ultimate parent company), and the rest by the public. AC is a listed entity incorporated in the Philippines.

As at December 31, 2022 and 2021, ACEIC owns 57.74% and 64.65%, respectively, of ACEN’s total outstanding shares of stock.

On December 15, 2021, during a Special Stockholders' Meeting, stockholders representing at least 2/3 of the ACEN’s outstanding capital stock, approved the following:

- i) Amendment to the Articles of Incorporation (“Articles”) to change the corporate name from “AC Energy Corporation” to “ACEN CORPORATION”.
- ii) Amendment to the Articles to remove oil exploration, mining and related businesses from the Primary Purpose and Secondary Purposes and to specify retail electricity supply and provision of guarantees as part of the Primary Purpose.
- iii) Amendment to the Articles to change the principal office of the Parent Company from “4th Floor, 6750 Office Tower, Ayala Avenue, Makati City 1226, Philippines,” to “35th Floor, Ayala Triangle Gardens Tower 2, Paseo de Roxas corner Makati Avenue, Makati City 1226, Philippines”.

On the same date, the SEC approved the proposed amendments to ACEN’s By-Laws and are intended to reflect the change in corporate name and principal office of ACEN.

On March 3, 2022, Bureau of Internal Revenue (BIR) Certificate of Registration was updated.

On July 20, 2022, the amendment to the Articles of Incorporation was approved by the SEC.

The consolidated financial statements were approved and authorized for issuance by the Board of Directors (BOD) on March 7, 2023.



2. Summary of Significant Accounting Policies

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL), equity instruments at fair value through other comprehensive income (FVOCI) and derivative financial instruments that have been measured at fair value. The consolidated financial statements are presented in Philippine peso which is the Parent Company's functional and presentation currency. All values are rounded to the nearest thousands ('000), except par values, per share amounts, number of shares and when otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Group as at December 31, 2022 and 2021 and for each of the three years in the period ended December 31, 2022. The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company using uniform accounting policies. When necessary, adjustments are made to the separate financial statements of the subsidiaries to bring its accounting policies in line with the Parent Company's accounting policies.

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.

The Group reassesses 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 of the subsidiary. Assets, liabilities, income and expenses of a subsidiary are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (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. All intra-group assets and liabilities, equity, income, 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 related assets (including goodwill), liabilities, NCI and other components of equity while any resulting gain or loss is recognized in the consolidated statement of income. Any investment retained is recognized at fair value.

NCI represents the interests in the subsidiaries not held by the Parent Company and are presented separately in the consolidated statement of income and within equity in the consolidated statement of



financial position, separately from equity attributable to holders of the Parent Company. NCI shares in losses even if the losses exceed the NCI in the subsidiary.

The consolidated financial statements comprise the Parent Company and the following subsidiaries of the Group:

Subsidiaries	Principal Activities	Percentage of Ownership (%)			
		2022		2021	
		Direct	Indirect	Direct	Indirect
ACEN International, Inc. ("ACEN International"; formerly AC Energy International, Inc.)	International investment holding	100.00	—	100.00	—
ACEN Renewables International Pte. Ltd. ("ACRI"; formerly AC Renewables International Pte. Ltd.) ^a	International investment holding	—	100.00	—	100.00
ACEN Cayman Limited ("ACEC"; formerly AC Energy Cayman) ^b	International investment holding	—	100.00	—	100.00
ACEN Investments HK Limited ("ACEN HK", formerly ACE Investments HK Limited) ^c	International investment holding	—	100.00	—	100.00
UPC-AC Energy Australia (HK) Ltd. ("UPC-ACE Australia")	Power generation	—	80.00	—	—
ACEN Finance Limited ("ACEN Finance") ^b	Investment holding	100.00	—	100.00	—
Bulacan Power Generation Corporation ("Bulacan Power")	Power generation	100.00	—	100.00	—
CIP II Power Corporation ("CIPP")	Power generation	100.00	—	100.00	—
Guimaras Wind Corporation ("Guimaras Wind")	Wind power generation	100.00	—	100.00	—
One Subic Oil Distribution Corporation	Distribution of petroleum products	100.00	—	100.00	—
One Subic Power Generation Corporation ("One Subic Power")	Power generation	—	100.00	—	100.00
ENEX Energy Corp. ("ENEX"; formerly ACE Enexor, Inc.)	Oil, gas, and geothermal exploration	75.92	0.40	75.92	0.40
Palawan55 Exploration & Production Corporation ("Palawan55")	Oil and gas exploration	30.65	52.93	30.65	52.93
South Luzon Thermal Energy Corporation ("SLTEC")	Power generation	—	—	100.00	—
Buendia Christiana Holdings Corp. ("BCHC")	Investment holding	100.00	—	100.00	—
ACE Shared Services, Inc. ("ACES")	Shared services	100.00	—	100.00	—
Giga Ace 1, Inc.	Power generation	100.00	—	100.00	—
Giga Ace 2, Inc.	Power generation	100.00	—	100.00	—
Giga Ace 3, Inc. ("Giga Ace 3")	Power generation	100.00	—	100.00	—
Giga Ace 4, Inc. ("Giga Ace 4")	Power generation	100.00	—	100.00	—
Giga Ace 5, Inc.	Power generation	100.00	—	100.00	—
Giga Ace 6, Inc.	Power generation	100.00	—	100.00	—
Giga Ace 7, Inc.	Power generation	100.00	—	100.00	—
Giga Ace 8, Inc. ("Giga Ace 8")	Power generation	100.00	—	100.00	—
Giga Ace 9, Inc. ("Giga Ace 9")	Power generation	100.00	—	100.00	—
Giga Ace 10, Inc.	Power generation	100.00	—	100.00	—
Giga Ace 11, Inc.	Power generation	100.00	—	100.00	—
Giga Ace 12, Inc.	Power generation	100.00	—	100.00	—
Giga Ace 14, Inc.	Power generation	100.00	—	100.00	—
Giga Ace 15, Inc.	Power generation	100.00	—	100.00	—
Negros Island Solar Power, Inc. ("ISLASOL")	Solar power generation	—	60.00	—	60.00
San Carlos Solar Energy, Inc. ("SACASOL")	Solar power generation	—	100.00	—	100.00
Monte Solar Energy, Inc. ("MONTESOL")	Solar power generation	96.00	4.00	96.00	4.00
ACE Endeavor, Inc. ("ACE Endeavor")	Investment holding and management	94.00	6.00	94.00	6.00
Visayas Renewables Corp. ("VRC")	Investment holding	—	100.00	—	100.00
San Julio Land Development Corporation	Leasing and land development	—	100.00	—	100.00
LCC Bulk Water Supply, Inc.	Water supply and distribution	—	100.00	—	100.00
MCV Bulk Water Supply Inc.	Water supply and distribution	—	100.00	—	100.00
SCC Bulk Water Supply Inc.	Water supply and distribution	—	100.00	—	100.00
HDP Bulk Water Supply Inc.	Water supply and distribution	—	100.00	—	100.00
Ingrid2 Power Corp.	Advisory/Consultancy	—	100.00	—	100.00
Ingrid3 Power Corp. ("Ingrid3")	Advisory/Consultancy	—	100.00	—	100.00
Ingrid4 Power Corp.	Advisory/Consultancy	100.00	—	100.00	—
Ingrid5 Power Corp.	Advisory/Consultancy	100.00	—	100.00	—
Ingrid6 Power Corp.	Advisory/Consultancy	100.00	—	100.00	—
Solienda Inc.	Leasing and land development	—	100.00	—	100.00
Gigasol 2, Inc.	Power generation	—	100.00	—	100.00
Gigasol 1, Inc.	Power generation	—	100.00	—	100.00
Gigasol 3, Inc. ("Gigasol 3")	Power generation	—	100.00	—	100.00
Gigasol 4, Inc.	Power generation	100.00	—	100.00	—
Gigasol 5, Inc.	Power generation	100.00	—	100.00	—
Gigasol 6, Inc.	Power generation	100.00	—	100.00	—



Subsidiaries	Principal Activities	Percentage of Ownership (%)			
		2022		2021	
		Direct	Indirect	Direct	Indirect
Gigasol 7, Inc.	Power generation	100.00	—	100.00	—
Gigasol 8, Inc.	Power generation	100.00	—	100.00	—
Gigasol 9, Inc.	Power generation	100.00	—	100.00	—
Gigasol 10, Inc.	Power generation	100.00	—	100.00	—
GigaWind1 Inc.	Power generation	—	100.00	—	100.00
GigaWind2 Inc.	Power generation	—	100.00	—	100.00
GigaWind3 Inc.	Power generation	100.00	—	100.00	—
GigaWind4 Inc.	Power generation	100.00	—	100.00	—
GigaWind5 Inc.	Power generation	100.00	—	100.00	—
GigaWind6 Inc. ^d	Power generation	100.00	—	—	—
GigaWind7 Inc. ^e	Power generation	100.00	—	—	—
SolarAce1 Energy Corp. (“SolarAce1”)	Power generation	95.00	5.00	95.00	5.00
SolarAce2 Energy Corp. (“SolarAce2”)	Power generation	—	100.00	—	100.00
SolarAce3 Energy Corp.	Power generation	—	100.00	—	100.00
SolarAce4 Energy Corp. ^f	Power generation	—	100.00	—	100.00
AC Subic Solar, Inc.	Power generation	—	100.00	—	100.00
AC Laguna Solar, Inc.	Power generation	—	100.00	—	100.00
AC La Mesa Solar, Inc.	Power generation	—	100.00	—	100.00
Bataan Solar Energy, Inc. (“BSEI”)	Power generation	—	100.00	—	100.00
Santa Cruz Solar Energy, Inc. (“SCSE”)	Power generation	—	100.00	—	100.00
Pagudpud Wind Power Corp. (“PWPC”)	Investment holding	—	100.00	—	100.00
Bayog Wind Power Corp. (“BWPC”)	Power generation	40.00	60.00	—	60.00
Manapla Sun Power Development Corporation (“MSPDC”)	Leasing and land development	36.37	63.63	36.37	63.63
ACE Renewables Philippines, Inc.	Investment holding	100.00	—	100.00	—
NorthWind Power Development Corporation (“NorthWind”)	Wind power generation	51.73	48.27	51.73	48.27
Viage Corporation	Investment holding	100.00	—	100.00	—
ACTA Power Corporation	Coal power generation	100.00	—	100.00	—
UAC Energy Holdings Pty Ltd	Investment holding	—	100.00	—	75.00
Buduan Wind Energy Co, Inc.	Power generation	—	100.00	—	—
Caraballo Mountains UPC Asia Corporation	Power generation	—	100.00	—	—
Pangasinan UPC Asia Corporation	Power generation	—	100.00	—	—
Sapat Highlands Wind Corporation	Power generation	—	100.00	—	—
UPC Mindanao Wind Power Corp.	Power generation	—	100.00	—	—
Itbayat Island UPC Asia Corporation	Power generation	—	100.00	—	—
Laguna Central Renewables, Inc.	Power generation	—	100.00	—	—
Laguna West Renewables, Inc.	Power generation	—	100.00	—	—
Suyo UPC Asia Corporation	Power generation	—	100.00	—	—
Natures Renewable Energy Devt. Corporation (“NAREDCO”)	Power generation	60.00	—	—	—
Sinocalan Solar Power Corp. (“SSPC”)	Power generation	100.00	—	—	—

^a Incorporated in Singapore

^b Incorporated in Cayman Islands

^c Incorporated in Hong Kong

^d Incorporated on March 16, 2022

^e Incorporated on June 23, 2022

^f 70% effective ownership in 2021, with pending application of increase in Authorized Capital Stock and issuance of shares to minority owners.

Unless otherwise indicated, the principal place of business and country of incorporation of the Parent Company’s investments in subsidiaries, associates and joint ventures is the Philippines.

Except as discussed below, the voting rights held by the Parent Company in its investments in subsidiaries are in proportion to its ownership interests.



The following were the changes in the Group structure in 2022:

Acquisition of additional 50% interest in UPC-AC Energy Australia (HK) Ltd. (“UPC-ACE Australia”)

On March 11, 2022, ACRI, and UPC Renewables Asia Pacific Holdings Ltd. (UPCAPH) and Mr. Rohner (collectively “the UPC AU Sellers”) signed a Share Purchase Agreement for the Group’s acquisition of 50% effective ownership interest of UPCAPH and Mr. Rohner in UPC-ACE Australia.

On March 21, 2022, ACRI, UPCAPH, and Mr. Rohner signed separate instruments of transfer for the transfer to ACRI of UPCAPH’s 7,150 ordinary shares in UPC-ACE Australia for US\$78.34 million (₱4,070.40 million) and Rohner’s 1,000,054 ordinary class B shares in UPC-ACE Australia for US\$9.36 million (₱486.42 million), thereby completing the first tranche of the acquisition. The aggregate consideration paid by ACRI to UPCAPH and Mr. Rohner is US\$87.70 million (₱4,556.82 million) (see Note 9).

On November 8, 2022, UPC Renewables, executed proxy rights in favor of ACRI, providing ACRI with 100% voting rights in the consolidated group of UPC-ACE Australia.

UPC-ACE Australia is a holding company of ACRI and UPCAPH for Australia energy and power projects and investment.

ACEN Australia, a subsidiary of UPC-ACE Australia, started the construction of 520MW New England Solar Farm (NESF) located in Uralla, New South Wales and 520MW Stubbo Solar Farm (Stubbo) located in Stubbo, New South Wales. ACEN Australia also has further development portfolio located in Tasmania, Victoria and South Australia.

The Group remeasured its previously held interest in UPC-ACE Australia based on its acquisition date fair value which resulted in a remeasurement gain of USD\$189.67 million (₱10,921.03 million) (see Note 13).

A series of transactions entered into by ACRI together with UPCAPH and Mr. Rohner for the investment UPC-ACE Australia were accounted for as a single transaction and resulted in control acquisition. Detailed information on the accounting for ownership interest in UPC-ACE Australia is disclosed in Note 28.

On November 8, 2022, UPCAPH, executed proxy rights in favor of the Group, providing the ACRI with 100% voting rights in the consolidated group of UPC-ACE Australia (see Note 28)

Acquisition of 100% interest in UPC Philippine renewable companies and businesses

On March 18, 2022, ACEN, its wholly owned subsidiary ACE Endeavor, UPC Philippines Wind Investment Co. BV (“UPC Philippines”), and Ms. Stella Marie L. Sutton (“Sutton”) signed a Share Purchase Agreement for the Group’s acquisition of the 100% ownership interest of UPC Philippines and Ms. Sutton’s in their Philippine renewable companies and businesses see Note 28).

Acquisition of 60% interest in NAREDCO

On March 24, 2022, ACEN, ACE Endeavor, CleanTech Renewable Energy 4 Corp. (“CREC4”), and NAREDCO executed a Shareholder’s Agreement for the acquisition for a collective 60% interest in NAREDCO. NAREDCO owns and is currently constructing a 133MW solar power plant (Phase 1) in Lal-lo, Cagayan. The total capacity of the solar power plant is 200MW..



Cancellation of the Property-for-Shares Swap between ENEX and ACEN, Stock Rights Offering, Follow-On Offering, and Shelf Registration

On October 18, 2021, the BOD of ACEN approved the transitioning of ACEN's power generation portfolio to 100% renewable energy by 2025. For this purpose, the BOD of ACEN approved the infusion of certain thermal assets into ENEX in the form of a property-for-share swap.

On the same date, the ENEX BOD approved the property-for-share swap with ACEN whereby ACEN will assign 100% of its equity in Palawan55 Exploration & Production Corporation (Palawan55), Bulacan Power Generation Corporation (BPGC), One Subic Power Generation Corporation (One Subic Power), CIP II Power Corporation (CIP II), and Ingrid3 Power Corp. (Ingrid3), valued at ₱3,390.76 million, in exchange for 339 million primary shares to be issued by ENEX to ACEN at a price of ₱10.00 per share, as supported by a fairness opinion from FTI Consulting Philippines, Inc. and subject to compliance with applicable regulatory requirements.

As a result of the issuance of primary shares to ACEN, the ENEX BOD also approved the conduct of a Stock Rights Offer (SRO) of up to 105,000,000 of ENEX's shares at ₱10.00 per share, subject to regulatory approvals. The ACEN BOD approved the underwriting of this SRO in relation to the share swap.

On December 29, 2021, ENEX and ACEN signed the Deed of Assignment wherein ENEX will issue 339,076,058 shares of stock in ENEX to ACEN at an issue price of ₱10 per share in exchange for the following properties of ACEN: (a) 3,064,900 common shares in Palawan55 with a par value of ₱100 per share, comprising 30.65% of the issued and outstanding shares in Palawan55; (b) 6,000,000 common shares in BPGC representing 100% of the issued and outstanding shares in BPGC; (c) 6,351,000 common shares in CIP II with a par value of ₱50 per share representing 100% of the issued and outstanding shares in CIP II; (d) 3,600,000 redeemable preferred shares in Ingrid3, a special purpose vehicle for the development of a new power project, with a par value of ₱1 per share, representing 100% of the issued and outstanding redeemable preferred shares in Ingrid 3; and (e) 33,493,366 common shares in One Subic Power with a par value of ₱1 per share representing 17.13% of the issued and outstanding shares in One Subic Power.

After the property-for-share swap, ACEN's total direct and indirect interest in ENEX is expected to go up from 76.32% to 89.78%, prior to the conduct of the SRO.

On June 3, 2022, ACEN BOD approved the cancellation of the property-for-share swap and Deed of Assignment between ACEN and ENEX due to unfavorable market conditions. As a result, the Request for Confirmation of the Valuation of the Asset in exchange for the shares filed with the SEC, and the Issuance of the Certificate Authorizing Registration filed with the Bureau of Internal Revenue are being withdrawn.

On the same date, ENEX's BOD also approved the cancellation of the conduct of a Stock Rights Offer of up to 105,000,000 of ENEX's shares at ₱10.00 per share; the cancellation of the issuance of up to 74,000,000 shares of the ENEX pursuant to ENEX's planned follow-on offering ("FOO") at an FOO price range of ₱10.00 to ₱11.84 per share; and the cancellation of filing by ENEX with the SEC of a registration statement covering a three-year shelf registration of up to 650,000,000 primary common shares.



Full divestment of the SLTEC coal plant using the Energy Transition Mechanism (ETM)

a. Divestment in SLTEC

On October 18, 2021, the BOD of the Parent Company approved and authorized management to work towards the early retirement of SLTEC coal plant by 2040 using an ETM, which includes the redemption, retirement and sale of common and redeemable preferred shares held by ACEN.

On April 8, 2022, SLTEC refinanced the existing ₱9,800.00 million SLTEC loan and upsized it by ₱3,900.00 million pursuant to the Amended and Restated Omnibus Loan and Security Agreement (“AROLSA”) executed on April 11, 2022.

On April 11, 2022, SLTEC applied with the SEC for the reduction in authorized capital stock (“ACS”) from 35,830,250 common shares to 832,500 common shares. On the same date, SLTEC applied for the amendment of features of the SLTEC redeemable preferred shares from voting to non-voting. Both applications were approved on October 7, 2022.

SLTEC redeemed all of the redeemable preferred shares held by the Parent Company for a total redemption price of ₱3,583.03 million in three tranches: (1) 32,000,000 on October 21, 2022, (2) 2,480,000 on November 7, 2022 and (3) 1,350,250 also on November 7, 2022.

On October 28, 2022, SLTEC retired 34,997,750 common shares held by ACEN at par value of ₱100/share or a total of ₱3,499.78 million. After retirement, the Parent Company held the remaining 832,500 common shares of SLTEC.

On November 7, 2022, SLTEC redeemed 3,830,250 common shares held by ACEN at par value for a total redemption price of ₱383.03 million.

On November 7, 2022, the Parent Company and ETM Philippines Holdings Inc. (“EPHI”) (a third party) executed a share purchase agreement covering the sale of 832,500 common shares with a purchase price of ₱83.25 million (equivalent to ₱100/share). The deed of absolute sale was executed on the same date.

After sale to EPHI, ACEN has fully divested its interest in SLTEC. ACEN recognized loss of ₱121.11 million which represents the difference between the total SLTEC carried in ACEN of ₱7,287.16 million and proceeds from divestment of ₱7,166.05million.

SLTEC accounts have been classified in the Group’s consolidated financial statement as at December 31, 2022 as follows:

- a. Balance sheet accounts were deconsolidated.
- b. Income statement accounts for the period January 1 to October 31, 2022 are included in the consolidated statement of income.



The net assets of SLTEC as at October 31, 2022 and proceeds from divestment are as follow:

Assets	
Cash and cash equivalents	₱1,671,439
Accounts and notes receivable	1,080,420
Fuel and spare parts	857,660
Other current assets	7,33,748
Property, plant and equipment (Note 11)	14,221,341
Other noncurrent assets	442,220
	<u>19,006,828</u>
Liabilities	
Accounts payable and other current liabilities	1,759,669
Income and withholding taxes payable	30,090
Long-term loans (Note 16)	13,380,340
Deferred income tax liabilities	45,911
Pension and other employee benefits	9,227
Equity	
Remeasurement loss on defined benefit plans	(5,791)
	<u>15,219,446</u>
Total identifiable net assets	3,787,382
Add redemption of ACEN shares	6,947,775
Less:	
GSIS investments	(2,200,000)
InLife investments	(1,000,000)
EPHI investments	(248,000)
Net assets attributable to ACEN	7,287,157
Less cash consideration	7,166,050
Loss on deconsolidation (Note 23)	<u>(₱121,107)</u>

After the sale to EPHI, the Group has fully divested its interest in SLTEC. The acquisition resulted in a loss which is recognized under “Other income - net” account in the consolidated statement of income (see Note 23).

Net cash inflow on acquisition is as follows:

Cash consideration	₱7,166,050
Less cash surrendered with the subsidiary ^(a)	1,671,439
Net cash inflow	<u>₱5,494,611</u>

^(a)Cash surrendered with the subsidiary is included in cash flows from investing activities.

The Group also paid donor’s tax amounting to ₱6.90 million which is presented as “Others” under “General and administrative expenses” in the consolidated statement of income.

- b. Execution of Option Agreements between ACEN and InLife, GSIS and EPHI to implement the overall energy transition mechanism for SLTEC

On October 24, 2022 and November 7, 2022, the Parent Company executed separate Option Agreements with InLife, GSIS and EPHI, (collectively the “Investors”) involving SLTEC, following the issuance of SLTEC redeemable preferred shares to these Investors and purchase by EPHI of the common shares.



The Option Agreements entitle ACEN and the Investors, severally, to exercise call and put options, respectively, based on certain pre-agreed conditions, to enable the early retirement of the coal plant by 2040, and its transition to cleaner technology. The call options for common and redeemable preferred shares are exercisable only beginning 2031 to 2040, while the put option on redeemable preferred shares is exercisable only on 2040. Both options are accounted as derivative asset and liability. As at December 31, 2022, derivative asset on call options on common and redeemable preferred shares amounted to ₱16.43 million and the derivative liability on put options on redeemable preferred shares amounted to ₱7.16 million.

The Option Agreements do not give ACEN control over SLTEC as at December 31, 2022 as these exercisable beginning 2031 only.

c. Administration and Management Agreement (“AMA”) and Operations and Maintenance Agreement (“O&M Agreement”) with SLTEC

Executed on October 4, 2019, ACEN and SLTEC entered into an AMA granting ACEN the exclusive right and obligation to administer and manage all of the net available output of SLTEC’s power plant and ACEN’s obligation to supply and deliver the necessary coal to generate electricity at an agreed price, subject to certain adjustments. On April 11, 2022, ACEN and SLTEC terminated the AMA and executed a new AMA where, in addition to ACEN’s right and obligation to administer and manage the entire capacity of SLTEC, ACEN shall pay SLTEC regardless of availability based on a pricing formula that will ensure SLTEC has sufficient cash to cover debt service and distributions to shareholders.

On April 11, 2022, ACEN entered into an Operations and Maintenance Agreement (“O&M Agreement”) with SLTEC, wherein ACEN shall provide operation, maintenance, and administrative services to SLTEC to ensure the proper and efficient operation and maintenance of the power plant. The O&M Agreement is valid for a period of five (5) years effective from April 11, 2022 and shall automatically renew for successive five (5) year terms from April 11, 2022 until December 25, 2040.

The AMA and O&M does not give ACEN control over SLTEC. The rights of ACEN and the terms and conditions under this agreements are subject to review and approval of SLTEC BOD. The agreement shall have a term of until December 25, 2040 or such period as may be agreed by the parties.

Acquisition of shares in Sinocalan Solar Power Corp. (“SSPC”)

On November 29, 2022, ACEN, Sungrow Power Renewables Corp. (“Sungrow”), and Havilah AAA Holdings Corp. (“Havilah”) signed an agreement for the sale and purchase of Sungrow’s and Havilah’s shares and/or subscription rights in Sinocalan Solar Power Corp. (“SSPC”) to ACEN (see Note 13).



The following were the changes in the Group structure in 2021:

Acquisitions of ACEIC's investee companies through share swap

On April 27, 2021, ACEN signed a Deed of Assignment with ACEIC for subscription by ACEIC to, and the issuance to ACEIC of 16,685,800,533 common shares at a subscription price of ₱5.15 per common share, or an aggregate subscription price of ₱85,931.87 million in exchange for ACEIC's 1,701,284,345 common shares and 15,030,279,000 redeemable preferred shares in ACE International which holds ACEIC's international renewable assets. The closing date of the share swap transaction was on June 7, 2021.

On June 27, 2021, the transfer value was approved by the SEC together with its approval of the application for the increase in ACEN's capital stock. The closing date of the transaction was June 27, 2021 (see Note 28).

The transfer was via a tax-free exchange under Section 40(C)(2) of the 1997 National Internal Revenue Code, as amended ("NIRC"), as amended by Republic Act No. 10963 (TRAIN Law) and Republic Act No. 11534 (CREATE Law), for which a request for ruling is no longer required to be filed with the BIR to confirm that the share swap transaction qualifies as a tax-free exchange.

Acquisition of non-controlling interest in MSPDC

On October 28, 2021, BCHC acquired the 34.00% ownership interest of the minority stockholders of MSPDC at an aggregate amount ₱280.50 million. Effective October 31, 2021, MSPDC became a wholly-owned subsidiary of ACEN.

The excess of consideration over carrying amount of non-controlling interest, recognized under other equity reserves, amounted to ₱261.73 million (see Note 21).

Acquisition of non-controlling interest in NorthWind

On October 18, 2021, the BOD of ACEN approved the acquisition of the 32.2% ownership interest of the minority stockholders of NorthWind (the "NW Minorities") for up to ₱1,093.00 million. Moreover, the BOD approved the issuance of up to 90 million of ACEN common shares to the owners, affiliate, and/or partners of the NW Minorities at up to ₱11.32 per share.

On November 12 and 15, 2021, the Share Purchase Agreement and Subscription Agreements, respectively, were signed by ACEN and the NW Minorities for 90,000,000 million shares in ACEN at a price of ₱11.32 per share:

Effective November 15, 2021, NorthWind became a wholly-owned subsidiary of ACEN. The subscribed shares were issued to the above shareholders on November 29, 2021.

The excess of consideration over carrying amount of non-controlling interest, recognized under other equity reserves, amounted to ₱723.97 million (see Note 18).

Material partly-owned subsidiaries with material economic ownership interest

The consolidated financial statements include additional information about subsidiaries that have NCI that are material to the Group. Management determined material partly-owned subsidiaries as those with balance of NCI greater than 5% of the total NCI and those subsidiaries which type of activities engaged in are important to the Group as at the end of the year.



The principal place of business of the subsidiaries are as follows:

ISLASOL

The registered office address and principal place of business of ISLASOL are Emerald Arcade, F.C. Ledesma St., San Carlos City, Negros Occidental.

UPC-AC Energy Australia (HK) Limited (UPC-ACE Australia)

UPC-ACE Australia, a subsidiary of ACRI, is a company incorporated and domiciled in Hong Kong, with principal address Suite 1201, 12th Floor, Tai Tung Building, 8 Fleming Road, Wanchai, Hong Kong.

ACEC

The registered office of ACEC is maintained by Maples Corporate Services Limited of PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

BWPC

BWPC's principal and registered office address is 4F Delgado-Adiarde Building, Rizal Street corner Gen. Segundo Avenue, Laoag City, 2900, Ilocos Norte.

UACH

UACH, a subsidiary of ACRI, is a company incorporated and domiciled in Australia, with principal address Suite 2, Level 2, 13-17 Castray Esplanade, Battery Point TAS 7004. Following ACRI's gaining control over UPC-ACE Australia, the Parent Company resulted to owning 100% indirect interest in UACH which resulted to increase in NCI amounting to ₱105.19 million (Note 18).

The summarized financial information of these subsidiaries is provided below. This information is based on the amounts before intercompany eliminations.

		UPC-ACE		
		ISLASOL	Australia	ACEC
2022				
Proportion of equity interests held by NCI		40.00%	20.00%	99.99%
Voting rights held by NCI		34.00%	20.00%	—
Accumulated balances of NCI		₱1,199,461	₱1,894,901	₱28,784,436
Net income (loss) allocated to NCI		81,936	(51,752)	1,528,770
Comprehensive income (loss) allocated to NCI		81,936	(51,108)	1,499,431
Dividends paid to NCI		—	—	1,504,247
2021				
Proportion of equity interests held by NCI		40.00%	40.00%	99.99%
Voting rights held by NCI		40.00%	34.00%	25.00%
Accumulated balances of NCI		(₱67,154)	₱1,117,524	₱105,172
Net income (loss) allocated to NCI		(10,122)	61,450	10,467
Comprehensive income (loss) allocated to NCI		(5,970)	61,450	10,523
Dividends paid to NCI		—	—	—
				2,141,568



Summarized financial information of these subsidiaries are as follows:

2022	ISLASOL	UPC-ACE Australia	ACEC
	(In Thousands)		
Statements of financial position			
Current assets	₱1,111,093	₱771,997	₱234,037
Noncurrent assets	2,531,400	24,590,707	31,277,680
Current liabilities	(176,574)	(9,825,777)	–
Noncurrent liability	(4,260,882)	(5,297,215)	–
Statements of comprehensive income (loss)			
Revenues	650,196	–	–
Cost and expenses	410,834	(362,929)	–
Other income (expenses)	2,553	(235,899)	–
Provision for (benefit from) income tax	490	259,553	–
Profit (loss) attributable to:			
Equity holders of the parent	159,490	(344,889)	(29,017)
Non-controlling interests	81,936	(51,752)	1,528,770
Total comprehensive income (loss) attributable to:			
Equity holders of the parent	159,490	(325,115)	(29,020)
Non-controlling interests	81,936	(51,108)	1,499,431
Statements of cash flows			
Operating activities	447,009	3,387,349	(539)
Investment activities	(12,781)	(10,935,711)	1,529,342
Financing activities	(812,970)	4,455,262	(1,529,339)
Net increase (decrease) in cash and cash equivalents	(₱378,742)	(₱3,093,100)	(₱536)

2021	BWPC	ISLASOL	UACH	ACEC
	(In Thousands)			
Statements of financial position				
Current assets	₱391,476	₱1,460,466	₱9,234	₱210,322
Noncurrent assets	2,598,920	2,782,655	–	28,078,022
Current liabilities	79,746	358,046	8,978	–
Noncurrent liability	1,785	4,142,951	–	–
Statements of comprehensive income (loss)				
Revenues	262	584,169	62,078	2,296,944
Cost and expenses	30,871	460,113	1,627	975
Other income (expenses)	16,553	(1,549)	2,110	–
Provision for (benefit from) income tax	–	(1,068)	18,769	–
Profit (loss) attributable to:				
Equity holders of the parent	(3,934)	62,125	33,325	61,652
Non-controlling interests	(10,122)	61,450	10,467	2,234,317
Total comprehensive income (loss) attributable to:				
Equity holders of the parent	2,294	62,125	33,493	61,655
Non-controlling interests	(5,970)	61,450	10,523	2,295,915
Statements of cash flows				
Operating activities	5,797	3,220,217	227,563,498	(974,005)
Investment activities	(2,290,451)	(2,819,911)	(218,517,586)	2,522,677,052
Financing activities	2,646,334	863,711	–	(2,359,374,541)
Net increase in cash and cash equivalents	₱361,680	₱1,264,017	₱9,045,912	₱162,328,506



2020	BWPC	ISLASOL	UACH	ACEC
	(In Thousands)			
Statements of financial position				
Current assets	₱9,768	₱830,148	₱6,182,605	₱43,798
Noncurrent assets	277,682	2,855,627	—	45,778,308
Current liabilities	8,692	232,475	13,983	—
Noncurrent liability	420,810	3,875,453	—	—
Statements of comprehensive income (loss)				
Revenues	₱27	₱224,726	₱868,958	₱1,872,815
Cost and expenses	41,850	332,219	213,856	829
Other income (expenses)	15,948	(624)	—	—
Provision for income tax	—	57	—	—
Profit (loss) attributable to:				
Equity holders of the parent	(10,406)	(64,904)	531,096	(2,357)
Non-controlling interests	(15,469)	(43,270)	124,006	1,874,343
Total comprehensive income (loss) attributable to:				
Equity holders of the parent	(10,406)	(64,904)	531,096	(2,357)
Non-controlling interests	(15,469)	(43,270)	124,006	1,871,945
Statements of cash flows				
Operating activities	(₱20,367)	₱82,640	₱—	(₱805)
Investment activities	(58,997)	(2,024)	8,450,360	(26,776,897)
Financing activities	73,316	153,044	(8,228,176)	7,147,274
Net increase (decrease) in cash and cash equivalents	(₱6,048)	₱233,660	₱222,184	(₱19,630,428)

Changes in Accounting Policies

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, 2022. Unless otherwise indicated, adoption of the new standard did not have an impact on the consolidated financial statements of the Group.

- 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-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.

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

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

- 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.

- *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 in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

- Amendments to PFRS 9, *Financial Instruments, Fees in the '10 per cent' test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- 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.

Standards Issued but not yet Effective

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

Effective beginning on or after January 1, 2023

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

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

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

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023.



Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group

- Amendments to PAS 8, *Definition of Accounting Estimates*

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

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

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

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

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

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

Effective beginning on or after January 1, 2024

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

The amendments clarify:

- That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
- 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, 2024 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.

- Amendments to PFRS 16, *Lease Liability in a Sale and Leaseback*

The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.



The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *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

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

PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

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



Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in the Group's consolidated financial statements, unless otherwise indicated.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the Group elects whether to measure the NCI in the acquiree at fair value or at the proportionate share of the acquiree's identifiable assets. Acquisition-related costs are expensed as incurred and included in general and administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in the consolidated statement of income. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for NCI, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.



Business Combination of Entities under Common Control

Combination of entities under common control are accounted for by applying the pooling-of-interests method. The pooling-of-interests method generally involved the following:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair value or recognize any new assets or liabilities at the date of combination. The only adjustments that are made are those adjustments to harmonize the accounting policies.
- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the entity acquired is reflected within equity.
- The consolidated statement of income, comprehensive income and cash flows reflect the result of the combining entities in full, irrespective of when the combination takes place.
- Comparative financial information are presented as if the entities had always been combined, or on date the common control existed on the combining entities, whichever comes earlier.
- The effects of any intercompany transactions are eliminated to the extent possible.

Remeasurement of Previously Held Interest

In a business combination achieved in stages, the acquirer shall remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate.

In prior reporting periods, the acquirer may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income shall be recognized on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

Acquiree remeasures all identifiable assets that it had rights to, and liabilities that it had obligations for, relating to the previously held interest, immediately before it obtains control. The acquiree remeasures its previously held interests in all identifiable assets and liabilities, regardless of whether it recognized those assets and liabilities in its financial statements before obtaining control.

The Group derecognizes its investment asset in an entity in its consolidated financial statements when it achieves control.

Presentation of Consolidated Financial Statements

The Group has elected to present all items of recognized income and expense in two statements: a statement displaying components of profit or loss (consolidated statement of income) and a second statement beginning with profit or loss and displaying components of OCI (consolidated statement of comprehensive income).

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current or noncurrent 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 (12) months after the reporting period; or,
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve (12) months after the reporting period.

All other assets are classified as noncurrent.



A liability is current when:

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve (12) months after the reporting period; or,
- there is no unconditional right to defer the settlement of the liability for at least twelve (12) months after the reporting period.

The Group classifies all other liabilities as noncurrent.

Deferred income tax assets and liabilities are classified as noncurrent assets and liabilities.

Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statement of financial position is composed of cash in banks and on hand and short-term deposits with a maturity of three (3) months or less, which are subject to an insignificant risk of changes in value.

Short-term Investments

Short-term investments represent investments that are readily convertible to known amounts of cash with original maturities of more than three (3) months to one (1) year.

Fair Value Measurement

The Group measures financial assets at FVTPL, FVOCI and derivative financial instruments at fair value at each reporting date. Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

- Investment properties (see Note 14)
- Quantitative disclosures of fair value measurement hierarchy (see Note 32)
- Financial instruments (including those carried at amortized cost, see Note 32)

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 by 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 market participants act in their economic best interest.

A fair value measurement of a non-financial 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 consolidated financial statements are categorized within the fair value hierarchy, described in Note 32, based on the lowest level input that is significant to the fair value measurement as a whole.

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 reassessing 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.

Financial Instruments – Classification and Measurement

Classification of Financial Assets

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

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

Contractual Cash Flows Characteristics

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

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

Business Model

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



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

Financial Assets at Amortized Cost

A financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the EIR method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in "Other income-net" in the consolidated statement of income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in "Provision for probable losses" in the consolidated statement of income.

As at December 31, 2022 and 2021, the Group's financial assets at amortized cost includes cash and cash equivalents, short-term investments, accounts and other receivable, development loans, debt replacements, other loan and interest receivable under Accounts and notes receivable, Other financial assets at amortized cost and deposits under Other Noncurrent Assets (see Notes 4, 5, 8, 14 and 31).

Financial Assets at FVOCI

Debt instruments

A financial asset is measured at FVOCI if (i) it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and (ii) its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at fair value. Gains and losses arising from changes in fair value are included in other comprehensive income within a separate component of equity. Impairment losses or reversals, interest income and foreign exchange gains and losses are recognized in profit and loss until the financial asset is derecognized. Upon derecognition, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. This reflects the gain or loss that would have been recognized in profit or loss upon derecognition if the financial asset had been measured at amortized cost. Impairment is measured based on the expected credit loss (ECL) model.

As at December 31, 2022 and 2021, the Group does not have debt instruments at FVOCI.

Equity instruments

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



Dividends are recognized in profit or loss only when:

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

As at December 31, 2022 and 2021, the Group's investments in quoted and unquoted equity securities and golf club shares are classified as financial asset at FVOCI (see Notes 10 and 31).

Financial Assets at FVTPL

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

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

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

As at December 31, 2022 and 2021, the Group has Compulsorily Convertible Debentures accounted as FVTPL (Note 9).

Derivative financial instruments and hedge accounting

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.



The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Fair value hedges

The change in the fair value of a hedging instrument is recognized in the consolidated statement of income as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the consolidated statement of income as other expense.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in consolidated statement of income.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the consolidated statement of income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts is recognized as other expense and the ineffective portion relating to commodity contracts is recognized in other operating income or expenses.

The Group designates only the spot element of forward contracts as a hedging instrument. The forward element is recognized in OCI and accumulated in a separate component of equity under cost of hedging reserve.



The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

The Group entered into fuel and coal swap contracts as a hedge of its exposure to price risk on its purchases (see Note 29).

Classification of Financial Liabilities

Financial liabilities are measured at amortized cost, except for the following:

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

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

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

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

As at December 31, 2022 and 2021, the Group has not designated any financial liability at FVTPL.

The Group's accounts payable and other current liabilities (excluding derivative liability and statutory payables), due to stockholders, short-term and long-term loans, deposit payables and other noncurrent liabilities are classified as financial liabilities measured at amortized cost under PFRS 9 (see Notes 15, 16, 17 and 31).



Derecognition of Financial Assets and Financial Liabilities

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or,
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows 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 substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Modification of Contractual Cash Flows

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset.

Financial liability

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. When 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 an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, to realize the assets and settle the liabilities 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.

There are no offsetting of financial assets and financial liabilities and any similar arrangements that warrants disclosure in the Group's consolidated financial statements as at December 31, 2022 and 2021.

Impairment of Financial Assets

PFRS 9 introduces the single, forward-looking "expected loss" impairment model, replacing the "incurred loss" impairment model under PAS 39.

The Group recognizes ECL on debt instruments that are measured at amortized cost and FVOCI. No ECL is recognized on equity investments.

ECLs are measured in a way that reflects the following:

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

Financial assets migrate through the following three (3) stages based on the change in credit quality since initial recognition:

Stage 1: 12-month ECL

For credit exposures where there have not been significant increases in credit risk since initial recognition and that are not credit-impaired upon origination, the portion of lifetime ECLs that represent the ECLs that result from default events that are possible within the 12-months after the reporting date are recognized.

Stage 2: Lifetime ECL – not credit-impaired

For credit exposures where there have been significant increases in credit risk since initial recognition on an individual or collective basis but are not credit-impaired, lifetime ECLs representing the ECLs that result from all possible default events over the expected life of the financial asset are recognized.

Stage 3: Lifetime ECL – credit-impaired

Financial assets are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of those financial assets have occurred. For these credit exposures, lifetime ECLs are recognized and interest revenue is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the financial asset.

Loss Allowance

For accounts and other receivable, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognized a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.



For cash and cash equivalents, the Group applies the low credit risk simplification. The investments are considered to be low credit risk investments as the counterparties have investment grade ratings. It is the Group's policy to measure ECLs on such instruments on a 12-month basis based on available probabilities of defaults and loss given defaults. The Group uses the ratings published by a reputable rating agency to determine if the counterparty has investment grade rating. If there are no available ratings, the Group determines the ratings by reference to a comparable bank.

For all debt financial assets other than accounts and other receivable, ECLs are recognized using general approach wherein the Group tracks changes in credit risk and recognizes a loss allowance based on either a 12-month or lifetime ECLs at each reporting date.

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

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

The Group considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment grade'.

Determining the Stage for Impairment

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

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

Write-off policy

The Group writes-off a financial asset and any previously recorded allowance, in whole or in part, when the asset is considered uncollectible, it has exhausted all practical recovery efforts and has concluded that it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

Fuel and Spare Parts

Fuel and spare parts are stated at the lower of cost or net realizable value (NRV). Cost is determined using the moving average method. NRV is the current replacement cost of fuel and spare parts.

Previously, the Group determined the cost using the first-in, first-out method. In 2021, the Group elected to change accounting policy on the inventory costing from first-in, first-out (FIFO) method to moving average method applied retrospectively. The restatements have no material impact on the Group's total assets, total liabilities and equity as at the beginning of earliest period presented.

Non-current Assets Held for Sale

The Group classifies non-current assets as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.



Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification under PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations* is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale is expected to be completed within one year from the date of the classification.

Property, plant and equipment are not depreciated or amortized once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the consolidated statement of financial position.

Property, Plant and Equipment

Property, plant and equipment, except land, is stated at cost, net of accumulated depreciation and impairment losses. Such cost includes the cost of replacing a part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the consolidated statement of income as incurred.

Land is stated at cost, net of accumulated impairment losses, if any.

The present value of the expected cost for the 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 calculated on a straight-line basis over the estimated useful lives of the assets. The depreciation of property and equipment, except land, begins when it becomes available for use, i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ceases when the assets are fully depreciated or at the earlier of the date that the item is classified as held for sale (or included in the disposal group that is classified as held for sale) in accordance with PFRS 5, and the date the item is derecognized.

The estimated useful lives used in depreciating the Group's property, plant and equipment are as follows:

Category	In Years
Land improvements	40
Buildings and improvements	6-25
Machinery and equipment:	
Wind towers and equipment	25
Power plant	20
Power barges	10
Others	10-15
Tools and other miscellaneous assets	5-10
Transportation equipment	3-5
Office furniture, equipment and others	3-10



The residual values, useful lives and depreciation method are reviewed periodically to ensure that the periods and methods of depreciation are consistent with the expected pattern of economic benefits from items of property and equipment. These are adjusted prospectively, if appropriate.

Fully depreciated property, plant and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged to current operations.

An item of property, plant and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income when the asset is derecognized.

Construction in progress includes cost of construction and other direct costs and is stated at cost less any impairment in value. Construction in progress is not depreciated until such time as the relevant assets are completed and ready for operational use.

Leases

The Group applied PFRS 16, *Leases* on January 1, 2019.

PFRS 16 supersedes PAS 17, *Leases*, IFRIC 4, *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and 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 account for all leases under a single on-balance sheet model.

Lessor accounting under PFRS 16 is substantially unchanged under PAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in PAS 17. Therefore, PFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted PFRS 16 using the modified retrospective method of adoption with the date of initial application of January 1, 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognized at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying PAS 17 and IFRIC 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets').

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.



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 remaining lease term. The lease payments include fixed payments (including in-substance fixed payments, as applicable) less any lease incentives receivable 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.

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.

The Group has elected to use the two exemptions proposed by the standard on the following contracts:

- a. Lease contracts for which the lease terms ends within 12 months from the date of initial application
- b. Lease contracts for which the underlying asset is of low value

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, 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.

The Group has the option to renew the lease contract for an additional term subject to the mutual agreement with the lessors. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Deferred taxes

Upon adoption of PFRS 16, the Group has adopted the modified retrospective approach for accounting the transition adjustments and has elected to recognize the deferred income tax assets and liabilities pertaining to lease liabilities and right-of-use assets on a gross basis.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate used by the Group is the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.



All other borrowing costs are expensed in the period in which these occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign Currency Denominated Transactions and Balances

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

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized as "Foreign exchange gain - net" under "Other income - net" in the consolidated statement of income.

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 transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the dates when the fair values are determined. The gains or losses arising on translation of non-monetary items measured at fair value are treated in line with the recognition of the gains or losses on the change in fair values of the items (i.e., translation differences on items which the fair value gains or losses are recognized in OCI or in profit or loss are also recognized in OCI or in profit or loss, respectively).

Interests in Joint Arrangements

Joint arrangement is an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require unanimous consent of the parties sharing control.

Investments in Associates and a Joint Venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

The Group's investments in its associates and a joint venture are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share in the net assets of the associate or joint venture since the acquisition date.

Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is collectively assessed for impairment.



The consolidated statement of income reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share in profit or loss of the associate or the joint venture is shown in the consolidated statement of income outside operating profit and represents profit or loss after tax and NCI in the subsidiaries of the associate or joint venture.

If the Group's share in losses of an associate or a joint venture equal or exceeds its interest in the associate or joint venture, the Group discontinues recognizing its share of further losses.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss in the consolidated statement of income.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in the consolidated statement of income.

The consolidated financial statements include additional information about associates and joint ventures that are material to the Group (see Note 7). Management determined material associates and joint ventures as those associates and joint ventures where the Group's carrying amount of investments is greater than 5% of the total investments and advances in associates and joint ventures as at the end of the year.

Investment Properties

Investment properties are carried at cost, including transaction costs, net of accumulated depreciation. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Investment properties are derecognized either when disposed of or when permanently withdrawn from use and no future economic benefit is expected from disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the consolidated statement of income in the period of derecognition.



Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the carrying value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Leasehold and water rights

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangibles, excluding capitalized development costs, are not capitalized and the related expenditure is reflected in the consolidated statement of income in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over their economic useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized.

The useful lives of leasehold and water rights are assessed as finite. The amortization expense on leasehold and water rights are recognized as “Depreciation and amortization” under “Cost of sale of electricity” account in the consolidated statement of income.

Deferred Exploration Costs

The Group follows the full cost method of accounting for exploration costs determined based on each SC area. Under this method, all exploration costs relating to each SC are deferred pending the determination of whether the contract area contains oil and gas reserves in commercial quantities, net of any allowance for impairment losses.

Expenditures for mineral exploration and development work on mining properties are also deferred as incurred, net of any allowance for impairment losses. These expenditures are provided with an allowance when there are indications that the exploration results are negative. These are written-off against the allowance when the projects are abandoned or determined to be unproductive. When the exploration work results are positive, the net exploration costs, and subsequent development costs are capitalized and amortized from the start of commercial operations.



Development Costs

Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- The technical feasibility of completing the intangible asset so that the asset will be available for use or sale
- Its intention to complete and its ability and intention to use or sell the asset
- How the asset will generate future economic benefits
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. Amortization is recorded in expenses. During the period of development, the asset is tested for impairment annually. Development costs is presented under “Other noncurrent assets” in the consolidated statement of financial position.

Advances for Land Acquisitions

Advances for land acquisitions are carried at less impairment losses, if any and is classified as current or non current based on the actual realization of such advances based on the determined usage/realization of the asset to which it is intended for. Advances for land acquisition is presented under “Other noncurrent assets” in the consolidated statement of financial position.

Impairment of Non-financial Assets

The Group assesses at each reporting date, whether there is an indication that an asset may be impaired in accordance with PAS 36. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or CGU’s fair value less costs of disposal and its value-in-use. The recoverable amount 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. When 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 pre-tax 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 of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group’s CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth (5th) year.

Impairment losses are recognized in the consolidated statement of income in the expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognized impairment losses no longer exist or have decreased.



If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income.

The following assets have specific characteristics for impairment testing:

Property, Plant and Equipment and Investment Properties

For property, plant and equipment and investment properties, the Group assesses for impairment based on impairment indicators such as evidence of internal obsolescence or physical damage.

Investments in Associates and Interest in a Joint Venture

The Group determines at the end of each reporting period whether there is any objective evidence that the investments in associates and interest in a joint venture are impaired. If this is the case, the amount of impairment is calculated as the difference between the recoverable amount of the investments in associates and interests in joint ventures, and their carrying amounts.

Goodwill and Developments Costs

Goodwill and development costs are tested for impairment annually and more frequently when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill and development costs by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill and development costs relate. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Right-of-Use Assets and Leasehold and water rights

Right of use assets and leasehold and water rights with finite useful lives are tested for impairment when circumstances indicate that the carrying value may be impaired.

Deferred Exploration Costs

Deferred exploration costs are reassessed for impairment on a regular basis. An impairment review is performed, either individually or at the CGU level, when there are indicators that the carrying amount of the assets may exceed their recoverable amounts. To the extent that this occurs, the excess is fully provided against, in the reporting period in which this is determined.

Facts and circumstances that would require an impairment assessment as set forth in PFRS 6,

Exploration for and Evaluation of Mineral Resources, are as follows:

- The period for which the Group has the right to explore in the specific area has expired or will expire in the near future and is not expected to be renewed.
- Substantive expenditure on further exploration and evaluation of mineral resources in the specific area is neither budgeted nor planned.
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area.
- When a service contract where the Group has participating interest in is permanently abandoned; and
- Sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.



When facts and circumstances suggest that the carrying amount exceeds the recoverable amount, impairment loss is measured, presented, and disclosed in accordance with PAS 36, *Impairment of Assets*.

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. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the consolidated statement of income, net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as “Other income” in the consolidated statement of income.

Asset Retirement Obligation

The Group is legally required under a lease agreement to dismantle certain machinery and equipment and restore the leased site at the end of the lease contract term. The Group recognizes the fair value of the liability for this obligation and capitalizes the present value of these costs as part of the balance of the related property, plant and equipment accounts, which are being depreciated on a straight-line basis over the shorter of the useful life of the related asset or the lease term. The liability is subsequently carried at amortized cost using the EIR method with the related interest expense recognized in the consolidated statement of income.

Pensions and Other Post-employment Benefits

Defined Benefit Plan

ACEN Retirement Plan for Plants is a hybrid retirement plan which has funded defined benefit features and matching defined contribution features covering all regular and permanent employees. Benefits under the defined benefit features of the plan are based on the employee’s final plan salary and years of service. The defined benefit provisions of the ACEN Retirement Plan for Plants is patterned from the Phinma Jumbo Retirement Plan, which is the former retirement plan of the Group.

Effective January 1, 2020, the matching defined contribution features of the plan covers all regular and permanent employees. Starting on the date of membership of an employee in the Plan, the Group shall contribute to the retirement fund a percentage of the member’s salary as defined when a Member opts to contribute to the plan. Benefits are based on the percentage of the total amount of contributions and investment returns credited to the personal retirement account (PRA) of the member at the time of separation. The Retirement Plan meets the minimum retirement benefit specified under Republic Act 7641.

The retirement fund is administered by a trustee bank under the supervision of the Retirement Committee of the plan. The Retirement Committee is responsible for investment strategy of the plan.

The hybrid retirement plan currently covers for participating entities: ACEN, Bulacan Power, CIPP, One Subic Power, Guimaras Wind, and any subsidiary and affiliate of ACEN that may subsequently adopt and participate in the Plan.

NorthWind, ACES, BWPC and ISLASOL currently operate their separate and distinct funded, noncontributory, defined benefit retirement plan with separately administered funds. Other entities are covered by Republic Act (R.A.) 7641, otherwise known as “The Philippine Retirement Law”,



which provides for qualified employees to receive a defined benefit minimum guarantee. The defined benefit minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of R.A. 7641. The cost of providing benefits is determined using the projected unit credit method.

The Defined Benefit Obligation (DBO)/Actuarial Accrued Liability (AAL) is the actuarial present value of expected future payments required to settle the obligation resulting from employee service in current and prior periods. The calculation of the DBO/AAL assumes that the plan continues to be in effect and that estimated future events (including salary increases, turnover and mortality) occur. DBO differs from AAL only in the use of discount rate to compute the present value of expected future payments. The discount rate for DBO is based on the single weighted average discount rate which is based on the bootstrapped PHP-BVAL rates as mandated by PAS 19 at various tenors for intermediate durations were interpolated. The rates were then weighted by the expected benefits payments at those durations to arrive at the single weighted average discount rate while the expected rate of return on plan assets is used as the discount rate in computing AAL for funding.

Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the consolidated statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which these occur. Remeasurements are not reclassified to the consolidated statement of income in subsequent periods.

Past service costs are recognized in the consolidated statement of income on the earlier of:

- the date of the plan amendment or curtailment; or,
- the date that the Group recognizes related restructuring costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset at the beginning of the period, unless there is a plan amendment, curtailment or settlement during the reporting period. The calculation also takes into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. The Group recognizes the following changes in the net defined benefit obligation under “Cost of sale of electricity” and “General and administrative expenses” accounts in the consolidated statement of income:

- service costs comprising current service costs, past service costs, gains and losses on curtailments and non-routine settlements
- net interest expense or income

Employee Leave Entitlement

Employee entitlements to annual leave are recognized as a liability when these are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Other long-term benefits

Vacation and sick leaves are recognized as a liability when these are accrued to the employees. Unused vacation and sick leave credits shall be converted to cash upon separation of employee. Leave expected to be settled wholly before twelve months after the end of the annual reporting period is reclassified to short-term benefits.

Capital Stock

Capital stock represents the portion of the paid-in capital representing the total par value of the shares issued.



Stock Options and Grants

Stock option and grants are accounted for in accordance with PFRS 2, that is, the cost of stock option awards is measured by reference to the fair value at the date on which they are granted. The fair value is determined using the binomial method. The cost of such awards is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award. The cumulative expense that is recognized at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of income for a period represents the movement in cumulative expense recognized as at the beginning and end of the period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

Where the terms of the award are modified, the minimum expense recognized is the expense if the terms had not been modified. An additional expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement or is otherwise beneficial to the employee as measured at the date of modification.

Where the stock option is cancelled, it is treated as if it had vested on the date of the cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the preceding paragraph.

If the outstanding options are dilutive, its effect is reflected as additional share dilution in the computation of diluted earnings per share.

Additional Paid-in Capital (APIC)

APIC represents the amount paid in excess of the par value of the shares issued. An entity typically incurs various costs in issuing or acquiring its own equity instruments. Those costs, net of tax, might include registration and other regulatory fees, amounts paid to legal, accounting and other professional advisers, printing costs and stamp duties. In accordance with PAS 32, *Financial Instruments: Presentation*, the transaction costs of an equity transaction are accounted for as a deduction from equity to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided.

Accounted also in the APIC are dividends declared by the transferee entities in the common control transaction with ACEIC between October 10, 2019 to June 20, 2020 which the Parent Company has beneficial economic interests already based on the Deed of Assignment. These are accounted for as equity contributions from ACEIC and are recorded as APIC.

Treasury Shares

Own equity instruments that are reacquired (treasury shares) are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of income on the acquisition, reissuance or retirement of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in APIC. Share options exercised during the reporting period are satisfied with treasury shares.

Other Equity Reserves

Other equity reserves are made up of equity transactions other than capital contributions such as share



in equity transactions of associates and joint ventures and difference between considerations paid or transferred and the net assets of the entity acquired through business combinations involving entities under common control.

Retained Earnings

Retained earnings include all current and prior period results of operations as reported in the consolidated statement of income, net of any dividend declaration and adjusted for the effects of changes in accounting policies as may be required by PFRS's transitional provisions.

Other Comprehensive Income (OCI)

OCI are items of income and expense that are not recognized in determining the profit or loss for the year in accordance with PFRS. OCI includes remeasurement gain (loss) on retirement plan, net of related taxes, unrealized fair value gain (loss) on equity instruments at FVOCI, unrealized fair value gain (loss) on derivative instruments designated as hedges, net of related taxes, and cumulative translation adjustments.

Cash Dividend and Non-cash Dividend to Equity Holders of the Parent Company

The Group recognizes a liability to make cash or non-cash distributions to equity holders of the Parent Company when the distribution is authorized, and the distribution is no longer at the discretion of the Group. A corresponding amount is recognized directly in equity.

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded acting as principal in all its revenue arrangements since it is the primary obligor in all the revenue arrangements, has pricing latitude and exposed to credit risks.

The specific recognition criteria described below must also be met before revenue is recognized.

Sale of Electricity

Sale of electricity is consummated whenever the electricity generated by the Group is transmitted through the transmission line designated by the buyer, for a consideration. Revenue from sale of electricity is based on sales price. Sales of electricity using bunker fuel are composed of generation fees from spot sales to the WESM and supply agreements with third parties and are recognized monthly based on the actual energy delivered.

Starting December 27, 2014, sales of electricity to the WESM using wind are based on the Feed in Tariff (FIT) rate under the FIT System and are recognized monthly based on the actual energy delivered. Meanwhile, revenue from sale of electricity through ancillary services to National Grid Corporation of the Philippines (NGCP) is recognized monthly based on the capacity scheduled and/or dispatched and provided. Revenue from sale of electricity through Retail Supply Contract (RSC) is composed of generation charge from monthly energy supply with various contestable customers and is recognized monthly based on the actual energy delivered. The basic energy charges for each billing period are inclusive of generation charge and retail supply charge.

The Group identified the sale of electricity (power generation, trading and ancillary services) where capacity and energy dispatched are separately identified, these two obligations are to be combined as one performance obligation since the customer can benefit from it in conjunction with other readily available resources and it is also distinct within the context of the contract. The performance obligation qualifies as a series of distinct services that are substantially the same and have the same



pattern of transfer. The Group concluded that the revenue should be recognized overtime since the customers simultaneously receives and consumes the benefits as the Group supplies electricity.

Retail supply also qualifies as a series of distinct services which is accounted for as one performance obligation since the delivery of energy every month is a distinct service which is recognized over time and have the same measure of progress.

For power generation and trading and retail supply, the Group uses the actual kwh dispatched which are also billed on a monthly basis.

For ancillary services, the Group determined that the output method is the best method in measuring progress since actual energy is supplied to customers. The Group recognizes revenue based on contracted and actual kilowatt hours (kwh) dispatched which are billed on a monthly basis.

Amounts Reimbursed to Customers

Certain revenue contracts with customers provide for the sale of any unutilized electricity to the WESM. The proceeds are recorded as reduction in “Revenue from sale of electricity” in the consolidated statement of income.

Rental Income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of income due to its operating nature.

Dividend Income

Dividend income is recognized when the Group’s right to receive the payment is established, which is generally when shareholders of the investees approve the dividend.

Other revenues

Other revenues include management fees and revenue from water distributions. Management fees are recognized for services rendered when earned. Revenue from water distributions arise from water supply contracts which include production and water fees and are recognized per cubic meter based on actual consumption.

Contract Liability

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays 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 liability is recognized as revenue when the Group performs under the contract.

Claims on business interruptions and property damage

Income is recognized when an acknowledgment for the proposed claims is received from insurers. The income arises from unplanned shutdown of an insured property which resulted to business interruptions and property damage.

Other Income

Other income is recognized when there is an incidental economic benefit, other than the usual business operations, that will flow to the Group through an increase in asset or reduction in liability that can be measured reliably.



Costs and Expenses

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

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.

Management periodically evaluates positions taken in the tax return with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions where appropriate.

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

Deferred Income Tax

Deferred income tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes as 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 income nor taxable income or loss.
- in respect of taxable temporary differences associated with investments in subsidiaries, associates, and 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, including carryforward benefits of unused net operating loss carryover (NOLCO) and excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) which can be deducted against future RCIT due to the extent that it is probable that future taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from unused NOLCO 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 income nor taxable income.
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and 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 income 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 income 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 income 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 in 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 to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in the consolidated statement of income.

Creditable Withholding Taxes (CWT)

CWTs are carried at the amount withheld by the customers for services provided by the Group. CWTs are recognized when payments are received from customers and the related withholding taxes were made. CWTs can be utilized as credits against the Group's income tax liability provided these are properly supported by certificates of creditable tax withheld at source subject to the rules on Philippine income taxation and may also be reduced by impairment losses, if any. CWTs, which are expected to be utilized as payment for income taxes within 12 months are classified as current, otherwise, these are classified as noncurrent assets.

Value-added Tax (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 amount of VAT recoverable from the taxation authority is recognized as "Input VAT", while VAT payable to taxation authority is recognized as "Output VAT". Output VAT is recorded based on the amount of sale of electricity billed to third parties. Any amount of output VAT not yet collected as at reporting period are presented under "Accounts payable and other current liabilities" account in the consolidated statement of financial position.

Earnings (Loss) Per Share

Basic earnings (loss) per share is computed based on weighted average number of issued and outstanding common shares during each year after giving retroactive effect to stock dividends declared during the year. Diluted earnings (loss) per share is computed as if the stock options were exercised as at the beginning of the year and as if the funds obtained from exercise were used to purchase common shares at the average market price during the year. Outstanding stock options will have a dilutive effect under the treasury stock method only when the fair value of the underlying common shares during the period exceeds the exercise price of the option. Where the outstanding stock options have no dilutive effect and the Group does not have any potential common share nor other instruments that may entitle the holder to common shares, diluted earnings (loss) per share is the same as basic earnings (loss) per share.



Segment Reporting

The Group's operating businesses are organized and managed separately according to its geographic areas of operations, with each segment representing a strategic business unit that serves different markets.

Previously, the operating businesses are organized and managed separately according to its related services. Financial information on operating segments and the restatement following a change in composition of reportable segments are presented in Note 33 to the consolidated financial statements.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. If it is probable that an outflow of resources embodying economic benefits will occur and the liability's value can be measured reliably, the liability and the related expense are recognized in the consolidated financial statements.

Contingent assets are not recognized in the consolidated financial statements but disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it is virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the consolidated financial statements.

Events After the Reporting Period

Post year-end events that provide additional information about the Group's position as at the reporting date (adjusting events) 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.

3. Significant Accounting Judgment, Estimates and Assumptions

The preparation of the accompanying consolidated financial statements in conformity with PFRSs requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The estimates and assumptions used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from such estimates.

Judgments and estimates are continually evaluated taking into consideration the Group's historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances including the impact of COVID-19.

Judgments

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

Determination of Acquisition Date in Business Combinations

The acquisition date is the date the acquirer obtains control of the acquiree, generally the specified closing or completion date of the business combination.



The date on which control passes is a matter of fact. In determining the acquisition date, the Group considers all the terms and conditions of the arrangements and their economic effects. One or more of pertinent facts and circumstances surrounding a business combination are considered in assessing when the acquirer has obtained control of the acquiree:

- When the consideration is transferred;
- When acquiree shares or underlying net assets are acquired;
- When the acquirer 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;
- Agreement date designed to achieve an overall commercial effect of business combination and economically justified by the parties;

The date on which the Group obtains control over UPC-ACE Australia is the date on which the Group legally transfers the consideration, acquires the assets, and assumes the liabilities of UPC-ACE Australia.

Management has assessed that ACRI has obtained control over UPC -ACE Australia upon UPCAPH execution of proxy rights in favor of ACRI on November 8, 2022. Management has assessed that at the time of control, its previously held interest is at 80% and that its fair value is determined based on management's valuation.

Assessment of Loss of Control Over a Subsidiary

The Group determined that it has control over its subsidiaries (see Note 2) by considering, among others, its power over 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.

The following were also considered:

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

Management has exercised significant judgement in assessing that the Group has lost control over SLTEC on the basis of the following:

- It does not any have voting and economic rights over SLTEC
 - The call option is considered non-substantive as it exercisable beginning only 2031-2040
- The AMA and O&M agreements are considered service contracts arrangements (see Note 28)

As at December 31, 2022, the Group lost its control over SLTEC following the sale of SLTEC's common and preferred shares to qualified third-party investors (Note 28).

Assessment of Acquisitions as Business Combinations

Where asset is acquired through the acquisition of corporate interests, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the asset.

Where such acquisitions are not judged to be an acquisition of a business, they are not treated as business combinations. Rather, the cost to acquire the corporate entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date. Otherwise, corporate acquisitions are accounted for as business combinations. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values, and no goodwill or deferred tax is recognized.



The acquisitions of the Group were accounted for as business combinations (see Note 28).

Assessment of Joint Control over Joint Ventures

The Group's investments in joint ventures are structured in separate incorporated entities. The investments in Philippine Wind Holdings Corp. ("PhilWind"), North Luzon Renewable Energy Corp. (NLR) and BIM Wind Joint Stock Company ("BIM Wind") are accounted for as investments in joint venture since the fundamental business and operational matters requires unanimous consent from all parties (see Note 7).

Even though the Group holds 69.81%, 33.30% and 65.00% ownership interests in PhilWind, NLR and BIM Wind, respectively, their joint arrangement agreement requires unanimous consent from all parties for the relevant activities identified. The Group and the parties to the agreement only have rights to the net assets of the joint venture through the terms of the contractual arrangements.

Write-off of Claims from PEMC Multilateral Agreements

In December 2013, there were elevated WESM prices because of a Malampaya outage. As a result, ERC issued an Order imposing administered/regulated pricing, which was lower than the WESM rate at that time. ACEN was a net buyer and already paid these higher WESM prices to PEMC for purchased power. In July 2022, the Supreme Court declared the administered / regulated pricing void and upheld the December 2013 Meralco rate hike for recovery of costs. In October 2022, the Supreme Court denied all Motion of Reconsiderations. The ERC has not yet issued guidance on the method of implementation of these adjustments.

With the Supreme Court's denial, the management deemed to write off the Group's claims from PEMC Multilateral Agreements which include noncurrent receivable amounting to ₱1,193.36 million, net of ₱17.75 million allowance for credit losses (see Note 5), booked as additional cost of purchased power for the net buyer position, while noncurrent payable amounting ₱115.07 million booked as additional revenue for the net seller position.

While it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, a reliable estimate cannot be made yet since ERC has yet to instruct IEMOP to recalculate the rates and issue adjustments.

Determination of Transaction Price from Sale of Electricity

The adjustment of the FIT rate for the delivered energy is a variable consideration which shall be accounted for in the period in which the transaction price changed. In 2020, the Group recognized additional revenue and long-term receivables computed on the FIT rate increment which will be recovered for a period of five years starting January 1, 2021. In 2022 and 2021, while waiting for the approval of the 2021 FIT rates, management assessed that the approved 2020 FIT rates represent the best estimate of the transaction price the Group will be entitled to in exchange of the delivered energy.

Recognition of Deferred Tax Liabilities on Taxable Temporary Differences Arising from Investments in Foreign Subsidiaries

The Group did not recognize deferred tax liabilities on the temporary differences arising from undistributed earnings, cumulative translation adjustment, and OCI accounts of its foreign subsidiaries since management believes that the timing of the reversal of these taxable temporary differences can be controlled by the Group and the management does not expect reversal of these temporary differences in the foreseeable future.

Classification as Other Financial Assets at Amortized Cost

Other financial assets at amortized cost include redeemable preferred shares and convertible loans which the Group has assessed as debt instruments. These are held by the Group within a business



model whose objective is 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 which are reflective of basic lending arrangements (see Notes 5 and 8).

Management's Use of Estimates

The key assumptions concerning the future and other 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. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Remeasurement of Previously-Held Equity Interest in a Business Combination

In business combination achieved in stages, the Group remeasures its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate.

The Group remeasured its interest in UPC-ACE Australia, previously a joint venture, to fair value as a result of its step-acquisition upon obtaining control (see Note 28).

Purchase Price Allocation and Goodwill Impairment Assessment

The Group made several acquisitions in 2022 accounted for using the acquisition method which require extensive use of accounting estimates and judgments to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities at acquisition date. It also requires the acquirer to recognize gain on bargain purchase or goodwill. The Group's acquisitions have resulted in goodwill. See Note 28 for related balances.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for NCI, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred; the Group re-assesses whether it has correctly identified all the assets acquired, and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.



Impairment Assessment of Non-financial Assets

The Group reviews investments in associates and joint venture, investment properties, property, plant and equipment, right-of-use assets, and intangible assets for impairment of value. Impairment for goodwill is assessed at least annually. This includes considering certain indications of impairment such as significant changes in asset usage, significant decline in assets' market value, obsolescence or physical damage of an asset, significant underperformance relative to expected historical or projected future operating results and significant negative industry or economic trends.

The Group has evaluated the conditions and the assets subject to impairment to assess whether any impairment triggers that may lead to impairment have been identified. In doing this, the Group has reviewed the key assumptions in its previous annual impairment assessment to assess whether any changes to the assumptions within that impairment assessment would result in an impairment loss as at December 31, 2022. Except for the matters discussed in Notes 12 and 13, based on the Group's review of key assumptions, management has assessed that there were no significant changes in the assumptions used and therefore no impairment losses were recognized in 2022 and 2021 (see Notes 7, 11, 12 and 14).

Fair Value Measurement of Financial Assets at FVTPL and FVOCI

In the estimation of fair value of investments recorded as financial assets at FVTPL and FVOCI, management need to determine the appropriate techniques and inputs for fair value measurements. Management uses the discounted cash flow technique and quoted prices for publicly traded shares in estimating the fair value of the financial assets at FVTPL and FVOCI (see Notes 9 and 10).

Measurement of Expected Credit Losses

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis. An exposure will migrate through the ECL stages as asset quality deteriorates. If in a subsequent period, asset quality improves and any previously assessed significant increase in credit risk also reverses since origination, then the loss allowance measurement reverts from lifetime ECL to 12-month ECL.

As at December 31, 2022 and 2021, the Group assessed that for its financial assets such as cash and cash equivalents, there has been no SICR since origination and is assessed as low credit risk based on published information of comparable entities. For accounts and other receivable, the Group used provision matrix in estimating its ECL. A broad range of forward-looking information were considered as economic inputs, such as GDP growth, inflation rates, unemployment rates, interest rates and BSP statistical indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material. While these model inputs including forward-looking information are revised, the ECL models, and definitions of default remain consistent with prior periods (see Notes 5 and 8).

Recognition of Deferred Tax Assets

The Group reviewed its business and operations including its estimated impact on macroeconomic environment, the market outlook and the Group's operations. As such, the Group assessed its ability to generate sufficient taxable income in the future that will allow realization of net deferred tax assets. As a result, the carrying amount of deferred tax assets is reduced to the extent that the related tax assets cannot be utilized due to insufficient taxable profit against which the deferred tax assets will be



applied. The Group assessed that sufficient taxable profit will be generated to allow all or part of the deferred tax assets to be utilized (see Note 24).

Estimation of Pension and Other Employee Benefits Liabilities

The cost of defined benefit pension plans and other post-employment benefits and the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates of the country. Further details about the assumptions used are provided in Note 25.

Assessment of Contingencies

The Group is currently involved in various legal proceedings and assessments for local and national taxes (see Note 35). The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The final settlement of these may result in material adverse impact on the Group's consolidated financial statements. The Group also invokes limited disclosures on certain matters due to their prejudicial nature.

4. Cash and Cash Equivalents

This account consists of:

	2022	2021
Cash on hand and in banks	₱11,205,281	₱22,990,899
Cash equivalents	23,424,730	3,454,530
	₱34,630,011	₱26,445,429

Cash in banks earn interest at the respective bank deposit rates for its peso and dollar accounts.

Cash equivalents are made for varying periods between one day and three months depending on the immediate cash requirements for the Group and earn interest at the respective short-term deposit rates.

Interest income earned on cash and cash equivalents in 2022, 2021 and 2020 at the range of 1.25% to 5.55%, 0.90% to 1.21%, and 0.99% to 3.20%, respectively, amounted to ₱285.20 million, ₱129.55 million and ₱253.97 million, respectively (see Note 23).

Cash equivalents include SLTEC's debt service accrual account (DSAA) amounted to nil and ₱56.98 million as at December 31, 2022 and 2021, respectively.



5. Accounts and Notes Receivable

This account consists of:

	2022	2021
Accounts and other receivable	₱11,938,538	₱8,880,659
Notes receivable (Note 26)		
Debt replacement loan	20,094,774	17,253,756
Development loan	8,299,937	15,549,644
Other loan	1,552,543	1,060,868
Accrued interest receivable	5,173,012	3,937,283
	47,058,804	46,682,210
Allowance for expected credit losses	167,844	181,599
	46,890,960	46,500,611
Less noncurrent portion	16,387,729	13,191,314
Current portion	₱30,503,231	₱33,309,297

Accounts and other receivable

This account consists of:

	2022	2021
Trade receivables		
Third party		
Independent Electricity Market Operator of the Philippines (“IEMOP”)	₱3,995,641	₱2,219,536
RES Buyer	3,630,872	2,002,655
National Transmission Corporation (“TransCo”)	1,772,553	1,727,488
National Grid Corporation of the Philippines (“NGCP”)	146,922	179,076
Philippine Electricity Market Corporation (“PEMC”)	51,025	75,752
PEMC Multilateral Agreements	—	1,137,262
Others	63,258	268,267
Other Receivables		
Third party	1,387,897	1,008,996
Related party (Note 26)	890,370	261,627
	11,938,538	8,880,659
Allowance for expected credit losses	167,844	181,599
	11,770,694	8,699,060
Less noncurrent portion	1,507,126	2,093,042
Current portion	₱10,263,568	₱6,606,018

Trade Receivables

Trade receivables mainly represents receivables from IEMOP, TransCo, PEMC, and from bilateral customers. Trade receivables consists of interest-bearing and non-interest-bearing receivables. The terms are generally thirty (30) to sixty (60 days).

Noncurrent trade receivables consist of FIT system adjustment that is expected to be realized beyond 12 months after the end of the reporting period. FIT system adjustments are discounted using the PHP BVAL reference rates on transaction date ranging from 2.06%-6.50%.



Trade receivables consists of both noninterest-bearing and interest-bearing receivables. The term is generally thirty (30) to sixty (60) days. Noncurrent trade receivables which consist of the refundable amount from PEMC as well as FIT system adjustments that are expected to be realized beyond 12 months after the end of reporting period. FIT system adjustments are discounted using the PHP BVAL Reference rates on transaction date ranging from 5.21%-6.47%.

Receivables from NGCP

Receivables from NGCP are from the sale of transmission assets and submarine cable. These are non-interest-bearing and are collectible within 3 years. This is discounted using PHP BVAL reference rates on transaction date ranging from 2.14%-4.56%.

Receivables from PEMC Multilateral Agreements

In December 2013, there were elevated WESM prices because of a Malampaya outage. As a result, ERC issued an Order imposing Administered/Regulated Pricing, which was lower than the WESM rates at the time. The receivables from PEMC Multilateral Agreements is the refundable amount from the PEMC arising from recalculation of November and December 2013 spot prices as directed by the ERC. In 2014, ACEN, PEMC, and other WESM participants signed a Multilateral Agreement pending the resolution of cases filed by WESM participants in the Supreme Court. On various dates in 2014 to 2016, ACEN Group recorded collections in relation to the Multilateral Agreement amounting to ₱1,123.51 million. Collections are presented as “Trade payables” under “Other noncurrent liabilities” (Note 17).

In July 2022, the Supreme Court declared the administered regulated pricing void and upheld the December 2013 Meralco hike for recovery costs. In October 2022, the Supreme Court denied all Motions for Reconsideration.

The ERC has not yet issued guidance on the method of implementation of these adjustments. Consequently, the Group has reversed its receivables amounting to ₱1,123.51 million and recorded additional cost of purchased power of equivalent amount. The unpaid cost of purchased power is presented as “Trade payables” under accounts payable and other current liabilities.

Other Receivables

Other receivables are comprised of outstanding balance from NGCP for the sale of transmission line assets, refundable deposits, receivable from employees and dividends receivables.

Notes receivable

This account consists of:

	2022	2021
Debt replacement - related party (Note 26)	₱20,094,774	₱17,253,756
Development loan:		
Third party	5,845,766	2,847,976
Related party (Note 26)	2,454,171	12,701,668
Other loans:		
Third party	1,009,077	1,060,868
Related party (Note 26)	543,466	—
	29,947,254	33,864,268
Less noncurrent portion	11,974,612	9,586,187
Current portion	₱17,972,642	₱24,278,081



Debt replacement

Debt replacement facilities are provided to related parties to fund investment requirements for renewable power plants while under construction and undergoing implementation or release of project financing from financial institutions (see Note 26).

a. BIM Wind (Joint Venture)

In 2020, the Group and BIM Wind entered into an interest-bearing debt replacement facility to provide bridge financing to fund the construction of 88MW wind project in Vietnam for an aggregate principal amount of USD\$45.00 million. This loan is repayable upon maturity. The loan is repayable upon maturity on the 5th month from initial utilization date. On May 19, 2021, the short-term debt replacement facility was refinanced to a long-term facility with an aggregate principal amount of USD\$91.00 million and a 10-year maturity from the utilization date. On August 12, 2021, the long-term debt replacement facility was amended to increase in aggregate principal amount to USD\$102.00 million.

As at December 31, 2022 and 2021, outstanding balance of the interest-bearing loan amounted to US\$ 85.19 million (₱4,749.49 million) and to US\$ 75.79 million (₱4,325.18 million), respectively.

b. Greencore Power Solutions 3, Inc. (Joint Venture)

On February 4, 2021, the Group and Greencore 3, entered into an interest-bearing Omnibus Agreement amounting to ₱2,680.00 million in order to finance a 50MW solar power plant in Mexico, Pampanga (Arayat Phase 1). On February 9, 2022, the Omnibus Agreement was amended to increase the loan facility to ₱2,860.00 million and extend the maturity from March 1, 2023 to June 30, 2023. This loan is repayable upon maturity.

On May 25, 2022, the Group and Greencore entered into an interest-bearing Omnibus Agreement amounting to ₱1,990.00 million in order to finance a 30MW solar power plant in Mexico, Pampanga (Arayat Phase 2).

As at December 31, 2022 and 2021, outstanding balance of the interest-bearing loan amounted to ₱4,225.95 million and ₱2,290.69 million, respectively.

c. Asia Wind Power 1 HK (Asia Wind 1) (Joint venture)

In 2020, the Group and Asia Wind 1 entered into an interest-bearing debt replacement facility to provide bridge financing during the construction of Dai Phong Wind Project in Vietnam for an aggregate principal amount of USD\$61.00 million. The loan is repayable on earlier of 12 months from commissioning date or upon project financial close. On December 29, 2021, the debt replacement facility maturity date was amended to June 30, 2022. On September 5, 2022, the debt replacement facility maturity date was amended to June 30, 2023.

As at December 31, 2022 and 2021, outstanding balance of the interest-bearing loan amounted to US\$55.38 million (₱3,087.43 million) and US\$56.80 million (₱2,883.96 million) respectively.

d. Asia Wind Power 2 HK (Asia Wind 2) (Joint venture)

In 2020, the Group entered into an interest-bearing Pref B Facility with Asia Wind 2 provide bridge financing to fund the construction of 42MW wind project in Vietnam, for an aggregate principal amount of USD\$54.00 million. The loan is repayable on earlier of Project Financial



Close, or 5 business days from the date from drawdown of Debt Replacement Facility, or 25th anniversary from drawdown date.

As at December 31, 2022 and 2021, outstanding balance of the interest-bearing loan amounted to US\$ 43.68 million (P2,435.26 million) and US\$ 21.55 million (P2,414.15 million), respectively.

e. Wind Power Hoa Dong (Hoa Dong) and Wind Power Lac Hoa (Lac Hoa) (Joint Venture)

On April 4, 2022, the Group entered into an interest-bearing loan facility with Hoa Dong and Lac Hoa to provide bridge financing and to partially fund the construction of the Soc Trang Wind projects. The interest-bearing loan has a total facility of US\$41.59 million for Hoa Dong and US\$47.41 million for Lac Hoa and bears an annual fixed rate payable. Principal is payable in full on June 1, 2024, in case of third-party financing or in tranches every first calendar quarter of the fourth period or every end of the calendar quarter, until full payment of the loan in case of no third-party refinancing.

As at December 31, 2022 the outstanding balance of the interest-bearing loan receivables from Hoa Dong and Lac Hoa amounted to US\$ 41.59 million (P2,318.79 million) and US\$ 47.41 million (P2,643.40 million), respectively.

f. NEFIN Limited (Joint Venture)

On January 6, 2022, the Group and NEFIN Limited entered into an interest-bearing debt replacement facility to NEFIN Limited to provide bridge financing and partially fund the development and construction of NEFIN rooftop solar projects. The loan is repayable on earlier of 24 months from first issuance date or upon securing project financing or debt financing of NEFIN Limited.

As at December 31, 2022, outstanding balance of the interest-bearing loan amounted to US\$ 10.31 million (P574.83 million).

g. Vietnam Wind Energy Limited (VWEL) (Joint Venture)

In 2020, the Group and VWEL entered into an interest-bearing facility with an aggregate principal of USD\$56.00 million, to provide bridge financing to fund the construction of 67MW wind project in Vietnam. The loan is repayable on earlier of June 30, 2021 or 5 days from issuance of certificate of registration for Debt Replacement from State Bank of Vietnam. On June 25, 2021, the facility agreement was amended to increase the aggregate principal amount to USD\$86.00 million and extend maturity date to December 31, 2021. On December 31, 2021, the loan facility was further amended to increase the principal aggregate amount to USD\$89.00 million and extend the maturity date to June 30, 2022.

As at December 31, 2022 and 2021, the outstanding balance of the interest-bearing loan receivables is US\$1.07 million (P59.61 million) and US\$ 71.64 million (P3,637.88 million), respectively.

h. BIM Renewable Energy Joint Stock Company (BIMRE) (Joint venture)

In 2020, the Group and BIMRE entered into an interest-bearing debt replacement facility to provide bridge financing and partially fund the construction of the solar power plant expansion in Ninh Thuan Province Vietnam for an aggregate principal amount of up to USD\$40.00 million. The loan is repayable on earlier of 12 months from drawdown date or 10 days from BIMRE's avilment of additional senior debt for Project 18Nx.



As at December 31, 2022 and 2021, the outstanding balance of the interest-bearing loan receivables is nil and US\$37.70 million (₱1,921.15 million), respectively

Debt replacement bear interest ranging from 8.00% to 12.00% per annum in 2022 and 7.00% to 12.00% in 2021.

Development Loan

Development loan facilities are provided to related parties and third parties to fund the development of renewable power plant projects.

a. UPC Solar Asia Pacific Ltd. (UPC-ACE Solar) (Related Party)

In 2019, the Group and UPC-ACE Solar entered into an interest-bearing loan agreement with an aggregate amount of USD\$20.00 million to fund development of projects across India, Taiwan, and Korea. The loan is repayable on 10 years from first utilization date.

As at December 31, 2022 and 2021, outstanding balance of the interest-bearing loan amounted to US\$ 20.00 million (₱1,115.10 million) and US\$US\$ 20.00 million (₱1,015 million) respectively.

b. Yoma Strategic Investments (Related Party)

In 2019, the Group and Yoma, signed a term sheet, which includes an interest-bearing loan for the development of Yoma Micro Power. The interest-bearing loan has a total facility of US\$25.00 million and bears an annual fixed interest and payable upon maturity. The loan is covered by a Guarantee Agreement between the Group (as "Lender") and Yoma (as "Guarantor"). The Guarantee Agreement stands as security for the prompt and complete payment, where the Guarantor irrevocably and unconditionally undertake that in case of default, the Guarantor shall pay the Lender the guaranteed obligations as if the Guarantor instead of the Borrower were expressed to be the principal obligor without any further proof or condition and without any investigation or enquiry. The loan is repayable upon maturity on June 30, 2023.

As at December 31, 2022 and 2021, outstanding balance of the interest-bearing loan amounted to US\$24.01 million (₱1,339.07 million) and US\$24.01 million (₱1,219.17 million), respectively.

c. The Blue Circle (Related Party)

In 2018, the Group and TBC entered into an interest-bearing loan agreement to fund the development costs for the pipeline projects of TBC. The development loan facility has an initial aggregate principal amount of up to USD\$10.00 million which was further extended to USD\$20.00 million in February 2019. The loan is repayable upon maturity on June 30, 2022. Total drawdowns and payments made in 2022 amounted to US\$10.13 million (₱564.80 million) and US\$23.1 million (₱1,287.82 million), respectively.

As at December 31, 2022 and 2021, outstanding balance of the interest-bearing loan amounted to nil and 12.97 million (₱658.44 million), respectively.

d. AC Energy and Infrastructure Corporation (ACEIC) (Related Party)

On May 14, 2021, ACEN and ACEIC entered into an uncommitted interest-bearing short-term loan facility. The principal and interest are payable within one year from the drawdown date. First drawdown was made on May 17, 2021.



As at December 31, 2021, the outstanding balance of interest-bearing loan amounted to US\$189.00 million (₱9,596.29 million). This was fully settled on May 27, 2022.

e. BIM Energy Holdings (BIMEH) (Third Party)

In 2020, the Group and BIMEH entered into an interest-bearing ST loan replacement facility for the implementation of BIMEH's business plans. The facility has an aggregate principal amount of USD\$21.00 million. The loan is repayable 11 months from the initial drawdown date. In May 2021, the ST loan replacement facility was refinanced by a Term Loan Facility, with the same aggregate principal amount and with a new maturity date of June 2023.

As at December 31, 2022, the receivable amount is USD\$6.53 million (₱364.23 million) and USD\$9.80 million (₱497.59 million), respectively.

f. BEHS Joint Stock Company (BEHS) (Third Party)

In 2020, the Group and BEHS entered into an interest-bearing ST loan replacement facility for the implementation of BEHS' business plans. The facility has an aggregate principal amount of USD\$9.00 million. The loan is repayable 11 months from the initial drawdown date. In May 2021, the ST loan replacement facility was refinanced by a Term Loan Facility, with the same aggregate principal amount and with a new maturity date of June 2023.

As at December 31, 2022, the receivable amount is USD\$10.23 million (₱570.76 million and USD\$9.00 million (₱456.97 million), respectively.

g. Provincia Investments Corporation (PIC) (Third Party)

In 2021, the Group and ACEN entered into an interest-bearing term loan facility to fund its various acquisition of project sites for solar power projects. The interest-bearing loan has a total facility of ₱1,000.00 million and bears annual fixed interest rate and payable upon maturity. On July 2, 2021, Provincia made an initial drawdown amounting ₱150.00 million. The principal and interest of the loan are payable on July 2, 2026.

As at December 31, 2022 and 2021, the outstanding loans receivable amounts to ₱150.00 million.

h. UPC Renewables Asia Pacific Holdings Ltd. (UPCAPH) (Third Party)

In 2019, the Group and UPCAPH entered into an interest-bearing loan facility agreement to fund the development of renewable energy and energy storage projects in the Asia Pacific, with an aggregate principal amount of USD\$33.00 million. The loan is repayable upon maturity on January 31, 2023. As at December 31, 2022 and 2021, the outstanding loans receivable amount is nil and US\$29.3 million (₱1,489.56 million), respectively.

In 2022, the Group and UPCAPH entered into an interest-bearing loan facility to fund the payment of UPCAPH Subscription Agreement, with an aggregate principal amount of USD\$85.40 million. The loan is repayable on completion of the second and final tranche of ACRI's acquisition of ACEN Australia. As at December 31, 2022, the receivable amount is \$85.40 million (₱4,760.97 million).



i. NEFIN Solar Asset Limited (NEFIN Solar) (Third Party)

In 2021, the Group and NEFIN Solar entered into an interest-bearing loan facility to fund rooftop solar power projects of NEFIN in SouthEast Asia, with an aggregate principal amount of USD\$5.00 million. The loan is repayable upon maturity, 12 months after the drawdown date of the first tranche. As at December 31, 2022 and 2021, the outstanding loans receivable amount is nil and US\$5.00 million (₱253.87 million), respectively.

Development loans bear interest ranging from 4.00% to 10.85% per annum in 2022 and 4.00% to 10.50% in 2021.

Other Loan

Other loans receivable from third parties includes long term loan receivables for land acquisitions. There are interest bearing and payable upon maturity.

Accrued interest receivable:

This account consists of:

	2022	2021
Debt replacements:		
Third party	₱—	₱5,786
Related party (Note 26)	1,072,045	1,033,005
Development loans:		
Third party	43,705	118,898
Related party (Note 26)	389,231	305,360
Other financial assets at amortized cost – related party (Note 26)		
Redeemable preferred shares	2,487,852	946,559
Convertible loans	1,071,551	1,421,565
Other loans:		
Third party	31,846	100,557
Related party (Note 26)	11,042	—
Trade receivables		
Third party	60,332	5,553
Related party (Note 26)	5,408	—
	5,173,012	3,937,283
Less noncurrent portion	2,905,991	1,512,085
Current portion	₱2,267,021	₱2,425,198



Interest income

The Group earns interest income from its accounts and notes receivable amounting to:

	2022	2021	2020
<i>Debt replacements</i>			
Related Party			
BIM Wind	380,250	248,334	3,036
Asian Wind Power 1 HK Ltd (Asian Wind 1)	269,291	208,839	207,462
Greencore 3	228,241	57,387	—
Asian Wind Power 2 HK Ltd (Asian Wind 2)	199,560	233,424	13,440
Lac Hoa	96,629	—	—
Hoa Dong	86,371	—	—
VWEL	59,043	306,768	22,441
NEFIN Solar	26,480	—	—
BIMRE	10,370	186,173	54,751
	1,356,235	1,240,925	301,130
<i>Development Loans</i>			
Third Party			
Provincia	12,000	5,786	—
BIMEH	9,982	78,590	56,903
BEHS	49,887	34,868	24,387
NEFIN Solar	—	5,665	—
UPCAPH	60,203	118,988	120,937
Related Party			
ACEIC	107,000	141,568	—
UPC Solar	95,725	80,211	47,269
UPC-ACE Australia	7,087	—	—
TBC	60,390	56,572	58,110
Yoma	52,427	48,324	33,757
	454,701	570,572	341,363
<i>Other Loans</i>			
Third Party			
Various (for Land Acquisition)	15,802	11,220	13,740
Related Party			
Ingrid Power Holdings, Inc. (Ingrid)	12,367	—	—
Infenium 4 Energy, Inc. (Infenium 4)	1,876	—	—
	30,045	11,220	13,740
<i>Accounts and other Receivables</i>			
Third Party	38,096	125,075	55,183
	₱1,879,077	₱1,947,792	₱711,416



6. Noncurrent Assets Held for Sale

In 2021, the Group classified the power barge assets as noncurrent assets held for sale under PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, as result of the assessment that the assets' carrying amount will be recovered principally through a sale transaction rather than through continuing use. Power Barge ("PB") 101 and 102 were commissioned in 1981 while PB 103 in 1985.

On September 16, 2021, the Asset Purchase Agreement for the sale of PB 102 and 103 was signed. An impairment loss amounting to ₱8.71 million was recognized for the year ended December 31, 2021, to bring down the carrying amounts of PB 102 and 103 to their estimated net realizable values.

On December 21, 2021, ACEN signed the Asset Purchase Agreement for the sale of PB 101 to MORE Power Barge, Inc. An impairment loss amounting to ₱69.15 million was recognized for the year ended December 31, 2021, to bring down the carrying amount of PB 101 to its estimated net realizable value.

On January 21, 2022, ACEN and MORE Power Barge, Inc. executed the Deed of Absolute Sale and Assignment implementing the sale of PB 101 at carrying amount for ₱126.00 million, inclusive of VAT.

On February 22, 2022, ACEN and SPC Island Power Corporation executed the Deed of Absolute Sale and Assignment implementing the sale of PB 102 for ₱39.20 million, inclusive of VAT. Conditions precedent to closing of the transaction include the approval of PSALM of the assignment of the Lease Agreement covering the mooring site of PB 102. The sale resulted in a loss of ₱4.20 million.

On April 18, 2022, ACEN and SPC Power Corporation executed the Deed of Absolute Sale and Assignment implementing the sale of PB 103 for ₱39.20 million, inclusive of VAT. The sale resulted to a loss of ₱4.20 million.



7. Investments in Associates and Joint Ventures

The Group's investment in associates and joint ventures and the corresponding effective percentage of ownership are shown below:

	Percentage of ownership		Carrying amount	
	2022	2021	2022	2021
Investments in associates:				
Star Energy Geothermal (Salak-Darajat) B.V. (Salak-Darajat)	19.80	19.80	₱11,550,597	₱10,652,033
Maibarara Geothermal, Inc. (MGI)	25.00	25.00	823,357	785,042
Others	various	various	40,423	631
			12,414,377	11,437,706
Interests in joint ventures:				
Philippine Wind Holdings Corporation (PhilWind)	69.81	69.81	5,779,741	5,765,677
North Luzon Renewable Energy Corp. (NLR)	33.30	–	2,306,315	–
BIM Renewable Energy Joint Stock Company (BIMRE)	30.00	30.00	1,802,627	1,597,533
Ingrid Power Holdings, Inc. (Ingrid)	50.00	50.00	1,168,629	1,210,658
NEFIN Limited (NEFIN)	50.00	–	520,173	–
Greencore Power Solutions 3, Inc. (Greencore 3)	50.00	–	216,729	–
AMI AC Renewables Corporation (AAR)	50.00	50.00	128,577	275,573
BIM Energy Joint Stock Company (BIME)	30.00	30.00	116,179	111,825
UPC-ACE Australia (Note 28)	–	50.00	–	903,333
Others			313,086	55,996
			12,352,056	9,920,595
			₱24,766,433	₱21,358,301



The details and movements of investments in associates and joint ventures accounted for under the equity method are as follows:

	2022	2021
Investment in associates and joint ventures		
Acquisition costs:		
Balance at beginning of year	₱19,908,130	₱18,015,097
Additions	7,575,323	536,189
Conversion from subscription deposits (Note 8)	134,228	—
Acquired from business combination (Note 28)	41,866	—
Reclassification from other noncurrent asset	22,997	—
Acquisition of control (Note 28)	(7,005,539)	—
Divestment	(94,339)	(186,738)
Cumulative translation adjustment	1,974,366	562,682
Interest retained in a former subsidiary	—	980,900
Balance at end of year	22,557,032	19,908,130
Accumulated equity in net earnings (losses):		
Balance at beginning of year	1,422,007	1,197,907
Acquisition of control	1,984,930	—
Equity in net earnings	937,834	1,952,753
Dividends received	(2,222,356)	(1,693,682)
Divestment	94,339	(34,971)
Balance at end of year	2,216,754	1,422,007
Accumulated share in other comprehensive income (loss):		
Balance at beginning of year	29,723	(229,844)
Unrealized fair value gain on derivative instruments designated as hedges - net of tax	45,224	104,994
Remeasurement gain (loss) on defined benefit plans - net of tax	7,628	(54,608)
Effect of business combinations (Note 28)	(88,369)	—
Effect of business combinations under common control	—	209,181
Balance at end of year	(5,794)	29,723
Accumulated impairment losses		
Balance at beginning of year	(1,559)	(188,072)
Divestment	—	186,513
Balance at end of year	(1,559)	(1,559)
Total investments	₱24,766,433	₱21,358,301



Investments in Associates

a. Salak-Darajat

In 2017, the Group acquired an interest in Salak-Darajat, an investment holding company incorporated in Netherlands, with assets and operations in Salak and Darajat geothermal fields in West Java, Indonesia, with a combined capacity of 637MW of steam and power. Its principal place of business and country of incorporation is in Indonesia.

The Group received dividends from Salak-Darajat amounting to US\$26.53 million (₱1,479.29 million) and US\$6.93 million (₱336.41 million) in 2022 and 2021, respectively.

b. MGI

MGI was incorporated in 2010 and operates a 32MW geothermal power plant in Sto. Tomas, Batangas. Its principal place of business and country of incorporation is in Philippines.

The Group received dividends amounting to ₱20.00 million in 2021 (nil in 2022).

c. TBC (*included under “Others” in 2021*)

In 2018, the Group acquired 25% interest in TBC, a regional development and operations company that has platform of wind projects in Southeast Asia. Its principal place of business and country of incorporation is in Singapore.

In September 2022, the Group disposed its 25% interest in TBC to Jetfly Asia Pte. Ltd. for a total consideration of \$12.77 million (₱734.67 million) which resulted to a gain on divestment of same amount since the carrying amount is nil.

Interest in Joint Ventures

a. PhilWind and NLR

In 2013, ACEN signed an Investment Framework Agreement and Shareholder’s Agreement with UPC Philippines Wind Holdco I BV and the Philippine Investment Alliance for Infrastructure fund (PINAI) to develop a wind power project in Ilocos North through North Luzon Renewable Energy Corporation (NLR).

The principal place of business and country of incorporation of PhilWind and NLR is in Philippines.

In 2020, ACEN purchased all the shares of PINAI in PhilWind for ₱2,573.30 million through its wholly owned subsidiary, Giga Ace 1. Giga Ace 1 was incorporated in 2019 and is engaged in the power generation business, both from renewable and non-renewable energy sources.

In 2021, the Group made additional investment of ₱1,775.59 million.

On March 18, 2022, ACEN and UPC Philippines Holdco I BV executed a Deed of Absolute Sale of Shares covering 16,668 common shares and 740 preferred shares representing 33% ownership in NLR for ₱2,385.27 million.



PhilWind directly and indirectly owns 67.00% of NLR through its 38.00% direct interest and 28.70% indirect interest through its 100.00% owned subsidiary, Ilocos Wind Energy Holdings Co., Inc.

The Group received dividends from PhilWind amounting to ₱542.32 million and ₱1,062.16 million in 2022 and 2021, respectively.

The Group received dividends from NLR amounting to ₱30.46 million in 2022 (nil in 2021).

b. BIMRE and BIME

In 2018, the Group entered into a 30-70 joint venture agreement with BIM Group to develop, construct, and operate a 300MW Solar Farm in Ninh Thuan Province, Vietnam, through BIMRE and BIME. Its principal place of business and country of incorporation is in Vietnam.

BIMRE and BIME is currently operating a 375MW and 30MW wind power plant, respectively.

The Group received dividends from BIMRE and BIME amounting to US\$2.76 million (₱156.35 million) and US\$4.06 million (₱205.79 million) in 2022 and 2021, respectively.

c. Ingrid

In 2021, the Group executed a subscription agreement with Axia Power Holdings Philippines Corp. for a 50% interest in Ingrid Power Holdings, Inc. to develop, construct, and operate a 150MW diesel power plant in Pililia Rizal. Its principal place of business and country of incorporation is in the Philippines.

Ingrid is currently operating a 150MW diesel power plant.

d. NEFIN and NEFIN Asset Management Pte. Ltd.

On January 6, 2022, the Group entered into a 50-50 joint venture with Canis Majoris Holding Limited (“NEFIN”) to invest in NEFIN Limited and NEFIN Asset Management Pte. Ltd. NEFIN is a leading solar photovoltaic developer and investor in carbon neutrality solutions and the joint venture company will develop, construct and operate rooftop solar projects across Asia. Its principal place of business and country of incorporation is in Hong Kong.

Total capital of USD \$10.00 million (₱517.44 million). was infused to the joint venture for the development and construction of near-term projects over the coming years.

e. Grencore 3

On February 21, 2022, the Group entered into a 50-50 joint venture with Citicore Renewable Energy Corporation (“CREC”) to develop, construct, and operate a 50MW solar power plant in Arayat and Mexico, Pampanga. Its principal place of business and country of incorporation is in the Philippines.



f. AAR

In 2018, the Group entered into a 50-50 joint venture agreement with AMI Renewables Energy Joint Stock Company to develop, construct, and operate renewable power projects in Vietnam. Its principal place of business and country of incorporation is in Vietnam.

The three renewable operating projects under AAR are a (1) 252MW wind power plant in Quang Binh, (2) 50MW solar power plant in Khanh Hoa, and (3) 30MW solar power plant in Dak Loak.

The Group received dividends from AAR amounting to USD\$0.24 million (₱13.93 million) in 2022 (nil in 2021).

g. UPC-ACE Australia and UPC-ACE Australia (HK) Limited (“UPC-ACE Australia”)

On May 23, 2018, ACEIC participated in the Australian renewables market through a joint venture with international renewable energy developer, UPC Renewables. The Group has invested US\$30.00 million (₱1,519.1 million) for 50% ownership in UPC’s Australian business and is also providing US\$200.0 million facility (see Note 8) to fund project equity.

Additional investments were made in 2021 amounting to US\$5.75 million (₱278.60 million).

In March 2022, the Group acquired additional 50% interest in UPC-ACE Australia for an aggregate consideration of USD\$87.80 million (₱4,556.82 million).

On November 8, 2022, UPC Renewables, executed proxy rights in favor of ACRI, providing ACRI with 100% voting rights in the consolidated group of UPC-ACE Australia. Consequently, the Group consolidated UPC-ACE Australia (see Note 28).



The summarized financial information of material associates and joint ventures of the Group, and the reconciliation with the carrying amounts of the investments in the consolidated financial statements are shown below:

2022 (Amounts in millions, except otherwise stated)

	PhilWind	NLR	Ingrid	BIMRE	Salak-Darajat	MGI
Classification	Joint venture	Joint venture	Joint venture	Joint venture	Associate	Associate
Functional currency	PHP	PHP	PHP	VND (in billions)	US\$	PHP
Dividends received	₱542.32	₱30.46	₱—	₱66.98	\$26.53	₱—
Summarized Statements of Financial Position:						
Current assets	₱3,963.06	₱1,524.13	₱2,569.11	₱805.58	\$324.56	₱956.19
Noncurrent assets	7,641.90	9,946.35	1,177.90	5,418.33	2,495.76	4,730.37
Total assets	11,604.96	11,470.48	3,747.01	₱6,223.91	2,820.32	5,686.56
Current liabilities	811.46	796.62	1,940.47	451.22	93.59	766.58
Noncurrent liabilities	7,176.19	7,178.25	42.42	4,611.65	1,693.44	1,609.66
Equity	₱3,617.31	₱3,495.61	₱1,764.12	₱1,161.04	\$ 1,033.29	₱3,310.32
Share in equity	₱2,515.12	₱1,122.12	₱882.92	₱348.31	\$204.59	₱ 823.36
Notional goodwill	3,264.62	1,184.20	285.71	363.00	2.04	—
Carrying value of investments in functional currency	₱5,779.74	₱2,306.32	₱1,168.63	₱711.31	\$206.63	₱823.36
Carrying value of investments in Philippine Peso	₱5,779.74	₱2,306.32	₱1,168.63	₱0.73	₱11,383.82	₱823.36
CTA	—	—	—	1.07	166.78	—
Carrying value of investments in reporting currency	₱5,779.74	₱2,306.32	₱1,168.63	₱1.80	₱11,550.60	₱823.36
Summarized Statements of Comprehensive Income:						
Revenue	₱2,170.93	₱2,222.16	₱3,328.21	₱1,204.47	\$ 371.77	₱972.92
Cost and expenses	1,183.65	1,245.55	3,412.20	922.60	252.94	826.49
Net income (loss)	987.28	976.61	(83.99)	281.87	118.83	146.43
Other comprehensive income	—	—	—	—	0.29	—
Total comprehensive income (loss) at functional currency	₱987.28	₱976.61	(₱83.99)	₱281.87	\$119.12	₱146.43
Group's share in total comprehensive income (loss) at functional currency	₱556.39	₱51.39	(₱42.03)	₱83.95	\$23.91	₱38.32
Total comprehensive income (loss) in Philippine Peso	₱987.28	₱976.61	(₱83.99)	₱0.65	₱6,641.61	₱146.43
Group's share in total comprehensive income (loss) in Philippine Peso	₱556.39	₱51.39	(₱42.03)	₱0.19	₱1,306.48	₱38.32



2021 (Amounts in millions, except otherwise stated)

	PhilWind	Ingrid	UPC-ACE Australia	AAR	Salak-Darajat	BIMRE
Classification	Joint venture	Joint venture	Joint venture	Joint venture	Associate	Joint venture
Functional currency	PHP	PHP	US\$	VND (in billions)	US\$	VND (in billions)
Dividends received	₱1,062.16	₱—	US\$—	₱—	\$6.93	₱33.48
Summarized Statements of Financial Position:						
Current assets	₱1,856.92	₱1,057.81	\$ 2.60	₱979.21	\$360.53	₱ 722.00
Noncurrent assets	7,252.95	1,293.16	207.27	9,056.26	2,501.69	5,703.73
Total assets	9,109.87	2,350.97	\$209.87	₱10,035.47	\$2,862.22	₱6,425.73
Current liabilities	596.32	458.89	11.17	471.15	88.22	1,329.41
Noncurrent liabilities	4,930.89	42.19	178.20	9,473.99	1,724.76	3,994.03
Equity	₱3,582.66	₱1,849.89	\$20.50	₱ 90.33	\$1,049.24	₱1,102.29
Share in equity	₱2,501.05	₱924.95	\$10.25	(₱14.39)	\$207.75	₱330.69
Notional goodwill	3,264.62	285.71	7.54	73.91	2.04	363.00
Carrying value of investments in functional currency	₱5,765.68	₱1,210.66	\$17.79	₱59.52	\$209.79	₱693.69
Carrying value of investments in Philippine Peso	₱5,765.68	₱1,210.66	₱847.86	₱0.26	₱10,046.10	₱1.51
CTA	—	—	55.47	0.01	605.93	0.09
Carrying value of investments in reporting currency	₱5,765.68	₱1,210.66	₱903.33	₱0.28	₱10,652.03	₱1.60
Summarized Statements of Comprehensive Income:						
Revenue	₱2,892.55	₱451.08	\$—	₱525.07	\$349.70	₱1,165.48
Cost and expenses	1,127.22	483.99	15.70	554.65	234.61	704.23
Net income (loss)	1,765.33	(32.91)	(15.70)	(29.58)	115.09	461.25
Other comprehensive income	648.77	—	(1.82)	—	(5.54)	—
Total comprehensive income (loss) at functional currency	₱2,414.10	(₱32.91)	(\$17.52)	(₱29.58)	\$109.54	₱461.25
Group's share in total comprehensive income (loss) at functional currency	₱974.01	(₱16.46)	(\$8.76)	(₱14.79)	\$21.69	₱138.37
Total comprehensive income (loss) in Philippine Peso	₱2,414.10	(₱32.91)	(₱880.36)	(₱0.07)	₱5,504.25	₱1.06
Group's share in total comprehensive income (loss) in Philippine Peso	₱974.01	(₱16.46)	(₱439.64)	(₱0.02)	₱1,052.08	₱0.32



2020 (Amounts in millions, except otherwise stated)

	PhilWind	UPC-ACE Australia	AAR	Salak-Darajat	BIMRE
Classification	Joint venture	Joint venture	Joint venture	Associate	Joint venture
Functional currency	PHP	US\$	VND (in billions)	US\$	VND (in billions)
Summarized Statements of Comprehensive Income:					
Revenue	₱ 2,826.10	\$0.61	₱258.27	\$338.24	₱1,052.16
Cost and expenses	1,293.27	2.16	298.85	266.47	610.90
Net income	1,532.83	(1.55)	(40.58)	71.77	441.26
Other comprehensive loss	—	—	—	1.89	—
Total comprehensive income at functional currency	₱1,532.83	(\$1.55)	(₱40.58)	\$73.66	₱441.26
Group's share in total comprehensive income at functional currency	₱826.04	(\$0.78)	(₱20.29)	\$14.58	₱132.38
Total comprehensive income in Philippine Peso	₱1,532.83	(₱77.08)	(₱82.72)	₱3,538.38	₱991.11
Group's share in total comprehensive income in Philippine Peso	₱826.04	(₱308.62)	(₱41.36)	₱667.90	₱284.02

Aggregate net (loss)income of other associates and joint ventures as at December 31, 2022 and 2021 amounted to (₱1,167.37 million) and ₱136.95 million, respectively.

In 2022, the Group's share in total comprehensive loss for UPC- AC Energy Australia (HK) Limited totaled ₱1,023.06 million prior to business combination.

8. Investments in Other Financial Assets at Amortized Cost

The Group's investment in other financial assets at amortized cost are shown below:

	2022	2021
Redeemable preferred shares		
AAR	₱6,991,917	₱6,202,339
UPC-AC Energy Solar Limited (UPC Solar)	4,332,163	1,599,381
BIM Wind Energy JSC (BIM Wind)	2,074,683	390,113
BIM Renewable Energy Joint Stock Company (BIMRE)	1,359,678	1,238,209
UPC Renewables Asia III Ltd. (UPC Asia III)	1,219,047	1,110,141
NEFIN Limited (NEFIN)	1,142,420	—
BIM Energy Joint Stock Company (BIME)	237,248	216,053
	17,357,156	10,756,236
Subscription deposits		
BIM Wind	293,479	1,895,364
Suryagen Capital Pte. Ltd. ("Suryagen")	139,388	—
AAR	—	114,883
	432,867	2,010,247

(Forward)



	2022	2021
Convertible loans		
Asian Wind 1	₱1,449,630	₱1,247,771
Asian Wind 2	1,186,973	1,094,332
Vietnam Wind Energy Limited (VWEL)	2,118,690	1,929,412
UPC-AC Energy Australia (HK) Ltd. (UPC-ACE Australia)	–	9,047,961
	4,755,293	13,319,476
	22,545,316	26,085,959
Allowance for expected credit loss	1,284,409	–
Balance at end of year	₱21,260,907	₱26,085,959

Investments in redeemable preferred shares and subscription deposits

The rollforward analysis of this account follows:

	2022	2021
Balances at beginning of year	₱12,766,483	₱8,181,268
Subscription deposits	180,448	3,150,370
Subscription to redeemable preferred shares	3,571,739	866,258
Conversion of subscription deposits	(1,899,834)	(3,416,093)
Conversion to redeemable preferred shares	1,899,834	3,417,430
Conversion to investment in joint venture (Note 7)	(134,228)	–
Cumulative translation adjustment	1,405,581	567,250
Balances at end of year	₱17,790,023	₱12,766,483

Investments in redeemable preferred shares

a. AAR

Redeemable Class A and Class B preference shares in AAR are entitled to dividends at fixed base rate annually, commencing from January 22, 2018. The shares are redeemable only by cash at the issuer's option on "first in first out" basis but no earlier than the 5th year from subscription date. The preferred shares are to be redeemed no later than the end of the operations of the relevant projects which is expected in 20 years from commercial operations.

AAR owns a combined 80 MW of Solar Farm in Khan Hoa and Dak Lak Province, Vietnam

In 2019, the Group subscribed to an additional 1,514,000 redeemable Class A preference shares and 13,171,640 redeemable Class B preference shares in AAR. In 2022 and 2021, the Group converted its subscription deposits to Class A preferred shares for a total of US\$3.25 million (₱168.79 million) and US\$55.84 million (₱2,835.19 million), respectively.

b. UPC Solar

In 2021 and 2020, the Group entered into different Share Subscription Agreement with UPC-ACE Solar to subscribe the latter's Class A redeemable preferred shares. The redeemable Class A Preferred shares are non-voting shares entitled to dividends at fixed, cumulative, and compounding base rate annually. Shares are redeemable only by cash and at the issuer's option on "first in, first out" basis. The preferred shares are to be redeemed no later than the end of the operations of the relevant projects which is expected in 25 years from commercial operations.



UPC Solar is currently developing solar farms with combined capacity of 210 MW in the Provinces of Rajasthan and Gujarat, India.

In 2022 and 2021, the Group subscribed to Class A Redeemable preferred shares for a total of \$46.20 million (₹2,417.40 million) and \$17.50 million (₹866.17 million), respectively.

c. BIM Wind

On December 21, 2021, the Group converted deposit for future equity in BIM Wind into 300,000 redeemable preference shares. The redeemable preference shares are non-voting shares entitled to dividends at fixed, cumulative and compounding base rate annually. Shares are redeemable only by cash and at the issuer's option on "first in first out" basis no later than the end of the operations of the project which is expected in 20 years from commercial operations.

BIM Wind owns and operates an 88 MW wind project in the Province Ninh Thuan, Vietnam.

In 2022 and 2021, the Group converted its subscription deposits to redeemable preferred shares for a total of \$29.53 million (₹1,731.04 million) and \$7.68 million (₹390.11 million), respectively.

d. BIM RE

On November 4, 2019, the Group converted deposit for future equity in BIMRE into 3,437,000 redeemable Class A preference shares and 3,437,000 redeemable Class B preference shares. The redeemable Class A and Class B preference shares are non-voting shares entitled to dividends at fixed, cumulative and compounding base rate annually. Shares are redeemable only by cash and at the issuer's option on "first in first out" basis but no earlier than the 13th year (for Class A) and 7th year (for Class B) from subscription date and no later than the end of the operations of the project which is expected in 20 years from commercial operations. In 2020, the Group converted its subscription deposit to 928,093 Redeemable Class A and 928,093 Redeemable Class B shares.

BIMRE owns 300 MW of Solar Farm in Ninh Thuan Province, Vietnam.

In 2021, the Group subscribed to redeemable Class B for a total of US\$0.01 million (₹0.03 million), while US\$3.96 million (₹192.12 million) subscription deposits were converted to redeemable Class A and Class B preferred shares.

e. UPC Asia III

Redeemable Class A preference shares in UPC Asia III are non-voting shares and are redeemable at the holder's option within 30 days from earlier of July 15, 2035 or date as soon as funds are realised by UPC Asia III or its subsidiaries. The shares are entitled to dividends at fixed, cumulative and compounding rate annually, commencing from January 11, 2017.

UPC Asia III owns 75 MW Wind Farm in South Sulawesi, Indonesia.



f. NEFIN

Construction Equity RPS in NEFIN Limited are non-voting shares entitled to a fixed, cumulative compounding dividends annually and are not entitled to any additional dividends. The shares are redeemable only by cash at the issuer's option.

g. BIME

On November 4, 2019, the Group also converted deposit for future equity in BIME into 343,700 redeemable Class A preference shares and 343,700 redeemable Class B preference shares. The redeemable Class A and Class B preference shares are non-voting shares entitled to dividends at fixed, cumulative and compounding base rate annually. Shares are redeemable only by cash and at the issuer's option on "first in first out" basis but no earlier than the 13th year (for Class A) and 7th year (for Class B) from subscription date. The preferred shares are to be redeemed no later than the end of the operations of the relevant projects which is expected in 20 years from commercial operations.

BIME owns 30 MW of Solar Farm in Ninh Thuan Province, Vietnam.

In 2021, the Group subscribed to redeemable Class B for a total of US\$0.01 million (P0.06 million).

Subscription Deposits

a. BIM Wind

On July 7, 2020, the Group entered into a Share Subscription and Deposit Agreement for non-interest deposit with BIM Wind. In 2021, the Group made subscription deposit amounting to \$13.04 million (P642.32 million). Subscriptions amounting to \$7.68 million (P390.11 million) was partially converted in 2021.

As at December 31, 2022 and 2021, remaining unconverted subscription deposit amounted to \$5.26 million (P293.48 million) and \$37.33 million (P1,895.36 million), respectively.

In 2022, subscriptions amounting to \$2.54 million (P134.23 million) was reclassified to investments in joint venture (see Note 7).

b. Suryagen

On March 10, 2022, Framework Agreement Term Sheet Between ACRI and PT Puri Usaha Kencana, Pt Trisurya Mitra Bersama, PT Griya Usaha, PT Suryagen Griya Intitama and PT Puri Energi Kencana was entered into for the joint development of projects in Indonesia. Pursuant to the term sheet, ACRI infused \$2.50 million (P129.90 million) to Suryagen Capital Pte Ltd as a non-refundable subscription deposit convertible into common shares investment upon execution of the investment definitive documentation.

As at December 31, 2022, \$2.50 million (P139.39 million) of deposits remain outstanding.



c. AAR

On April 16, 2022, the Group entered into a Share Subscription and Deposit Agreement for additional Class A Preferred Shares of AAR. In 2022, the Group subscribed for a total of 2,230,000 (2021: 115,383,300) future Class A Preferred Shares of AAR.

The Group partially converted the deposits amounting to \$3,248,488 (2021 : \$55,852,756) to Class A Redeemable Preferred Shares of AAR. As at December 31, 2022, \$Nil (2021 : \$2,262,635) of deposits remains outstanding.

Convertible loans

The rollforward analysis of this account follows:

	2022	2021
Balance at beginning of year	₱13,319,476	₱7,115,837
Additions (Note 28)	2,807,214	6,542,561
Reclassified from receivables from a related party	74,446	—
Effect of business combination (Note 28)	(12,951,246)	—
Allowance for impairment (Note 21)	(1,284,409)	—
Redemptions	(14,508)	(791,328)
Cumulative translation adjustment	1,519,911	452,406
Balance at end of year	₱3,470,884	₱13,319,476

a. Asian Wind Power 1 HK Ltd (Asian Wind 1)

On April 12, 2019, the Group entered into an agreement with Asian Wind 1 to make available a convertible term loan facility in aggregate principal amount not exceeding US\$26.00 million (₱1,260.09 million). The Group, from time to time until 25th anniversary of drawdown date, has an irrevocable right to convert all or part of the conversion amount into Class A redeemable preference shares at \$1 per redeemable preference share. Shares issued shall be valid, fully paid, non-assessable, Class A preference shares with no voting rights. Class A redeemable preference shares shall earn a coupon which is fixed, cumulative and compounding annually and are not entitled to any additional dividends. The preference shares are to be redeemed no later than the end of the operations of the relevant projects which is expected in 25 years of drawn down date.

In 2022, convertible loan amounting to US\$1.43 million (₱74.45 million) was reclassified to debt replacement loans.

b. Asian Wind Power 2 HK Ltd (Asian Wind 2)

On March 25, 2020, the Group entered into an agreement with Asian Wind 2, to make available a convertible term loan facility in an aggregate amount not exceeding US\$23.00 million (₱1,114.70 million). The Group, from time to time until 25th anniversary of drawdown date, has an irrevocable right to convert all or part of the conversion amount into Class A redeemable preference shares at \$1 per redeemable preference share. Shares issued shall be valid, fully paid, non-assessable, Class A redeemable preference shares with no voting rights. Class A redeemable preference shares shall earn a coupon which is fixed, cumulative and compounding annually and are not entitled to any additional dividends. The preference shares are to be redeemed no later



than the end of the operations of the relevant projects which is expected in 25 years of drawn down date.

In 2022, redemptions amounted to US\$0.26 million (₱14.51 million), while in 2021, drawdown from the loan amounted to US\$0.80 million (₱40.62 million).

c. Vietnam Wind Energy Limited

On April 17, 2020, the Group entered into an agreement with VWEL, to make available a convertible term loan facility in an aggregate amount of US\$38.00 million (₱1,841.67 million). The Group, from time to time until maturity date, has an irrevocable right to convert all or part of the conversion amount into redeemable preference shares at \$1 per redeemable preference share. Shares issued shall be valid, fully paid, non-assessable, redeemable preferred shares with no voting rights. The redeemable preferred shares shall earn a coupon which is fixed, cumulative and compounding annually and are not entitled to any additional dividends, redeemable at the issuer's option. The preferred shares are to be redeemed no later than the end of the operations of the relevant projects which is expected in 20 years of drawn down date.

In determining the ECL, the Group has taken into account the historical default experience, the financial position of the counterparties, as well as the future prospects of the industries in which the issuers of these debt instruments operate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

As at December 31, 2022, the Group provided ECL provision amounting to \$23.04 million (₱1,284.41 million) (see Note 21).

d. Investment in UPC-ACE Australia

On April 22, 2020, the Group entered into an agreement with UPC-ACE Australia, to make available a convertible term loan facility in an aggregate principal amount of \$48.50 million (₱ 2,350.55 million) for NESF Project. On January 6, 2021, the Group entered an amended the convertible loan facility to increase the principal amount by \$111,500,000 for Facility B Limit and \$160,000,000 for Facility C limit. The Group, from time to time until maturity date, has an irrevocable right to convert all or part of the conversion amount into redeemable preference shares at \$1 per redeemable preference share. Shares issued shall be valid, fully paid, non-assessable, redeemable preferred shares with no voting rights. The redeemable preference shares shall earn a coupon which is fixed, cumulative and compounding annually and are not entitled to any additional dividends. The preferred shares are to be redeemed no later than the end of the operations of the relevant projects which is expected in 30 years of drawn down date.

In 2022, total amount drawn from the loan amounted to US\$50.78 million (₱2,807.21 million) which was subsequently reclassified as part of the Group's interest upon acquisition of control over UPC-ACE Australia (see Note 28). Loan drawdowns in 2021 amounted to US\$129.72 million (₱6,501.94 million).

Convertible loans amounting to US\$228.98 million (₱12,951.25 million) was eliminated as effect of the Group's acquisition of control over UPC-ACE Australia (see Note 28).

Convertible loan facilities bear interest ranging from 8.50% to 12.00% per annum.



Interest income

The Group earns interest income from its investments in redeemable preferred shares and convertible loans amounting to:

	2022	2021	2020
<i>Redeemable preferred shares</i>			
AAR	₱842,187	₱580,140	₱209,413
BIM Wind	510,227	60,311	—
UPC Solar	427,498	125,539	11,235
UPC Asia III	231,016	201,851	187,843
BIMRE	175,757	156,615	123,581
BIME	30,736	27,439	25,165
NEFIN	33,724	—	—
	2,251,145	1,151,895	557,237
<i>Convertible loans</i>			
UPC-ACE Australia	847,085	600,198	87,630
Asian Wind 1	206,486	170,716	243,117
Asian Wind 2	170,195	133,736	77,743
VWEL	—	242,268	128,973
	1,223,766	1,146,918	537,463
	₱3,474,911	₱2,298,813	₱1,094,700

9. Investments in Financial Assets at FVTPL

	2022	2021
Current	₱42,863	₱—
Noncurrent	1,260,023	406,739
	₱1,302,886	₱406,739

The roll forward of this account follows:

	2022	2021
As at beginning of year	₱406,739	₱—
Subscriptions	912,534	402,680
Fair value adjustment (Note 23)	(124,513)	—
Cumulative translation adjustment	108,126	4,059
As at end of year	₱1,302,886	₱406,739

Compulsory Convertible Debenture of Masaya Solar Energy Private Limited (“Masaya Solar”)

On November 16, 2021 and December 9, 2021, the Group subscribed to 21,561,291 and 32,799,307 shares, respectively, Compulsorily Convertible Debentures (CCDs) of Masaya Solar. Masaya Solar is currently constructing the 420MWp solar farm in the Central Indian state of Madhya Pradesh. Total cost of subscription amounted to US\$8.01 million (₱402.68 million).

In various dates in 2022, the Group subscribed to 133,650,300 shares, with total subscription amount of US\$17.60 million (₱912.53 million)



The CCDs are unsecured and have a maturity date of 28 years from the date of allotment. Unless earlier converted, CCDs shall be converted into equity shares immediately after maturity date. Prior to maturity, Masaya Solar, has the option to convert the CCDs into equity shares in the ratio of 1:1.

10. Investments in Financial Assets at FVOCI

	2022	2021
Noncurrent:		
UPC Sidrap HK Limited	₱364,332	₱353,657
Golf club shares	690	1,190
Listed shares of stock	1,822	21
	₱366,844	₱354,868

UPC Sidrap HK Limited

On January 11, 2017, the Group subscribed to 1,130 redeemable Class B preference shares of UPC Sidrap HK. The unquoted equity investments represent investment in the Sidrap Project that is engaged in wind power generation and operation.

In 2022 and 2021, dividend income earned from UPC Sidrap amounted to \$0.07 million (₱3.64 million) and \$0.24 million (₱11.73 million).

No dividend income was earned from AYCFL in 2021 and 2020.

The movements in net unrealized (loss) gain on financial assets at FVOCI for the years ended are as follows:

	2022	2021
Balance at beginning of year	(₱90,089)	₱143,625
Unrealized loss recognized during the year	(24,477)	(44,909)
Reversal of unrealized fair value gain upon redemption	—	(25,906)
Effect of business combinations under common control (Note 29)	—	(162,899)
Balance at end of year	(₱114,566)	(₱90,089)



11. Property, Plant and Equipment

The details and movements of this account for the years ended December 31 are shown below:

	2022							
	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Tools and Other Miscellaneous Assets	Office Furniture, Equipment and Others	Construction in Progress	Total
Cost								
Balance at beginning of year	₱1,606,519	₱8,248,059	₱31,518,952	₱102,770	₱827,755	₱215,878	₱4,289,097	₱46,809,030
Additions	418,717	176,150	469,146	77,681	1,085,429	65,110	19,892,534	22,184,767
Acquisition from business combination (Note 28)	155,040	—	48,922	17,846	—	3,143	14,487,778	14,712,729
Transfer from advances to contractors	—	—	—	—	—	—	189,721	189,721
Transfer from other noncurrent assets	—	—	—	—	—	—	1,441	1,441
Transfers to assets held for sale	—	—	(14)	—	—	—	—	(14)
Transfer to other current assets	—	—	—	—	(4,465)	—	—	(4,465)
Disposals and retirement	—	—	(6,870)	(7,408)	(29)	(3,784)	—	(18,091)
Change due to loss of control (Notes 2 and 32)	(550,763)	(7,813,633)	(11,046,675)	(20,157)	(253,516)	(92,981)	(34,104)	(19,811,829)
Reclassification	—	136,032	230,434	(1,443)	(73,604)	11,670	(303,089)	—
Currency translation adjustments	1,129	—	11,393	2,411	—	1,076	1,380,095	1,396,104
Balance at end of year	1,630,642	746,608	21,225,288	171,700	1,581,570	200,112	39,903,473	65,459,393
Accumulated depreciation								
Balance at beginning of year	31,456	2,034,951	7,658,927	38,851	429,613	121,854	—	10,315,652
Depreciation (Notes 21 and 22)	10,806	316,320	1,322,795	26,478	109,531	52,899	—	1,838,829
Disposals and retirement	—	—	(1,647)	(2,813)	—	(2,664)	—	(7,124)
Change due to loss of control (Notes 2 and 32)	(674)	(2,243,987)	(3,164,294)	(14,773)	(109,131)	(57,629)	—	(5,590,488)
Reclassifications	—	—	34,585	—	(28,237)	(6,348)	—	—
Currency translation adjustments	—	—	6,594	690	—	753	—	8,037
Balance at end of year	41,588	107,284	5,856,960	48,433	401,776	108,865	—	6,564,906
Accumulated impairment loss								
Balance at beginning of year	—	—	81,071	—	—	—	373,744	454,815
Provision for impairment loss (Note 21)	—	—	—	—	—	—	41,444	41,444
Balance at end of year	—	—	81,071	—	—	—	415,188	496,259
Net Book Value	₱1,589,054	₱639,324	₱15,287,257	₱123,267	₱1,179,794	₱91,247	₱39,488,285	₱58,398,228



	2021							
	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Transportation Equipment	Tools and Other Miscellaneous Assets	Office Furniture, Equipment and Others	Construction in Progress	Total
Cost								
Balance at beginning of year	₱1,202,277	₱8,270,052	₱25,179,237	₱86,949	₱339,436	₱192,269	₱6,080,900	₱41,351,120
Additions	42,877	77,775	973,074	34,733	208,637	51,719	4,159,620	5,548,435
Transfer to noncurrent assets held for sale (Note 6)	—	(26,618)	(677,477)	(2,988)	(16,191)	(4,620)	—	(727,894)
Transfer from right-of-use assets	—	—	672,133	—	—	—	—	672,133
Transfer from investment property	438,374	—	—	—	—	—	—	438,374
Transfer from advances to contractors	—	—	2,207	—	—	—	127,393	129,600
Transfer to intangibles	—	—	—	—	(243)	—	—	(243)
Change due to loss of control	—	—	—	(2,433)	—	—	(588,264)	(590,697)
Disposals and retirement	—	—	(645)	(10,079)	—	(610)	(464)	(11,798)
Reclassification	(77,009)	(73,150)	5,370,423	(3,412)	296,116	(22,880)	(5,490,088)	—
Balance at end of year	1,606,519	8,248,059	31,518,952	102,770	827,755	215,878	4,289,097	46,809,030
Accumulated depreciation								
Balance at beginning of year	16,773	1,693,436	7,045,930	47,736	101,853	90,299	—	8,996,027
Depreciation (Notes 20 and 21)	14,683	357,125	1,058,964	4,699	90,760	47,956	—	1,574,187
Transfer to noncurrent assets held for sale (Note 6)	—	(3,426)	(236,203)	(2,988)	(202)	(3,379)	—	(246,198)
Transfer to intangibles (Note 13)	—	—	—	—	(27)	—	—	(27)
Change due to loss of control	—	—	—	(463)	—	—	—	(463)
Disposals and retirement	—	—	—	(7,405)	—	(469)	—	(7,874)
Reclassifications	—	(12,184)	(209,764)	(2,728)	237,229	(12,553)	—	—
Balance at end of year	31,456	2,034,951	7,658,927	38,851	429,613	121,854	—	10,315,652
Accumulated impairment loss								
Balance at beginning of year	—	—	352,064	—	14,890	—	150,189	517,143
Provision for impairment loss (Note 21)	—	—	77,858	—	—	—	223,555	301,413
Reversals (Note 23)	—	—	(75,118)	—	(14,890)	—	—	(90,008)
Retirement	—	—	(464)	—	—	—	—	(464)
Transfer to noncurrent assets held for sale (Note 6)	—	—	(273,269)	—	—	—	—	(273,269)
Balance at end of year	—	—	81,071	—	—	—	373,744	454,815
Net Book Value	₱1,575,063	₱6,213,108	₱23,778,954	₱63,919	₱398,142	₱94,024	₱3,915,353	₱36,038,563



In 2022, the Group invested significant CAPEX related to the following projects:

Project	Capacity (MW)	Location
Pagudpud Wind	160	Ilocos Norte, Philippines
Arayat-Mexico Solar (Phase 2)	44	Pampanga, Philippines
San Marcelino Solar (Phase 1)	283	Zambales, Philippines
Cagayan North Solar (Phase 1)	133	Lal-lo Cagayan, Philippines
Palauig 2 Solar	300	Zambales, Philippines
Capa Wind	70	Caparispisan, Pagudpud, Ilocos Norte, Philippines
Pangasinan Solar	60	Sinocalan, San Manuel, Pangasinan, Philippines
New England Solar Farm	521	Urulla, New South Wales, Australia
Stubbo Solar	520	Central Western Tablelands, New South Wales, Australia

In 2021, the Group invested significant CAPEX related to the following projects in the Philippines:

Project	Capacity (MW)	Location
Pagudpud Wind	160	Ilocos Norte,
Alaminos Solar	120	Alaminos, Laguna
Alaminos Battery Energy Storage System	40	Alaminos, Laguna
Palauig Solar	60	Palauig, Zambales
Renewable Energy Laboratory Facility	4.375	Mariveles, Bataan

In 2022 and 2021, the Group acquired assets with a cost of ₱22,184.77 million and ₱5,548.43 million, respectively. Additionally, during the current year, Property, plant, and equipment acquired through business combination amounted to ₱14,712.73 million (see Note 28).

Non-cash component in the total additions amounted to ₱1,949.59 million and ₱33.33 million in 2022 and 2021, respectively (see Note 32).

Borrowing cost capitalized to property, plant, and equipment amounted to ₱747.78 million and nil for the years ended December 31, 2022 and 2021, respectively. The capitalization rate used to determine the borrowing cost eligible for capitalization is 4.99% and nil in 2022 and 2021, respectively.

Disposals

Assets (other than those classified as held for sale) with a net book value of ₱10.67 million and ₱3.92 million were disposed by the Group during 2022 and 2021, respectively. This resulted in a net loss of ₱7.05 million and net gain of ₱1.10 million in 2022 and 2021, respectively (see Note 23).

Mortgaged Property and Equipment

Guimaras Wind's wind farm with carrying value of ₱3,500.05 million and ₱3,702.37 million as at December 31, 2022 and 2021, respectively, included under "Machinery and Equipment" account is mortgaged as security for the long-term loan (see Note 16).



Contractual commitments

The Group has commitments of ₱28,812.08 million for property, plant and equipment, which are contracted for but not provided for in the consolidated financial statements.

Total depreciation charged to operations amounted to ₱1,668.05 million, ₱1,495.08 million and ₱1,673.65 million in 2022, 2021 and 2020, respectively. The amount charged to “General and administrative expenses” account amounted to ₱170.78 million, ₱79.10 million and ₱41.58 million in 2022, 2021 and 2020, respectively (see Note 21).

The Group has no significant property, plant and equipment which are temporarily idle as at December 31, 2022 and 2021.

The Group’s fully depreciated property, plant and equipment which are still in use as at December 31, 2022 and 2021 amounted to ₱1,898.23 million and ₱1,912.45 million, respectively.

12. Right-of-Use Assets and Lease Liabilities

The rollforward of these accounts follows:

	2022						
	Right-of-Use Assets						
	Office						
	Land and Easement Rights	Land and Power plants	Space and Parking Slots	Land and Office Building	Leasehold Rights	Total	Lease Liabilities
As at January 1, 2022	₱154,346	₱815,512	₱935,360	₱229,184	₱1,077	₱2,135,479	₱2,696,252
New lease agreements	–	149,743	130,465	1,896	–	282,104	263,077
Amortization expense (Notes 20 and 21)	(8,550)	(14,781)	(144,269)	(11,726)	(538)	(179,864)	–
Reclassifications	13,576	(486,466)	13,190	459,700	–	–	–
Remeasurement	–	61,747	(13,488)	(42)	–	48,217	(75,752)
Remeasurement due to lease modification	(433)	7,376	–	50	–	6,993	2,060
Interest expense (Note 22)	–	–	–	–	–	–	198,050
Payments	–	–	–	–	–	–	(291,085)
Acquired through business combination (Note 28)	–	1,323,557	–	–	–	1,323,557	1,485,756
Foreign exchange adjustments	–	110,161	–	–	–	110,161	186,663
As at December 31, 2022	₱158,939	₱1,966,849	₱921,258	₱679,062	₱539	₱3,726,647	₱4,465,021



	2021						
	Right-of-Use Assets						Lease Liabilities
	Land and Easement Rights	Land and Power plants	Office Space and Parking Slots	Land and Office Building	Leasehold Rights	Total	
As at January 1, 2021	₱357,573	₱1,923,002	₱43,112	₱19,717	₱—	₱2,343,404	₱1,916,629
New lease agreements	27,269	196,100	1,010,393	7,346	1,615	1,242,723	1,150,838
Amortization expense (Notes 20 and 21)	(9,157)	(142,690)	(118,145)	(1,433)	(538)	(271,963)	—
Transfers to Property, Plant, and Equipment (Note 11)	—	(672,133)	—	—	—	(672,133)	—
Reclassifications	(221,251)	(8,771)	—	230,022	—	—	—
Remeasurement due to lease modification	—	(8,114)	—	—	—	(8,114)	(31,119)
Capitalized Amortization/ Interest Expense	(88)	(3,438)	—	(22,055)	—	(25,581)	1,780
Change due to loss of control	—	(468,444)	—	—	—	(468,444)	(78,051)
Interest expense	—	—	—	—	—	—	164,416
Payments	—	—	—	—	—	—	(450,271)
Foreign exchange adjustments	—	—	—	(4,413)	—	(4,413)	22,030
As at December 31, 2021	₱154,346	₱815,512	₱935,360	₱229,184	₱1,077	₱2,135,479	₱2,696,252

There was no indication of impairment on the right-of-use asset of the Group as at December 31, 2022 and 2021.

Lease Commitments

SACASOL's Contract of Lease for Land Phases 1A & 1B

On March 7, 2014, SACASOL entered into a lease agreement with San Julio Realty, Inc. (SJRI) for the lease of 35 hectares of land located in Barangay Punao, San Carlos City, Negros Occidental as site for the construction and operations of the Phase 1A and Phase 1B solar power plant projects. Upon execution of the agreement, SACASOL shall hold the land area delineated for Phase 1A for a period of 25 years. The area delineated for Phase 1B shall be held for the remaining term of the agreement upon the receipt of notice by SACASOL.

On June 18, 2020, SACASOL had its lease modified with SJRI. The modification amends the timing of payment and the basis of the annual escalation rate, which is now every 10th day of January, and is based on the average of the available and published inflation rates of the CPI for the immediately preceding twelve-month period, respectively. The lease modification did not result in a separate lease.

SACASOL's Contract of Lease for Land - Phases 1C and 1D

On October 21, 2014, SACASOL entered into a lease agreement with SJRI for the lease of 32.4214 hectares of land located in Barangay Punao, San Carlos City, Negros Occidental as site for the construction and operations of Phases 1C and 1D solar power plant projects. Upon execution of the agreement, SACASOL shall hold the land area for a period of 25 years.

On June 18, 2020, SACASOL had its lease modified with SJRI. The modification amends the timing of payment and the basis of the annual escalation rate, which is now every 10th day of January, and is based on the average of the available and published inflation rates of the CPI for the immediately preceding twelve-month period. The lease modification did not result in a separate lease.



ISLASOL's Contract of Lease for Land - Phases 2A & 2B

Part of ISLASOL's acquisition of certain solar power plant projects from SACASOL is the lease agreement between SACASOL and Roberto J. Cuenca, Sr. (the Lessor) for the La Carlota A Project. The lease of 24.4258 hectares of land located at La Carlota City, Negros Occidental was executed on June 5, 2014 as site for the construction and operations of Phases 2A and 2B solar power plant projects of ISLASOL. Upon issuance of the NTP to the contractor, ISLASOL shall hold the land area delineated for a period of 25 years therefrom.

ISLASOL's Contract of Lease for Land - Phase 3

On September 1, 2015, ISLASOL entered into a lease agreement with MSPDC (the Lessor) for the lease of approximately 638,193 sq.m. of land located in Barangay Sta. Teresa, Municipality of Manapla, Negros Occidental. The term of the lease shall be for a period of 25 years upon written notice served upon the Lessor by ISLASOL not earlier than one (1) year but not later than 3 months before the expiration of the original period of lease. Lease extension shall be in writing executed by both parties 3 months before the expiration of the original period of lease. ISLASOL has the sole option to extend the term of the lease.

Solarace1's Contract of Lease for Land

On September 30, 2019, Solarace1 Energy Corp. ("Solarace1") entered into a lease agreement with ALI, Crimson Field Enterprises Inc., and Red Creek Properties Inc., for 106.59 hectares of land located in Barangay San Andres, Alaminos, Laguna as site for the construction and operation of its solar power facility. The term of the lease shall be for a period of 21 years, with a fixed monthly rental payment of per square meter, exclusive of VAT. The rental fee shall be subject to annual adjustment of whichever is higher between 3% per annum and the rate of increase of real property tax where the property is located. The period of lease may be extended, under the same terms and conditions, at the sole discretion of Solarace1 for up to another 21 years.

BCHC's Contract of Lease for Land

In April 22, 2020 BCHC entered into a lease agreement with ACD Incorporated Inc. for 13.95 hectares of land located in Batangas II, Mariveles, Bataan as a site for the construction and operation of the Power Generating Facilities and its allied purposes. The term of the sublease shall be for a period of 25 years, with a fixed monthly rental payment per square meter, exclusive of VAT. The period of lease may be extended, under the same terms and conditions at the sole discretion of BCHC for up to another 25 years.

On September 2, 2020, the property was subleased by BCHC to BSEI to develop, operate and maintain a 5MW RE Laboratory facility. The term of the sublease shall be for a period of 7 years, with a fixed monthly rental payment per square meter, exclusive of VAT. The period of lease may be extended, under the same terms and conditions at the sole discretion of BSEI for up to another 25 years.

On November 20, 2020, an Agreement on the Deed of Assignment of Lease was signed between BCHC and AC Energy Inc. ACEI agreed to assign its rights and obligations for the land leased with Tabangao Realty Inc (TRI) entered in March 23, 2018 for an approximately 177,774 square meters situated in Brgy. Malaya, Pililla, Rizal.



13. Goodwill and Other Intangible Assets

The rollforward of this account follows:

	2022				
	Goodwill	Deferred Exploration Costs	Leasehold and Water Rights	Other Intangible Assets	Total
Cost:					
Balance at beginning of year	₱246,605	₱141,741	₱185,347	₱2,193,812	₱2,767,505
Additions/Cash calls		1,471	–	3,982	5,453
Acquired from business combination (Note 28)	21,665,700	–	–	103,672	21,769,372
Currency translation adjustment	(721,763)	–	–	–	(721,763)
Balance at end of year	21,190,542	143,212	185,347	2,301,466	23,820,567
Accumulated amortization:					
Balance at beginning of year	–	–	40,757	265,291	306,048
Amortization (Notes 20 and 21)	–	–	8,120	151,595	159,715
Balance at end of year	–	–	48,877	416,886	465,763
Accumulated impairment:					
Balance at beginning of year	–	85,477	–	–	85,477
Impairment (Note 21)	–	584	–	–	584
Balance at end of year	–	86,061	–	–	86,061
Net book value	₱21,190,542	₱57,151	₱136,470	₱1,884,580	₱23,268,743

	2021				
	Goodwill	Deferred Exploration Costs	Leasehold and Water Rights	Other Intangible Assets	Total
Cost:					
Balance at beginning of year	₱246,605	₱121,975	₱185,104	₱2,191,814	₱2,745,498
Additions/Cash calls	–	19,766	–	1,998	21,764
Reclass from PPE (Note 11)	–	–	243	–	243
Balance at end of year	246,605	141,741	185,347	2,193,812	2,767,505
Accumulated amortization:					
Balance at beginning of year	–	–	32,610	113,696	146,306
Amortization (Notes 20 and 21)	–	–	8,120	151,595	159,715
Reclass from PPE	–	–	27	–	27
Balance at end of year	–	–	40,757	265,291	306,048
Accumulated impairment:					
Balance at beginning of year	–	62,098	–	–	62,098
Impairment	–	23,379	–	–	23,379
Balance at end of year	–	85,477	–	–	85,477
Net book value	₱246,605	₱56,264	₱144,590	₱1,928,521	₱2,375,980



Goodwill and Leasehold water rights

In 2022, additions to goodwill are from acquisitions of UPC-ACE Australia, and UPC Philippines, amounting to ₱21,544.49 million and ₱118.36 million, respectively (see Note 28).

The considerations paid for these combinations effectively included amounts in relation to the benefits of expected synergies and future market growth. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Impairment Testing of Goodwill

The Parent Company performs its impairment test annually and when circumstances indicate that the carrying value may be impaired. This requires an estimation of the value in use of the related CGU. The value in use calculation requires the Group to make an estimate of the expected future cash flows from the CGU and to choose a suitable discount rate in order to calculate the present value of those cash flows.

The CGU of the Group are comprised of:

- Philippines
 - a. Operating plants – ISLASOL and One Subic Power
 - b. Development – ACE Endeavor
 - c. Development – UPC Philippines
- International – UPC-ACE Australia

The goodwill arising from the acquisitions in 2022, UPC-ACE Australia and UPC Philippines are from the established capabilities of its assembled workforce which include:

- Pre-development and development – involving site acquisition, permitting and studies to get the project to a shovel ready state;
- Construction – including sourcing of investors as well as managing the construction of power plants; and
- Operations – covering management of power plants in lieu of the investors for a fee

Further, the above acquisition included projects in its pipeline with a view of development projects (new and from the pipeline) for the Group. Through this acquisition, the Group is able to have the capability to develop projects end-to-end from permits and feasibility studies, all the way to construction and operations.

Currently, the assembled workforce oversees the pre-development and development of several potential sites for its projects are within the Philippines and Australia.



Key assumptions used in the value-in-use calculations

The calculations of value-in-use for the CGUs are most sensitive to the following assumptions:

- Philippines
 - a. Operating plants – ISLASOL and One Subic Power
 - Forecasted revenue growth (2022: 2%-10%; 2021: 2%-10%)
 - EBITDA margin (2022: 2%-10%; 2021: 2%-10%)
 - Discount rate (2022: 11.16% ; 2021: 8.40%-10.40%)
 - b. Development – ACE Endeavor
 - Forecasted revenue growth (2022: 2%-10%; 2021: 2%-10%)
 - EBITDA margin (2022: 2%-10%; 2021: 2%-10%)
 - Discount rate (2022: 11.16% ; 2021: nil)
 - c. Development – UPC Philippines
 - Projects in the pipeline (2022: 2%-10%; 2021: nil)
 - Forecasted revenue growth (2022: 2%-10%; 2021: nil)
 - EBITDA margin (2022: 2%-10%; 2021: nil)
 - Discount rate (2022: 11.16% ; 2021: nil)
- International – UPC-ACE Australia
 - a. Projects in the pipeline (2022: 2%-10%; 2021: nil)
 - b. Forecasted revenue growth (2022: 2%-10%; 2021: nil)
 - c. EBITDA margin (2022: 2%-10%; 2021: nil)
 - d. Discount rates (2022: 8.42%-9.08% ; 2021: nil)
- Forecasted revenue growth - Revenue forecasts are management's best estimates considering factors such as historical/industry trend, tariffs, target market analysis, government regulations and other economic factors.
- EBITDA margin - It is a measure of a firm's profit that includes all expenses except interest, depreciation and income tax expenses. It is the difference between operating revenues and operating expenses. EBITDA was adjusted for tax, depreciation, interest expenses and changes in net working capital and maintenance capital expenditures in arriving the free cash flow.
- Discount rates - represent the current market assessment of the risks specific to each CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC). The WACC considers both debt and equity. The cost of equity is derived from the expected return on investment. The cost of debt is based on the interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data. Adjustments to the discount rate are made to factor in the specific amount and timing of the future tax flows in order to reflect a pre-tax discount rate.

Based on management's assessment, recoverable amount exceeded the carrying amount of the CGU. No impairment loss was recognized on goodwill as at December 31, 2022 and 2021.



Leasehold and Water Rights

The leasehold and water rights arose from Bulacan Power's acquisition of the entire outstanding shares of stocks of One Subic Power in 2014. One Subic Power and Subic Bay Metropolitan Authority ("SBMA") have an existing Facilities Lease Agreement (FLA) for a period of five (5) years up to July 19, 2020, as amended, with the option to extend subject to mutually acceptable terms and conditions.

On December 21, 2017, the SBMA Board approved and ratified the amendment of the Facilities Lease Agreement extending the lease term until July 19, 2030. On January 1, 2019, the leasehold rights were reclassified as right-of-use assets.

Solienda, Inc. ("Solienda") holds leasehold and water rights on its contracts of lease with San Carlos Sun Power, Inc., San Carlos Biopower Inc. and SACASOL. As at December 31, 2022 and 2021, the carrying amount of the leasehold and water rights amounted to ₱128.62 million and ₱136.74 million, respectively. There are increase in land rental fee and escalation rate from 2.54% to 4.485%.

Other Intangible Assets

Intangible assets amounting to ₱2,191.81 million arising from an identifiable FIT contract with useful life of 13 years was recognized from the acquisition of SACASOL in 2020. The carrying amount as at December 31, 2022 and 2021 amounted to ₱1,774.93 million and ₱1,926.52 million, respectively. Intangible assets also include ₱103.67 million acquired during business combination.

14. Other Assets

Other current asset

This account consists of:

	2022	2021
Derivative asset (Note 29)	₱617,139	₱241,744
Prepaid expenses	202,565	223,264
Advances to contractors	145,163	270,265
Short-term investments	528	68,310
Other current assets	27,693	36,433
	993,088	840,016
Less allowance for impairment loss (Note 21)	26,181	27,437
	₱966,907	₱812,579

Derivative asset pertains to the coal and fuel commodity swaps contracts maturing within 12-month period (see Notes 15 and 31). ACEN had unrealized ₱1.65 million losses on coal swaps (see Note 23). The account also includes hedge transactions from UPC-ACE Australia amounting to \$9.97 million (₱555.87 million).

Prepaid expenses pertain to insurance, subscriptions, rent, taxes and other expenses paid in advance.

Advances to contractors pertain to advance payments for services and supply of repairs and maintenance.



Other noncurrent asset

This account consists of:

	2022	2021
Development costs	₱5,723,562	₱428,074
Advances to suppliers	1,722,023	2,531,010
Advances for land acquisition	809,975	—
Deposits	109,718	165,164
Investment properties	13,085	13,085
Others	116,808	40,979
	₱8,495,171	₱3,178,312

Development costs include expenditures related to the development phase of power plant project which are stated at cost less any accumulated impairment losses. These include direct expenses that will eventually be capitalized as part of property, plant and equipment upon start of construction of the project. These costs are not depreciated or amortized until such time as the relevant assets are completed and available for use. Development costs include ₱1,323.6 million acquired during business combination (see Note 28).

Advances to suppliers consist of advance payments for capital expenditures which will be capitalized to property, plant and equipment once fully rendered by the suppliers.

Advances for land acquisition pertain to partial payments to landowners and service providers related to the acquisition of various property for future projects.

15. Accounts Payable and Other Current Liabilities

This account consists of:

	2022	2021
Accrued expenses	₱4,710,091	₱1,274,403
Trade	3,701,024	2,534,044
Due to related parties (Note 26)	1,782,157	286,870
Output VAT - net	1,280,631	1,022,706
Nontrade	1,231,305	425,619
Accrued interest expenses	210,510	196,177
Retention payables	158,105	136,075
Accrued directors' and annual incentives (Note 26)	58,507	23,352
Derivative liability (Note 29)	3,012	241,744
Others	187,227	139,839
	₱13,322,569	₱6,280,829

Accounts payable and other current liabilities are noninterest-bearing and are normally settled on thirty (30) to sixty (60)-day terms.

Trade payables refer to liabilities to suppliers of electricity and fuel oil purchased by the Group.

Accrued expenses include construction costs, insurance, sick and vacation leave accruals, station use and One Subic Power's variable rent for lease with SBMA and accruals for incentive pay and operating expense such as security fee, plant repairs and maintenance.



Derivative liability pertains to foreign exchange forward contracts maturing within 12-month period (see Note 29).

16. Short-term Loans, Long-term Loans, and Notes Payable

Short-term Loans

This account consists of:

	2022	2021
Beginning balance	₱—	₱9,438,600
Availments	23,259,020	3,000,000
Payments	(20,359,020)	(12,500,800)
Foreign exchange adjustments	—	62,200
Ending balance	₱2,900,000	₱—

The Group has outstanding short-term loans availed in 2022 from various local banks amounting to ₱ 2,900.00 million with interest ranging from 2.20% to 4.25% (nil in 2021).

Total interest expense recognized on short-term loans for the years ended December 31, 2022 and 2021 amounted to ₱179.92 million and ₱52.73 million, respectively (Note 22).



Long-term Loans

This account consists of:

Facility	Loan Availed	Date of Availment	Maturity	Interest Rate	Payment Terms	Covenants / Collateral	2022	2021
ACEN								
₱1,175.00 million Loan A	₱1,175.00 million	January 11, 2017	July 11, 2029	6.50% per annum	Principal and interest payable semi- annual	Maximum net DE ratio of 3.0x* Based on ACEN consolidated year-end balances. Tested semi-annual *On August 24, 2022, lender approved amendment to financial covenants. Previously, covenant included minimum DSCR 1.00x; maximum DE ratio of 1.50x; and minimum current ratio of 1.00x.	₱692,425	₱768,813
₱5,000.00 million Loan B	₱5,000.00 million	November 15, 2019	November 14, 2029	5.0505% per annum for the first 5 years; repricing for the succeeding five (5) years is the average of the 5-year BVAL, three (3) days prior to repricing date, plus a margin of ninety basis	Principal and interest payable semi- annual	Maximum net DE ratio of 3.0x Based on ACEN consolidated year-end balances. Tested semi-annual	4,842,105	4,894,737



Facility	Loan Availed	Date of Availment	Maturity	Interest Rate	Payment Terms	Covenants / Collateral	2022	2021
				points per annum (0.90%), with the sum divided by 0.95				
₱7,000.00 million Loan C	₱500.00 million	July 15, 2020	July 15, 2030	5.00% per annum	Principal and interest payable semi- annual	Maximum net DE ratio of 3.0x Based on ACEN consolidated year-end balances. Tested semi-annual	4,476,000	1,500,000
	₱1,000.00 million	August 24, 2020	July 15, 2030	5.00% per annum				
	₱1,000.00 million	June 10, 2022	July 15, 2030	5.066% per annum	Principal and interest payable quarterly			
	₱2,000.00 million	Novembe r 15, 2022	July 15, 2030	5.8096% per annum				
₱4,500.00 million Loan D	₱805.00 million	March 30, 2021	March 30, 2031	Floating interest rate repriced on every succeeding semi- annual period. Can be converted to fixed up to the 2 nd anniversary of initial drawdown.	Principal and interest payable semi- annual	Maximum net DE ratio of 3.0x Based on ACEN consolidated year-end balances. Tested semi-annual	4,500,000	805,000
	₱2,000.00 million	February 28, 2022	March 30, 2031					
	₱1,695.00 million	April 11, 2022	March 30, 2031					
₱10,000.00 million Loan E	₱3,000.00 million	December 13, 2022	December 13, 2032	Floating interest rate repriced on every succeeding semi- annual period. Can be converted to fixed up to the 1st anniversary of initial drawdown.	Principal and interest payable semi- annual	Maximum net DE ratio of 3.0x Based on ACEN consolidated year-end balances. Tested semi-annual	3,000,000	—



Facility	Loan Availed	Date of Availment	Maturity	Interest Rate	Payment Terms	Covenants / Collateral	2022	2021
NorthWind								
₱2,300.00 million	₱2,300.00 million	May 29, 2020	May 29, 2032	Fixed at a rate of 5.13% for ten (10) years to be repriced after the 10 th anniversary at a rate equivalent to (a) the 2-year base fixed rate plus a spread of 1.115%, or (b) 5.125% per annum, whichever is higher	Principal and interest payable semi-annual	Minimum historical DSCR of 1.05 times Based on the stand-alone balances of the borrower. Tested annually at year end.	1,939,360	2,092,540
Guimaras Wind								
₱4,300.00 million loan	₱4,300.00 million	December 18, 2013	February 14, 2029	6.25%-6.50% fixed rate)	Principal and interest payable semi-annual	Minimum DSCR of 1.2x, a maximum Debt to equity ratio of 70:30. Based on the stand-alone balances of the borrower. Tested annually at year end.	1,142,502	1,280,524
SLTEC								
₱13,700.00 syndicated loan facility	₱ 10,200.00 million	April 29, 2019	April 29, 2031	4.44% to 7.11%	Principal and interest payable semi-annual	Minimum DSCR of 1.1x, and Net Debt to Equity Ratio of (i) 80:20 during the first 3 years from the amendment effective date and (ii) 75:25 thereafter. Based on the standalone balances of the borrower.	–	9,812,500



Facility	Loan Availed	Date of Availment	Maturity	Interest Rate	Payment Terms	Covenants / Collateral	2022	2021
						Tested annually at year end.		
ACEN Australia Pty Ltd. ("ACEN Australia")								
AU\$212.50 million Loan	AU\$157.78 million	February 11, 2021	December 22, 2025	BBSY + 1.45% margin - Construction Facility BBSY + 2.10% - Term Facility	Principal Repayment based on agreed schedule. Interest payments 3 or 6 months or any such shorter period agreed.	DSCR Ratio of 1.15 to 1.00x Collateral, secured by Secured Property	5,933,641	—
AU\$100 million Loan	AU\$34.54 million	August 18, 2022	August 18, 2027	Floating Rate. Reuters screen BBSW + 1.75% margin	3 or 6 months with automatic rollover but not to exceed the maturity date	Net DE Ratio of 3.0x Tangible Net worth of AUD150mn	1,299,044	—
AU\$140 million Loan	AU\$28.36 million	September 16, 2022	September 16, 2027	Floating Rate. BBSY + 1.65% margin	Principal Repayment on Termination Date. Interest payments 3 or 6 months, or any other period greater than 1 month	Net DE Ratio of 3.0x Tangible Net worth of AUD150mn	1,066,513	—



Facility	Loan Availed	Date of Availment	Maturity	Interest Rate	Payment Terms	Covenants / Collateral	2022	2021
					agreed with Lender.			
AU\$75.00 million Loan	AU\$0.38 million	October 28, 2022	October 28, 2027	Fixed rate. Base rate + 2% margin	Principal Repayment on Termination Date. Interest payments 6 months, or any other period greater than 1 month agreed with Lender.	Net DE Ratio of 3.0x	14,102	—
Totals							₱28,905,691	₱21,154,114
Less unamortized debt issue cost							134,403	211,893
							28,771,288	20,942,221
Less current portion							719,385	824,488
Long-term loans, net of current portion							₱28,051,903	₱20,117,733



The rollforward of this account follows:

	2022	2021
As at beginning of year	₱21,154,114	₱22,495,027
Availment	23,012,509	848,276
Payment	(7,387,050)	(2,188,811)
Assumed through business combination (Note 28)	5,499,956	—
Change due to loss of control (Note 2)	(13,594,700)	—
Cumulative translation adjustments	220,862	(378)
	28,905,691	21,154,114
Less unamortized debt issue cost	134,403	211,893
	₱28,771,288	₱20,942,221

Movements in debt issue costs related to the long-term loans follow:

	2022	2021
As at beginning of year	₱211,893	₱240,873
Additions	261,443	7,970
Derecognition	(97,864)	—
Change due to loss of control (Note 2)	(214,360)	—
Amortization/accretion (Note 22)	(26,709)	(36,950)
As at end of year	₱134,403	₱211,893

ACEN

In 2022 and 2021, principal repayments made relative to ACEN's loans amounted to ₱153.02 million and ₱964.80 million, respectively. ACEN paid ₱72.71 million debt issue costs for the additional loans availed in 2022 (₱11.25 million in 2021).

Loan E

On December 9 2022, the Parent Company entered into a new loan agreement with a local bank for a maximum principal amount of ₱10,000.00 million.

On December 13, 2022 the Parent Company made drawdowns amounting to ₱3,000.00 million. The loan has a term of 120 months from and after the initial drawdown date. The payments shall be made in semi-annual principal installments commencing on the 60th month from initial drawdown date. Each principal installment shall be payable on the principal repayment date which shall coincide with an interest payment date.

Loan C

On June 10, 2022, the Parent Company made drawdown amounting to ₱1,000.00 million. The loan have a term of 97 months from and after the initial drawdown date. The payments shall be made in semi-annual principal installments commencing on July 15, 2022. Each principal installment shall be payable on the principal repayment date which shall coincide with an interest payment date.

On November 15, 2022, the Parent Company made drawdown amounting to ₱2,000.00 million. The loan has a term of 92 months from and after the initial drawdown date. The payments shall be made in semi-annual principal installments commencing on January 13, 2023. Each principal installment shall be payable on the principal repayment date which shall coincide with an interest payment date.



The loan facility contains a prepayment provision which allows the Company to make an optional prepayment, wholly or partially, starting the fifth (5th) anniversary of the initial drawdown date and on every interest payment date thereafter. The amount payable to the bank shall consist of the principal amount of the loans being prepaid, accrued interest on such principal amount up to the voluntary prepayment date, any increase in applicable gross receipts tax (“GRT”) as a result of such prepayment, and any applicable prepayment premium as indicated in the loan agreement. The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.

Loan D

On March 19, 2021, the Parent Company entered into a new loan agreement with a local bank for a maximum principal amount of ₱4,500.00 million.

On March 30, 2021, the Parent Company made drawdowns amounting to ₱805.00 million. The loan has a term of 120 months from and after the initial drawdown date. The payments shall be made in semi-annual principal installments commencing on the 30th month from initial drawdown date. Each principal installment shall be payable on the principal repayment date which shall coincide with an interest payment date.

On February 28, 2022, the Parent Company made drawdowns amounting to ₱2,000.00 million. The loan has a term of 108 months from and after the initial drawdown date. The payments shall be made in semi-annual principal installments commencing on the 30th month from initial drawdown date. Each principal installment shall be payable on the principal repayment date which shall coincide with an interest payment date.

On April 11, 2022, the Parent Company made drawdowns amounting to ₱1,695.00 million. The loan has a term of 108 months from and after the initial drawdown date. The payments shall be made in semi-annual principal installments commencing on the 30th month from initial drawdown date. Each principal installment shall be payable on the principal repayment date which shall coincide with an interest payment date.

The loan is subject to floating interest rate that is repriced on every succeeding semi-annual period. The Parent Company has the option to convert the interest rate to fixed on any semi-annual payment date up to the 2nd anniversary from the initial drawdown of the facility.

ACEN has the option to prepay the loan, wholly or partially, on any interest payment date during the term of the loan. The management assessed that the embedded derivatives are not for bifurcation because the interest floor rate is considered clearly and closely related with the loan and the exercise price of the prepayment option approximates the amortized cost of the loan. The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.

Loan covenants.

ACEN has complied with all its loan covenants as at December 31, 2022, and 2021.



NorthWind

On May 29, 2020, NorthWind entered into an Omnibus Loan and Security Agreement with a local bank for a long-term loan facility amounting to ₱2,300.00 million. The proceeds of the loan were used to fully repay its senior loans. The loan shall be repaid in twenty-four (24) sculpted semi-annual amortizations as set forth in the agreement. The interest rate is fixed for the initial period of ten (10) years to be repriced after the 10th anniversary at a rate equivalent to (a) the 2-year base fixed rate plus a spread of 1.115%, or (b) 5.125% per annum, whichever is higher.

The loan facility contains a prepayment provision which allows NorthWind to make optional prepayment, wholly or partially, any time during the term of the loan. The amount payable to BPI shall be the principal amount of the loans being prepaid, accrued interest on such principal amount up to the voluntary prepayment date, any additional taxes, including additional gross receipts tax ("GRT") as a result of such prepayment, and prepayment penalty as indicated in the loan agreement. The prepayment option was assessed as closely related to the loan and, thus, was not bifurcated.

The loan facility is secured by NorthWind's Land, Wind Turbine Generator, Building and Machinery and Equipment account under "Property, plant and equipment" with a carrying amount of ₱2,037.48 million and ₱2,263.20 million as at December 31, 2022 and 2021 (see Note 11).

Guimaras Wind

On December 18, 2013, Guimaras Wind entered into a ₱4,300.00 million Term Loan Facility with local banks. The proceeds were used to partially finance the 54 MW San Lorenzo Wind Farm composed of 272 MW wind turbine generators and related roads, jetty, substations, transmission line facilities and submarine cable to connect to the grid. The loan facility is divided into two tranches amounting to ₱2,150.00 million each as the Tranche A lender and SBC as the Tranche B lender.

Both tranches have a term of 15 years with semi-annual interest payments starting on the date on which the loan is made. The Tranche A's interest is to be fixed at the higher of 10-year PDS Treasury Fixing ("PDST-F") plus a spread of 1.625% or a minimum interest rate of 6.25% for the first 10 years, to be repriced at higher of existing rate or 5-year PDST-F plus a spread of 1.25% for the last 5 years. The Tranche B will be fixed at higher of interpolated 15-year PDST-F plus a spread of 1.625% or a minimum interest rate of 6.5%. The interest rate floor on the loan is an embedded derivative that is required to be bifurcated. The Group did not recognize any derivative liability arising from the bifurcated interest floor rate since the fair value is not significant.

The loan facility also contains a prepayment provision which allows Guimaras Wind to make optional prepayment for both Tranche A and Tranche B in the amount calculated by the facility agent as accrued interest and other charges on the loan up to the prepayment date plus, the higher of (a) the principal amount of the loan being prepaid, or (b) the amount calculated as the present value of the remaining principal amortizations and interest payments on the loan being prepaid, discounted at the comparable benchmark tenor as shown in the Philippine Dealing and Exchange Corporation ("PDEx") Market Page, Reuters and the PDS website (www.pds.com.ph) at approximately 11:16 am on the business day immediately preceding the prepayment date. In addition, Guimaras Wind is allowed to prepay the Tranche A loan, without penalty or breakfunding cost, on the interest re-pricing date. The prepayment option was assessed as closely related to the loan and, thus, was not bifurcated.



The loan agreement provides loan disbursement schedule for the drawdown of the loan. Guimaras Wind made the following drawdowns during the years 2015 and 2014 with the corresponding carrying values as at December 31, 2022:

Drawdown date	Tranche A (DBP)		Tranche B (SBC)	
	Gross Amount ^a	Carrying Value ^b	Gross Amount ^a	Carrying Value ^b
February 14, 2014	₱92,317	₱92,235	₱92,317	₱91,741
May 27, 2014	163,788	163,290	163,788	162,899
August 5, 2014	163,788	163,851	163,788	162,939
September 2, 2014	148,898	148,684	148,898	148,166
July 30, 2015	71,471	69,134	71,471	69,116
	₱640,262	₱637,194	₱640,262	₱634,861

^aNet of prepayments made in 2016 and 2017

^bNet of unamortized debt issue costs.

Guimaras Wind made the following payments with their corresponding carrying values:

Payment date	Tranche A (DBP)		Tranche B (SBC)	
	Gross Amount	Carrying value	Gross Amount	Carrying value
February 14, 2019	27,173	25,466	27,173	26,225
August 14, 2019	29,332	27,784	29,332	28,479
February 14, 2020	29,332	27,635	29,332	27,660
August 14, 2020	31,401	30,497	31,401	30,498
February 14, 2021	31,401	31,401	31,401	30,718
August 14, 2021	33,471	33,099	33,471	32,815
February 14, 2022	33,471	33,099	33,471	32,815
August 14, 2022	35,540	35,191	35,540	34,926
	₱251,121	₱244,172	₱251,121	₱244,136

The loan's principal repayment is variable amount payable semi-annually; amount of principal repayment to be determined during the due diligence stage based on the required debt service coverage ratio ("DSCR") and financial projections using the Financial Model validated by an independent financial model auditor. Any incremental revenue resulting from a subsequent increase in the applicable FIT rate shall be applied to principal repayment of the loan in the inverse order of maturity. Incremental revenue is the difference in the revenue based on existing FIT rate of ₱7.40/kwh and a new base rate as defined by the relevant government agency excluding annual adjustments to account for inflation and foreign exchange movements.

Under the loan facility agreement, Guimaras Wind must maintain a debt service account into which will be paid the maximum interest forecasted to be due and payable for the next two following payment dates that will fall within the construction period and the amount of debt service after the construction period. The funds in the debt service reserves can be used by Guimaras Wind provided that thirty (30) days prior to payment, the fund is replenished. Debt service reserves are included in the consolidated statement of financial position under "Cash and cash equivalents" (see Note 4).

The loan facility is secured by Guimaras Wind's wind farm, included in "Machinery and equipment" account under "Property, plant and equipment" with carrying values amounting to ₱3,500.05 million and ₱3,702.37 million as at December 31, 2022 and 2021, respectively (see Note 11). In addition, as a security for the timely payment, discharge, observance and performance of the obligations, ACEN entered into a Pledge Agreement covering the subscriptions of stocks of ACEN and its nominees.

Loan Covenants. Guimaras Wind was in compliance with the loan covenants as at December 31, 2022 and 2021. The compliance with the debt covenants is assessed annually by the lenders.



Guimaras Wind shall maintain a minimum DSCR of 1.2x, a maximum Debt to equity ratio of 70:30. Guimaras Wind continues to take necessary measures to ensure compliance with loan covenants

ACEN and SLTEC signing of Amended and Restated Omnibus Loan and Security Agreement, Administration and Management Agreement (“AROLSA”), and Operations and Maintenance Agreement

On April 11, 2022, ACEN, as share security grantor, and its subsidiary SLTEC, as borrower, signed an Amended and Restated OLSA for the refinancing of the 246MW SLTEC Circulating Fluidized Bed thermal power plant under an energy transition financing with the Bank of Philippine Islands and Rizal Commercial Banking Corporation as lenders.

ACEN and SLTEC also signed an Operations and Maintenance Agreement, and Administration and Management Agreement for ACEN’s administration, control, and management of the entire capacity of the SLTEC power plant.

The Amended and Restated OLSA increased the facility from ₱11,000.00 million (₱9,800.00 million of which was outstanding at that time) to ₱13,700.00 million, which will be used to refinance the existing loan, finance the partial redemption of SLTEC shares held by ACEN upon regulatory approval, and fund transaction-related costs. ACEN, in turn, shall use the proceeds of the equity redemption to reinvest in renewable energy projects.

The above transactions are in line with ACEN’s commitment to net-zero greenhouse gas emissions by 2050 or earlier. This goal is supported by key milestones that will bring ACEN generation output to 100% renewable energy by 2025.

Through this mechanism, the coal plant’s operating life of up to 50 years will be cut in half, as ACEN commits to retire and transition the plant to a cleaner technology by 2040. This transaction shall serve as a pioneer energy transition financing in the country.

Compliance with covenants

The Group has complied with the covenants required by the long-term loans payable as at December 31, 2022 and 2021.

As disclosed in Note 11, certain property, plant, and equipment are used as collateral to long-term loans.

Total interest expense recognized on long-term loans amounted to ₱1,618.24 million and ₱1,324.12 million for the years ended December 31, 2022 and 2021, respectively.

ACEN Australia

Green long-term revolving loan facility

On August 18, 2022, ACEN Australia, a subsidiary under ACRI, and a bank, executed a Common Provisions Agreement and a Facility Agreement for an AU\$100.00 million green long-term revolving loan facility. This green long-term revolving loan facility is part of ACEN’s aim to raise an initial issuance of over AU\$600.00 million to support the development of ACEN’s projects in Australia.

On the same date, ACEN, as Guarantor to ACEN Australia, executed a Common Provisions Agreement and a Facility Agreement with ACEN Australia and Australia Branch of a bank for an AU\$100.00 million green long-term revolving loan facility.

Total loan drawdown as at December 31, 2022 amounted to AU\$34.54 million (US\$23.30 million ; ₱1,299.04 million). The facility prices off the Bank Bill Swap Rate (“BBSW”) interest rate benchmark plus 1.75% and will mature on August 18, 2027.



Green long-term revolving loan facility

On September 15, 2022, ACEN, as Guarantor to ACEN Australia, executed a Facility Agreement with ACEN Australia and a bank for an AU\$140.00 million green term loan facility.

MUFG and ACEN Australia also entered into an Accession Letter to include the bank as a Lender under the Common Provisions Agreement dated August 18, 2022.

Total loan drawdown as at December 31, 2022 amounted to AU\$28.36 million (US\$19.13 million ; ₱1,066.51 million). The facility bears Bank Bill Swap Bid Rate (“BBSY”) interest rate benchmark plus 1.65% and will mature on September 15, 2027.

Green long-term revolving loan facility

On October 28, 2022, ACEN, as Guarantor to ACEN Australia, executed a Facility Agreement with ACEN Australia and a bank for an AU\$75 million green term loan facility.

Total loan drawdown as at December 31, 2022 amounted to AU\$0.38 million (US\$0.25 million ; ₱14.10 million). The facility carries a base rate interest benchmark plus 2% margin and will mature on October 28, 2027.

Notes payable

The rollforward of this account follows:

	2022	2021
Principal		
Balance at beginning of year	₱20,383,600	—
Additions	10,000,000	₱20,383,600
Balance at end of year	30,383,600	20,383,600
Debt issue cost		
Balance at beginning of year	114,939	—
Additions	128,622	125,425
Amortization (Note 22)	(44,788)	(10,486)
Balance at end of year	198,773	114,939
Cumulative translation adjustment	1,908,487	(73,607)
	₱32,093,314	₱20,195,054

Medium Term Note (MTN) Programme

On August 31, 2021, ACEN Finance established its MTN Programme with an aggregate amount of US\$1,500.00 million. The proceeds from each issue under the MTN Programme will be used for general corporate purposes, including but not limited to, working capital, funding investment activities, development of projects, refinancing and/or repayment of indebtedness and on-lending activities within the Group. Notes to be issued out of the MTN Programme designated as Green Bonds may be allocated towards the financing and/or refinancing of Eligible Green Projects in accordance with certain prescribed eligibility criteria described under ACEN’s Green Bond Framework.

The Notes to be issued by ACEN Finance under its medium-term note Programme; may be distributed by way of private or public placement; and will be listed on the Singapore Exchange Securities Trading platform (SGX-ST).



As at December 31, 2022, ACEN Finance has issued US\$400.00 million senior guaranteed undated notes (the “Notes”) under the MTN Programme.

Senior guaranteed undated fixed-for-life notes under the MTN Programme

On September 8, 2021, ACEN Finance issued US\$400.00 million (₱20,383.60 million) senior undated fixed-for-life (non-deferrable) Notes guaranteed by ACEN with a fixed coupon of 4.00% for life, with no step-up and no reset, priced at par. An amount equal to the net proceeds will be used to finance or refinance, in whole or in part, new or existing Eligible Green Projects in accordance with ACEN’s Green Bond Framework.

On September 9, 2021, the Notes were listed with the Singapore Exchange Securities Trading platform (SGX-ST).

The Philippine SEC confirmed that the Bonds comply with the requirements under the ASEAN Green Bonds Circular and qualify as an ASEAN Green Bond Issuance.

The net proceeds from the Bonds will be used to finance or refinance, in whole or in part, new or existing Eligible Green Projects, in accordance with ACEN’s Green Bond Framework (GBF), which sets out well-defined guidelines for the use of proceeds for renewable energy (RE) projects, with comprehensive monitoring and reporting commitments. These RE developments can be located in the Philippines and offshore.

For the years ended December 31, 2022 and 2021, total interest expense and other financing charges recognized amounted to ₱906.45 million (US\$16.62 million) and ₱263.05 million (US\$5.19 million), respectively.

Redemption at the option of the issuer

Subject to applicable law, ACEN Finance may redeem the Notes (in whole but not in part) on the First Redemption Date as specified in the applicable Pricing Supplement; or any Interest Payment Date falling after the First Redemption Date, by giving notice, at redemption price equal to the principal amount of the Notes plus any accrued but unpaid interest.

Covenants

For as long as the senior guaranteed undated fixed-for-life notes remain outstanding, ACEN Finance Limited and ACEN are required to comply with certain covenants including the creation and permission to subsist only the liens created in respect of the limited recourse project financing of any project company and maintain a maximum net debt to equity ratio of 2.5 to 1.0 based on ACEN consolidated financials. These were complied with by the Group as at December 31, 2022 and December 31, 2021

ACEN Fixed-Rate ASEAN Green Bonds due 2027

On July 6, 2022, ACEN’s Executive Committee authorized the establishment of up to 30,000.00 million debt securities (the “Debt Securities”) to be offered and issued in one or more tranches under a debt securities program (the “Debt Securities Program”).

The Executive Committee also authorized ACEN (1) to offer and issue, out of the Debt Securities to be shelf registered, up to 10,000.00 million Php-denominated ASEAN Green Fixed Rate 5-year Bonds (the “Bonds”) as the first tranche of the Debt Securities Program, and (2) to apply for the listing of the Bonds with the Philippine Dealing & Exchange Corp.

On September 22, 2022, ACEN (the Issuer) used an unsecured-fixed rate Peso Green Bonds with an aggregate principal amounting to ₱10,000.00 million. The proceeds of the issuance will be used to



finance investments in various solar power plants. The issue cost amounted to ₱126.28 million. This was capitalized as debt issue cost and amortized over the life of the liability and was offset to the carrying value of the liability.

The offer is comprised of 5-year Peso Green Bonds due on September 22, 2027 with interest rate of 6.0526% per annum. This is the first tranche offered out of the shelf registration of Peso Green Bonds in the aggregate principal amount of up to ₱20,000.00 million to be offered within a period of three (3) years. Interest on the Peso Green Bonds is payable quarterly on March 22, June 22, September 22, and December 22.

Total interest expense recognized on the Peso Green Bonds amounted to ₱166.45 million in 2022.

Redemption at the option of the Issuer

The Issuer has the right, but not the obligation, to redeem (in whole but not in part) the outstanding PHP Green Bonds before the relevant Maturity on any one of the following Interest Payment Dates indicated below, or the immediately succeeding Business Day if such date is not a Business Day, in accordance with the following schedule:

1. 12th to 15th Interest Payment Date at Call Option Price of 101.00%
2. 16th to 19th Interest Payment Date at Call Option Price of 100.50%

The redemption option was assessed to be embedded derivatives that is clearly and closely related to the host contract, therefore, not required to be bifurcated.

Covenants

The Peso Green Bonds provide for the Issuer to comply with covenants including incurrence or guarantee of additional indebtedness; prepayment or redemption of subordinate debt and equity; making certain investments and capital expenditures; effecting any consolidation or merger with other entities where ACEN is not the surviving corporation in such merger or consolidation; and certain other covenants. The Peso Green Bonds requires the Issuer to maintain, for as long as any of the Peso Green Bonds remain outstanding, a Net Debt to Total Equity Ratio of not more than 3.0:1.0. These were complied with as at December 31, 2022.



17. Other Noncurrent Liabilities

This account consists of:

	2022	2021
Accrued interest expenses	₱272,580	₱252,742
Asset retirement obligation	176,056	168,626
Provision for Employee Benefits / long service leave	88,486	—
Deposit payable	83,199	174,581
Retention payable	77,180	—
Contract liabilities	68,875	338,489
Derivative liability (Notes 31 and 32)	37,500	—
Nontrade payable	8,144	2,598
Trade payable	—	1,238,581
Due to related parties (Note 26)	—	536,212
Others	15,623	25,091
	₱827,643	₱2,736,920

Accrued interest expenses mainly accounts for the interest on Green bonds issued by the Group (see Note 16).

Asset retirement obligation are from the acquisitions of ISLASOL, SACASOL and MONTESOL.

Provision for Employee Benefits, long service leave and deferred consideration from ACRI.

Deposit payables consist of security deposits from RES customers refundable at the end of the contract.

Retention payable consists of civil works billings and milestone accomplishments of SCSE.

Contract liabilities consists of the deferred connection fee related to ISLASOL and the deferred rental income from ISLASOL, SACASOL, MSPDC and Solienda.

Derivative liability pertains to fuel commodity swap contracts (see Notes 14 and 31).

Nontrade payable are payables from over remittance of business interruption claims and environmental laws compliance.



18. Equity

Capital Stock

This account consists of:

	Number of Shares	
	2022	2021
Authorized capital stock – ₱1 par value	48,400,000,000	48,400,000,000
Issued shares:		
Balance at beginning of the year	38,338,527,174	13,706,957,210
Issuance of new shares	1,353,368,499	24,631,569,964
Adjustment in grants through Employee Stock Ownership Plan	(900)	—
Balance at end of the year	39,691,894,773	38,338,527,174

The issued and outstanding shares as at December 31, 2022 and 2021 are held by 3,182 and 3,188 equity holders, respectively.

The following table presents the track record of registration of capital stock:

Year Approval	No. of shares Registered	No. of shares Issued	Par Value
Prior to 2005*	1,000,000,000	**840,601,987	₱0.01/1.00
2005	1,000,000,000	264,454,741	1.00
2007	—	552,528,364	1.00
2008	—	4,713,558	1.00
2009	—	304,419	1.00
2010	—	2,022,535	1.00
2011	2,200,000,000	1,165,237,923	1.00
2012	4,200,000,000	2,027,395,343	1.00
2013	—	6,603,887	1.00
2014	—	1,283,332	1.00
2016	—	20,751,819	1.00
2017	—	3,877,014	1.00
2019	—	2,632,000,000	1.00
2020	16,000,000,000	6,185,182,288	1.00
2021	24,000,000,000	24,623,380,967	1.00
2022	—	1,353,367,599	1.00

*On April 7, 1997, par value was increased from ₱0.01 to ₱1.00.

**Equivalent number of shares at ₱1.00 par.

During the Annual Stockholders' Meeting held on April 19, 2021, the stockholders of the Parent Company, by the required vote, approved, among others, the following corporate actions:

- Amendment to the Seventh Article of the Articles of Incorporation:
- to increase the ACS from ₱24.40 billion divided into 24.40 billion shares at par value of ₱1.00 per share, to ₱48.40 billion divided into 48.4 billion shares at par value of ₱1.00 per share; and
- Issuance of 4 billion shares to Arran Investment Pte Ltd. (Arran)
- Issuance of 1.58 billion primary common shares pursuant to the ACEN's FOO
- Issuance of 16,685,800,533 common shares to ACEIC in exchange for ACEIC's International Renewable Energy Assets and Investments



- f. Waiver of the requirement to Conduct a Rights or Public Offering of Shares in Relation to the Issuance of 16,685,800,533 shares to ACEIC in Exchange for ACEIC's International Renewable Energy Assets and Investments
- g. Stock Ownership Plan to qualified officers, employees and consultants of the Group, and to allocate 960 million common shares from the unsubscribed portion of the ACEN's ACS for the Stock Ownership Plan.

Stock Rights Offering

On November 11, 2020, the BOD of ACEN approved the pricing for, and volume of, the shares that will be issued pursuant to ACEN's stock rights offering (SRO). ACEN will issue 2,267,580,434 shares at ₱2.37, and at an entitlement ratio of 1.11 shares:1 offer share subject to requisite approval by the SEC of the details of the offer, including the offer price.

On December 11, 2020, ACEN received the confirmation letter from the SEC that the SRO is exempt from registration requirements under the Section 8 of the Code pursuant to Section 10.1 thereof.

On December 16, 2020, the PSE approved ACEN's application for the listing of additional shares of up to 2,267,580,434 common shares subject of the Rights Offer to all stockholders as of the Record Date of January 13, 2021 (the "Record Date"), at ₱2.37 per share, comprised of two rounds and a domestic institutional offer, as follows:

1. The First Round of the Offer consisting of a total of 2,267,580,434 Offer Shares, offered on a pre-emptive rights basis to eligible shareholders of ACEN as of a determined Record Date where holders of Common Shares as of the Record Date who are eligible to participate in the Rights Offer are: (i) holders located inside the Philippines and (ii) holders located outside the Philippines where it is legal to participate in the Rights Offer under the securities laws of such jurisdiction without requiring registration or the need to obtain regulatory approvals under such laws ("Eligible Shareholder"), and where each Eligible Shareholder may subscribe to one (1) Share for every 1.11 Common Shares held, as of the Record Date;
2. The Second Round of the Offer consisting of the unsubscribed Rights Shares from the First Round of the Rights Offer ("Additional Rights Shares"), which shall be offered to those shareholders that exercised their rights in the prior round and had simultaneously signified their intention to subscribe to any unsubscribed Rights Shares by tendering payment of the total Offer Price of all Rights Shares subscribed to, including all Rights Shares in excess of their entitlements; and
3. The Domestic Institutional Offer, where the Joint Lead Underwriters BPI Capital Corporation and China Bank Capital Corporation will firmly underwrite the Rights Offer in accordance with an underwriting agreement to ensure that any Offer Shares that, after the mandatory Second Round of the Rights Offer are either not taken up or subscribed to by Eligible Shareholders or not paid for by Eligible Shareholders will be fully subscribed, and that in case there are Rights Shares remaining after the mandatory Second Round of the Rights Offer, the remaining Rights Shares shall be sold by the Joint Lead Underwriters to qualified buyers, as defined in the 2015 Implementing Rules and Regulations of the Code ("SRC IRR") ("Institutional Investors"), at the same Offer Price as the Rights Shares (the "Institutional Offer"), and any shares herein not taken up by Institutional Investors shall be taken up by the Joint Lead Underwriters.

During the Rights Offer Period from January 18, 2021 to January 22, 2021, ACEN sold, by way of SRO, 2,094,898,876 shares and 172,681,558 shares in first round and second round allocation, respectively, which were subsequently listed with the PSE on January 29, 2021.

Transaction costs include documentary stamp taxes, SEC fees and other costs paid relevant to share issuance amounting to ₱24.13 million were charged to additional paid-in capital account.



Arran's Private Placement

On December 30, 2020, ACEN and ACEIC signed an Investment Agreement with Arran for the latter's investment into ACEN to acquire 17.5% ownership stake on the basis that ACEN's stock rights offering ("SRO") and follow-on offering ("FOO"), and the infusion by ACEIC of its international business into ACEN have been completed (see Note 29).

On March 18, 2021, Arran subscribed to 4 billion common shares of ACEN at a price of ₱2.97 per common share through a private placement (the "Private Placement"), for an aggregate value or consideration of ₱11.88 billion. The subscription price was offered by Arran pursuant to its binding offer on November 10, 2020, and which offer was approved by the BOD of ACEN during its meeting of November 11, 2020.

The Investment was implemented through a combination of subscription to four billion primary shares (via a private placement) and purchase of secondary shares from ACEIC, priced at ₱2.97 per share on a post-SRO basis and is subject to agreed price adjustments. The price for the private placement represents a 25% premium to the BOD-approved SRO price of ₱2.37 per share.

The closing of Arran's Private Placement is subject to contractual terms and conditions customary for transactions of a similar nature. Since the shares to be issued pursuant to the Private Placement will not exceed 35% of the resulting total subscribed capital stock, it is exempt from pre-emptive rights of existing stockholders pursuant to the second paragraph of Article Seventh of ACEN's Articles of Incorporation.

On December 10, 2021, ACEIC sold 2,689,521,681 ACEN shares to Arran pursuant to a special block sale to implement the provisions of the Investment Agreement dated December 30, 2020. The price per share (as adjusted pursuant to a pricing mechanism) was agreed upon in the Investment Agreement and is independent of future price movements.

As at December 31, 2021, Arran owns 17.46% of the ACEN's total outstanding shares of stock.

Transaction costs include documentary stamp taxes and SEC fees paid relevant to share issuance amounting to ₱68.48 million were charged to additional paid-in capital account.

Follow-On Offering

On December 17, 2020, the BOD of ACEN approved the conduct of an FOO and delegated authority to the Executive Committee to determine the final issue price for the shares to be issued.

On February 4, 2021, acting on the authority delegated by the BOD, ACEN's Executive Committee approved an FOO price range of ₱6.00-₱6.50 per share for up to 2 billion common shares (primary).

On February 16, 2021, ACEN submitted a registration statement for up to 2,430,248,617 common shares (primary and secondary shares with over-allotment) with the SEC.

On March 18, 2021, the BOD of ACEN approved the issuance of 1.58 billion primary shares for the FOO.

On April 29, 2021, the Executive Committee approved the offer price of ACEN's FOO at ₱6.50 per share. This price was determined based on a book-building process which saw significant participation from leading global long-term institutional investors, resulting in multiple times oversubscription.



On May 5, 2021, ACEN received approvals from the PSE and obtained permit to sell from the SEC.

During the retail offer period for the FOO on May 3, 2021 to May 7, 2021, ACEN completed up to 2.01 billion common shares priced at ₱6.50 per share, consisting of 1.58 billion primary shares, 330.24 million secondary shares offered by ACEIC and Bulacan Power (the “Selling Shareholders”), and an over-subscription of 100.00 million secondary shares sold by ACEIC.

About 80% of the base offer shares was offered to qualified institutional buyers. The remaining 20% was placed out to eligible trading participants of the PSE.

The primary shares were listed on the PSE on May 14, 2021.

Transaction costs include documentary stamp taxes, SEC fees and other costs paid relevant to share issuance amounting to ₱189.48 million were charged to additional paid-in capital account.

Acquisition of ACEIC’s offshore subsidiaries through share swap

On April 27, 2021, ACEN signed a Deed of Assignment with ACEIC for the subscription by ACEIC to, and the issuance to ACEIC of, 16,685,800,533 shares at a subscription price of ₱5.15 per share, or an aggregate subscription price of ₱85,931,872,744.95 in exchange for ACEIC’s 1,701,284,345 common shares and 15,030,279,000 redeemable preferred shares in ACEN International (share swap transaction), which holds ACEIC’s international renewable assets.

On June 7, 2021, the application for the increase from 24.4 billion shares to 48.4 billion shares in the ACS of ACEN was approved by the SEC. Consequently, the closing date of the share swap was on June 7, 2021.

The Parent Company has complied with all post-approval requirements for the listing of the shares subject of the share-for-share swap transaction as described above. The number of ACEN’s listed common shares were accordingly adjusted on October 22, 2021 listing date.

Subscription by Sellers of UPC-ACE Australia and UPC Australia and Sellers of UPC Philippines

On March 21, 2022, ACEN signed Subscription Agreements with the following entities for the following number of shares in ACEN at a price of ₱7.871 per share:

UPCAPH	869,119,204
Anton Rohner (“Rohner”)	61,630,796
Total ACEN shares to be issued	930,750,000
Subscription price per share	₱7.871
Total subscription price	₱7,325,933,250

On March 22, 2022, ACEN signed Subscription Agreements with the following entities for the following number of shares in ACEN at a price of ₱8.2889 per share:

Estanyol Holdings Ltd.	₱153,493,200
Wind City Inc.	142,668,634
Tenggay Holdings Ltd.	70,525,763
UPC Philippines Wind Partners Ltd	19,059,423
Alan Kerr (collectively, the “UPC Philippines Group”)	4,248,813
Total ACEN shares subscribed	389,995,833
Subscription price per share	8.2889
Total subscription price	₱3,232,636,460



The subscription by Sellers of UPC-ACE Australia and UPC Australia and Sellers of UPC Philippines to ACEN shares was approved by the BOD of ACEN on October 18, 2021.

The issuance and listing of the ACEN common shares were approved by ACEN's stockholders on December 15, 2021. On March 8, 2022, the BOD of ACEN approved a revised list of subscribers constituting the UPC Philippines, including a re-allocation of some of the shares for subscription, which was presented to the stockholders for approval during the 2022 annual stockholders' meeting of ACEN on April 25, 2022.

Acquisition of non-controlling interest in MSPDC

On October 28, 2021, the Parent Company through BCHC, a wholly-owned subsidiary, acquired the 34.00% ownership interest of the minority stockholders of MSPDC at an aggregate amount ₱280.50 million. Effective October 31, 2021, MSPDC became a wholly-owned subsidiary of ACEN.

Acquisition of non-controlling interest in NorthWind

On October 18, 2021, the BOD of ACEN approved the acquisition of the 32.2% ownership interest of the minority stockholders of NorthWind (the "NW Minorities"). On November 12 and 15, 2021, the Share Purchase Agreement and Subscription Agreements, respectively, were signed by ACEN and the NW Minorities for a total of 90 million shares in ACEN at a price of ₱11.32 per share. Effective November 15, 2021, NorthWind became a wholly-owned subsidiary of ACEN.

The subscribed shares were issued to the above shareholders on November 29, 2021. ACEN is in the process of listing the primary shares to PSE as of March 7, 2023.

Employee Stock Ownership Plan ("ESOWN")

At the Annual Stockholders' Meeting held on April 19, 2021, stockholders approved the allocation of 960 million common shares to the Employee Stock Ownership Plan (the "Plan") Plan out of the unsubscribed portion of the ACEN's capital stock, to be available to qualified employees upon achievement of the Group's goals and the determination of any variable compensation of grantee. This replaces ACEN's Stock Grants and Stock Options Plan which does not have any remaining life.

Under the Plan, qualified employees are awarded the option to subscribe to a specified number of ACEN shares based on discounted market price determined by the Personnel and Compensation Committee and are subjected to the Plan's vesting period. The subscription price is equal to the market price of the shares with a discount determined by the Personnel and Compensation Committee at the time of the grant of the option. Grants under the Plan are exercisable in three annual tranches. Any availment is payable within a maximum period of ten years.

The SEC granted the Plan's request for exemption from registration pursuant to Section 10.2 of the Securities Regulation Code (SRC) on March 4, 2022.

In 2021, stock options totaling 8,188,997 shares at a subscription price of ₱6.96 per share were granted under the Plan, of which 8,188,097 shares were issued in 2022, resulting to an adjustment of 900 shares in the grants.

On August 19, 2022, ACEN issued 32,622,666 common shares to various employees of the Group through the ESOWN.



Total expense arising from the equity-settled share-based payment transaction (included under General and administrative expenses) amounted to ₱31.16 million and ₱3.55 million in 2022 and 2021, respectively. There were no grants and availments during 2020 and 2019.

Retained Earnings

Retained earnings represent the Group's accumulated earnings, net of dividends declared. The balance includes accumulated earnings of subsidiaries, joint venture and associates, which are not available for dividend declaration by the Parent Company until these are declared by the investee companies.

Retained earnings not available for dividend declaration are included in the Group's retained earnings to the extent of (a) accumulated equity in undistributed net earnings of consolidated subsidiaries, and associates and joint ventures accounted for under equity method amounting ₱43,529.36 million and ₱28,628.17 as at December 31, 2022 and 2021, respectively and (b) the cost of treasury shares amounted to ₱28.66 million as at December 31, 2022 and 2021.

As at December 31, 2022 and 2021, deferred tax liabilities have not been recognized on undistributed earnings of and cumulative translation adjustment of foreign subsidiaries since the timing of the reversal of the temporary difference can be controlled by the Group and management does not expect the reversal of the temporary differences in the foreseeable future. The undistributed earnings and cumulative translation adjustment amounted to US\$927.32 million (₱27,983.63 million) and US\$468.49 million (₱23,727.21 million) as at December 31, 2022 and 2021, respectively.

Dividends

On March 18, 2021, the BOD of ACEN approved the declaration of cash dividends of ₱0.06 per share on the 19,960,037,644 issued and outstanding shares, or a total dividend amount of ₱1,197.60 million paid on April 19, 2021 to the shareholders on record as at April 5, 2021.

On March 8, 2022, the BOD of ACEN approved the declaration of cash dividends of ₱0.06 per share on the 38,315,838,177 outstanding shares of ACEN, or a total dividend amounting to ₱2,298.95 million, paid on April 19, 2022, to the shareholders on record as at April 5, 2022.

Non-controlling Interest (NCI)

The rollforward of this account is as follows:

	2022	2021
Balance at beginning of year	₱29,950,776	₱50,398,831
Net income attributable to NCI	1,542,769	2,415,063
OCI attributable to NCI	42,108	4,152
Cumulative translation adjustments	(28,690)	61,653
Dividends	(1,504,247)	(2,231,038)
Additions through business combination	1,947,104	—
Effects of common control business combination	(105,192)	—
Acquisition of NCI	15,139	(313,598)
Capital infusions	—	1,988
Capital redemption	—	(20,386,275)
Balance at end of year	₱31,859,767	₱29,950,776



Capital infusions

In 2021, UPC IV infused ₱1.80 million for its subscription to Solarace4, while UPC II infused ₱0.19 million to BWPC.

Redemptions

On August 31, 2021, the Directors and Officer of UACH approved to return surplus cash through payment of dividend and capital return to shareholders. The non-controlling interest redeemed \$16.31 million (₱830.98 million or AU\$25.20 million) of capital for the year ended December 31, 2021.

On September 7, 2021, the BOD of ACEC approved the redemption of various redeemable preferred shares amounting to \$400.00 million (₱19,507.79 million), of which are owned by ACEFIL, recognized as non-controlling interest.

In November 2021, pursuant to ACEN's acquisition of non-controlling interest in NorthWind, the NW Minorities have redeemed their NorthWind RPS held with redemption price of ₱47.51 million.

Dividends

	in US\$	In PHP
2022		
AC Energy Cayman ("ACEC")	\$27,485	₱1,504,247
2021		
ACEC	\$43,705	₱2,141,568
Manapla Sun Power Development Corporation ("MSPDC")	—	15,300
NorthWind Power Development Corporation ("NorthWind")	—	74,170
	\$43,705	₱2,231,038

In 2022, the BOD of ACEC declared dividends to shareholders of its various redeemable preferred shares for a total of \$27.49 million (₱1,504.25 million), which was paid during the year.

On January 18, 2021, May 19, 2021, July 21, 2021 and October 27, 2021, the BOD of ACEC declared dividends to shareholders of its various redeemable preferred shares for a total of \$13.00 million (₱625.57 million), \$10.88 million (₱517.64 million), \$14.31 million (₱718.24 million) and \$5.52 million (₱280.12 million), respectively, as owned by ACEFIL.

In 2021, the BOD of MSPDC approved three (3) declarations of cash dividends amounting to ₱15.00 million each, of which, ₱5.10 million was attributable to NCI. These were fully paid on March 6, 2021, June 28, 2021 and September 10, 2021.

Acquisition of non-controlling interest in BWPC and SolarAce4

On March 18, 2022, the Group acquired 40.00% ownership interest of the minority stockholders of BWPC at an aggregate amount of ₱93.55 million, and 30.00% ownership interest of the minority stockholders of SolarAce4 at an aggregate amount of ₱1.80 million.

The acquisitions resulted to 100% ownership in BWPC and SolarAce4. The excess of the consideration over the carrying amount of non-controlling interest is recognized under the equity reserves amounting to ₱110.42 million and ₱0.07 million for BWPC and SolarAce4, respectively.



Other Equity Reserves

This account consists of:

	2022	2021
Effect of:		
Common control business combinations	(P53,269,303)	(P53,276,727)
Purchase of:		
20.00% in SLTEC	(2,229,587)	(2,229,587)
32.21% in NorthWind	(723,974)	(723,974)
34.00% in MSPDC	(261,728)	(261,728)
ENEX shares	(130,854)	(130,854)
40.00% in BWPC	(110,398)	—
30.00% in SolarAce4	(65)	—
25.00% in UACH	121,831	—
Distribution of property dividends - ENEX shares	1,107	1,107
Other equity reserves from joint venture	17,231	17,231
	(P56,585,740)	(P56,604,532)

Capital Management

The primarily objective of the Group's capital management policy is to ensure that it maintains sufficient funds and equity capital in order to support its business and maximize shareholder value.

The Group manages its capital structure and adjust it, in light of changes in economic conditions. No changes were made in the objectives, policies, or processes for the years ended December 31, 2022 and 2021. The Group considers its total equity as capital.

The loan agreements on long-term debt of the Parent Company and some subsidiaries provide for certain restrictions and requirements with respect to, among others, payment of dividends, incurrence of additional liabilities, investment and guarantees, mergers or consolidations or other material changes in their ownership, corporate set-up or management, acquisition of treasury stock, disposition and mortgage of assets and maintenance of financial ratios at certain levels. These restrictions and requirements were complied with by the Group as at December 31, 2022 and 2021.

19. Revenue from Sale of Electricity

The Group's revenue from rendering of services consists of:

	2022	2021	2020
Revenue from power supply contracts	P22,834,849	P17,085,312	P13,612,505
Revenue from power generation and trading	12,160,639	8,792,727	6,670,798
	P34,995,488	P25,878,039	P20,283,303

Power Supply Agreement with MERALCO

On September 9, 2019, the Parent Company won the bid to supply MERALCO a baseload demand of 200MW from December 26, 2019 until December 25, 2029 subject to the approval of ERC. The Parent Company received a copy of the provisional ERC approval for the contract on January 31, 2020 and the final approval on May 13, 2020 for the baseload.



On September 11, 2019, the Parent Company won the bid to supply MERALCO a baseload demand of 110MW from December 26, 2019 until December 25, 2024 subject to the approval of ERC. The Parent Company received copies of the provisional and final ERC approvals for the contract on January 31, 2020 and June 1, 2020, respectively.

Meralco Baseload PSA

On October 22, 2019, MERALCO and ACEN filed with the ERC a joint application for approval of its baseload Power Supply Agreement (“PSA”). Under the PSA, ACEN will supply, at a fixed rate, 200 MW baseload capacity to MERALCO for ten (10) years from the issuance by the ERC of a provisional approval. Hearings were conducted on January 14, 21, and 28, 2020.

On January 31, 2020, ACEN received a copy of the Order from the ERC, provisionally approving the baseload PSA between MERALCO and ACEN (the “PA Order”). Under the PA Order, the ERC granted a rate of ₱4.2366/kWh regardless of the plant capacity factor and not subject to any escalation rate.

On February 7, 2020, ACEN filed a Motion for Reconsideration and Urgent Re-evaluation of the Provisionally Approved Rates, arguing among others, for the implementation of the bid parameters of MERALCO, including the inclusion of the plant capacity factor in determining the rate, application of the proposed escalation rate, and retroactive application of the rates.

On May 13, 2020, ACEN received a copy of the Order of the ERC granting ACEN’s Motion for Reconsideration (“Order Granting the MR”). The ERC, in its Order Granting the MR, approved a rate of ₱4.2366/kWh at 100% plant capacity factor, allowed 60% of the approved rate to escalate in accordance with ACEN’s escalation schedule, and allowed a retroactive recovery of approved rate from December 26, 2019, among others. The Parties have already agreed on the amortization schedule and/or payment schedule for the collection of the retroactive differential adjustment amounting to ₱618.27 million.

Meralco Mid-Merit PSA

On October 22, 2019, MERALCO and ACEN filed with the ERC a joint application for approval of the mid-merit PSA. Under the PSA, ACEN will supply, at a fixed rate, 110 MW mid-merit capacity to MERALCO for five (5) years from the issuance by the ERC of a provisional approval. Hearings were conducted on December 3, 2019, January 14, 21, and 28, 2020.

On January 31, 2020, ACEN received a copy of the Order from the ERC, provisionally approving the mid-merit PSA between MERALCO and ACEN. Under the PA Order, the ERC granted a rate of ₱4.2366/kWh regardless of the plant capacity factor.

On February 07, 2020, ACEN filed a Motion for Reconsideration and Urgent Re-evaluation of the Provisionally Approved Rates, arguing among others, for the implementation of the bid parameters of MERALCO, including the inclusion of the plant capacity factor in determining the rate and retroactive application of the rates.

On June 1, 2020, ACEN received a copy of the Order of the ERC granting ACEN’s Motion for Reconsideration. The ERC, in its Order Granting the MR, approved a rate of ₱4.8763/kWh at 60% plant capacity factor, and allowed a retroactive recovery of approved rate from January 30, 2020, among others. The parties have entered into an agreement for the amortization schedule and/or payment schedule for the collection of the retroactive differential adjustment amounting to ₱158.50 million. As at April 29, 2021, the amount of ₱158.50 million has already been fully collected.



Ancillary Services Procurement Agreements (“ASPA”) with NGCP

ACEN and certain subsidiaries executed ASPAs with the NGCP. Under the ASPA, the power plants will provide contingency and dispatchable reserves to NGCP to ensure reliability in the operation of the transmission system and the electricity supply in the Luzon Grid for five (5) years upon the effectivity of the provisional approval or final approval issued by the ERC. Pending ERC's issuance of a final approval, the provisional approval is extended every year.

Feed-in-Tariff (“FIT”)

San Lorenzo Wind

On June 10, 2015, the San Lorenzo Wind project under Guimaras Wind was issued a Certificate of Endorsement (“COE”) for FIT Eligibility by the DOE.

On December 1, 2015, Guimaras Wind received its Certificate of Compliance (“COC”) from the ERC which entitles Guimaras Wind to recognize its FIT at an approved rate of ₱7.40, with a retroactive period beginning December 27, 2014, for a guaranteed period of twenty (20) years until December 26, 2034. Outstanding receivable under the FIT system amounted to ₱485.79 million and ₱507.51 million as at December 31, 2022 and 2021, respectively.

On July 6, 2020, the ERC issued Resolution No. 06, Series of 2020 increasing the FIT of eligible RE plants. The resolution provides for retroactive increase starting January 2016 up to December 2020. Based on the resolution, the SLWP's FIT Rate starting 2020 shall be ₱8.59/kWh.

MONTESOL

On June 13, 2016, the DOE, through its issuance of the COE, certified the MONTESOL's Solar Farm Project as an eligible project under the FIT system.

On December 28, 2016, MONTESOL received another provisional authority to operate by the ERC dated December 8, 2016 but this time, as a RE generation company, which allows MONTESOL to be entitled to a FIT rate of ₱8.69 for a period of twenty (20) years from March 11, 2016.

On February 6, 2017, MONTESOL received the COC from ERC and accordingly, measured its revenue from energy sales using FIT rate.

On May 26, 2020, ERC approved the adjustments to the FIT of renewable energy producers through Resolution No.06, series of 2020. FIT adjustments used 2014 as the base period calendar year for the Consumer Price Index (CPI) and foreign exchange variations through Discounted Cash Flows (DCF) Model per Renewable Energy technology, covering for the years 2016, 2017, 2018, 2019 and 2020. MONTESOL accrued the retroactive net revenue adjustment based on the adjusted FIT rates for the years 2016 (₱8.69/kWh), 2017 (₱8.71/kWh), 2018 (₱9.04/kWh), 2019 (₱9.41/kWh) and 2020 (₱9.82/kWh).

ISLASOL

On October 3, 2014, the Board of Investments (“BOI”) approved ISLASOL's registration as an RE developer of an 18 MW solar power plant (Phase2A) under 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 “RE Act”).

On October 7, 2014, the DOE issued the COE for FIT eligibility to endorse the 9MW Phase 1B solar power plant of ISLASOL as an eligible project under the FIT system pursuant to the provisions of the RE Act.



On November 4, 2015, the BOI approved ISLASOL's registration as an RE developer of a 14MW solar power plant (Phase2B) and a 48MW solar power plant (Phase3) under the Act.

The 14MW and 48MW solar power plants have been completed in 2016 and started commercial operations in March 2016.

SACASOL

On January 7, 2014, the BOI approved the SACASOL's registration as an RE developer of 22 Megawatt (MW) solar power plants (Phases 1A & 1B) under the Renewable Energy Act of 2008 (the Act).

On December 20, 2014, the BOI approved SACASOL's registration as an RE developer of 23MW solar power plants (Phases 1C & 1D) under the Act.

Pursuant to Section 7 of the RE Act and Section 5 of its IRR, the ERC adopts and promulgates the FIT Rules. All RE plants shall be deemed eligible upon issuance by the ERC of a COC authorizing them to operate as FIT-eligible RE plants. Eligible RE plants shall be entitled to the appropriate FITs as established.

On June 4, 2014, the DOE issued the COE for FIT eligibility to endorse the 13MW Phase 1A solar power plant of SACASOL as an eligible project under the FIT system pursuant to the provisions of the RE Act.

On February 9, 2015, the ERC granted the COC to Phase 1A solar power plant with a capacity of 13MW, which entitles SACASOL to the FIT rate of ₱9.68/kWh from May 15, 2014 until May 14, 2034. On the same date, ERC granted the COC to Phase 1B solar power plant with a capacity of 9MW, which entitles SACASOL to the FIT rate of ₱9.68/kWh from August 16, 2014 to August 15, 2034.

On September 11, 2015, the DOE issued the COE for FIT eligibility to endorse the 23MW Phases 1C and 1D solar power plants of SACASOL as an eligible project under the FIT system pursuant to the provisions of the Act.

On May 4, 2016, ERC granted the COC to Phases 1C and 1D solar power plants with a capacity of 23MW, which entitles SACASOL to the FIT rate of ₱8.69/kWh from September 6, 2015 to September 5, 2035.

On May 26, 2020, the ERC issued Resolution No. 06, Series of 2020 increasing the FIT of eligible RE plants. The resolution provides for retroactive increase starting January 2016 up to December 2020. Based on the resolution, SACASOL's FIT Rate starting 2020 shall be ₱11.28/kWh for Phase 1A and 1B and ₱10.12/kWh for Phase 1C and 1D solar power plants.

NorthWind

On July 31, 2007, NorthWind and the DOE entered into a Negotiated Commercial Contract ("NCC") covering the contract area located in Bangui, Ilocos Norte. As a holder of a valid and existing NCC, NorthWind is deemed provisionally registered as a RE Developer under RA 9513. The provisional authority shall subsist until the issuance by the DOE of a Certificate of Registration.

On February 26, 2013, the DOE granted NorthWind a COR under Wind Energy Service Contract No. 2012-07-058. The COR served as the basis for its application with the BOI for the grant of incentives under RA 9513. The approval grants an income tax holiday ("ITH") incentive of seven (7) years starting September 2014.



On October 10, 2014, the DOE granted NorthWind a COE for FIT Eligibility (COE-FIT No. 2014-10-001) for its Phase III expansion project. The endorsement was the basis for the ERC to issue a FIT COC on April 13, 2015.

The tariff on the generation of the original twenty (20) turbines (Phases I & II) is a FIT rate specific to the NorthWind of ₱5.76/kWh, as approved by the ERC in its decision dated June 30, 2014. In an Order dated November 7, 2017, the ERC granted NorthWind an increase of ₱0.20/kWh, in connection with a Motion for Partial Reconsideration of the Decision dated June 30, 2014, in ERC Case No. 2011-060RC filed by NorthWind on December 5, 2014, thereby increasing the FIT rate specific to Phases I & II from ₱5.76/kWh to ₱5.96/kWh.

The FIT rate specific to NorthWind is lower than the national FIT rate and is valid for twenty (20) years, less the actual years of operation as provided for under the FIT Rules.

The tariff on the six (6) turbines (Phase III) is at ₱8.53/kWh, subject to adjustments as may be approved by the ERC under the FIT rules. The FIT period on the six turbines shall be from October 10, 2014 to October 8, 2034.

On July 6, 2020, the ERC issued Resolution No. 06, Series of 2020 increasing the FIT of eligible RE plants. The resolution provides for retroactive increase starting January 2016 up to December 2020. Based on the resolution, NPDC's rate starting 2020 shall be ₱6.52/kWh and ₱8.90/kWh for Phase I & II and Phase III, respectively.

Feed-in-Tariff ("FIT") adjustment

On May 26, 2020, ERC approved the adjustments to the FIT of renewable energy producers through Resolution No.06, series of 2020. FIT adjustments used 2014 as the base period calendar year for the Consumer Price Index (CPI) and foreign exchange variations through Discounted Cash Flows (DCF) Model per Renewable Energy technology, covering for the years 2016, 2017, 2018, 2019 and 2020. The resolution was published in a newspaper of general circulation in the country on November 17, 2020.

Renewable energy subsidiaries under the FIT system which include Guimaras Wind, MSEI, SACASOL, and NorthWind, accrued the retroactive net revenue adjustment amounting to ₱791.48 million. This will be recovered for a period of five (5) years.

NLR, a renewable energy producer and a joint venture through PhilWind, also accrued the retroactive net revenue adjustment amounting to ₱635.51 million.

On February 19, 2021, ERC clarified in its letter to TransCo, the Administrator of the FIT system, by specifying the timing and manner of billing the FIT Adjustment. Actual recovery of arrears shall be for a period of five (5) years. Billing for January 2016 generation period shall start in December 2020, and payment schedule shall start in January 2021, following the five-year recovery period. Moreover, pending the approval of the 2021 FIT-All rate and adjustment of FIT rates, the original approved FIT rates shall be used for the 2021 and 2022 generation billing. Revenue in 2021 and 2022 was based on 2020 approved FIT rates in the absence of the 2021 FIT rates. Currently, there's a moratorium on interest on the delayed payments. It is expected that the adjusted FIT rates applicable for 2021 will also be collected in arrears in accordance with the approval of the ERC.

Pre-termination fees

Revenues from power supply contract in 2022 were reduced by pre-termination fees of ₱605.00 million (nil in 2021 and 2020).



20. Costs of Sale of Electricity

This account consists of:

	2022	2021	2020
Costs of purchased power	₱24,599,882	₱12,505,904	₱6,395,200
Fuel	4,957,516	4,787,976	3,070,817
Depreciation and amortization (Notes 11, 12 and 13)	1,918,307	1,806,363	1,737,839
Repairs and maintenance	712,770	713,507	671,619
Taxes and licenses	643,370	482,929	458,701
Insurance	444,825	392,496	446,728
Salaries and directors' fees	402,938	396,608	313,639
Contractor's fee	149,984	153,965	125,385
Transmission costs	129,206	84,201	38,879
Rent	54,572	33,971	23,334
Transportation and travel	18,142	10,397	7,036
Communication	18,068	17,030	14,789
Pension and other employee benefits (Note 25)	17,333	15,087	12,567
Filing fees	12,025	19,687	17,398
Others	104,301	49,612	86,607
	₱34,183,239	₱21,469,733	₱13,420,538

Power Purchase and Supply Agreement with GNPowder Dinginin Ltd. Co.

On October 25, 2022, The BOD of ACEN approved the execution of a Power Purchase and Supply Agreement ("PPSA") between ACEN and GNPowder Dinginin Ltd. Co. ("GNPD") for the supply of 43 MW of capacity.

The PPSA is scheduled to commence on October 26, 2022.

GNPD is a joint venture among Aboitiz Power Corporation, Power Partners Ltd. Co., and ACEIC. ACEIC, which has a 62.43% ownership in ACEN, has an effective 20% economic interest in GNPD.



21. General and Administrative Expenses

This account consists of:

	2022	2021	2020
Provision for impairment of other financial assets at amortized cost (Note 8)	₱1,284,409	₱—	₱—
Salaries and directors' fees	739,212	469,000	588,812
Taxes and licenses	533,466	752,485	488,508
Management and professional fees	419,312	712,720	898,167
Depreciation and amortization (Notes 11, 12 and 13)	260,101	199,502	72,904
Insurance, dues and subscriptions	147,325	63,059	22,366
Corporate social responsibilities	82,765	45,273	33,216
Transportation and travel	67,973	17,258	14,270
Contractor's fee	65,058	28,308	14,201
Provision for impairment of property, plant and equipment (Notes 6 and 11)	41,444	301,413	382,038
Utilities	₱34,829	₱7,489	₱4,951
Building maintenance and repairs	31,730	30,127	33,554
Rent	30,487	13,111	15,703
Pension and other employee benefits (Note 25)	25,744	21,512	10,602
Meeting and conferences	25,185	4,936	2,703
Advertisements	22,950	27,781	4,932
Office supplies	12,897	5,450	4,408
Communication	11,327	5,215	12,298
Provision for probable losses on deferred exploration costs (Note 13)	584	23,379	—
(Reversal) provision for impairment of advances to contractors (Note 14)	(1,256)	—	49,884
Provision for credit losses (Note 5)	—	873	—
Provision for impairment of investment in an associate (Note 7)	—	—	186,513
Incidental expenses	—	—	105,479
Others	66,275	56,658	72,156
	₱3,901,817	₱2,785,549	₱3,017,665



22. Interest and Other Finance Charges

This account consists of:

	2022	2021	2020
Interest expense on:			
Long-term loans (Note 16)	₱1,618,242	₱1,324,122	₱1,398,522
Lease obligations (Note 12)	198,050	164,416	171,097
Short-term loans (Note 16)	179,919	52,732	257,171
Amortization of debt issue cost (Note 16)	169,361	47,438	44,698
Discount in accounts payable	—	72,533	68,591
Other finance charges	191,959	33,139	48,007
	₱2,357,531	₱1,694,380	₱1,988,086

23. Other Income - Net

This account consists of:

	2022	2021	2020
Gain on remeasurement of previously held interest (Note 28)	₱10,921,026	₱—	₱—
Interest and other financial income	5,639,184	4,376,158	2,060,084
Gain on divestment of an associate (Note 7)	734,672	37,635	—
Guarantee fee income	347,894	254,405	105,304
Gain (loss) on settlement of derivatives - net	297,342	41,802	(3,414)
Foreign exchange gain (loss) - net	122,880	420,811	14,722
Claims on insurance	72,993	161,942	260,385
Guaranteed performance differential	62,287	—	—
Gain on sale of inventories and by-product	32,953	24,733	15,354
Unrealized gain on commodity swaps (Note 14)	1,647	—	—
Gain on bargain purchase (Note 28)	138	—	49,970
Loss on FVOCI written-off	(500)	—	—
(Loss) gain on sale of property, plant and equipment (Note 11)	(7,049)	1,095	(4,280)
Loss on sale of noncurrent assets held for sale (Note 6)	(8,400)	—	—
Discount on long-term receivable	(82,508)	—	(18,611)
Gain (loss) on change due to loss of control (Note 2)	(121,107)	21,808	—
(Forward)			



	2022	2021	2020
Fair value loss on financial asset at FVTPL (Note 9)	(P124,513)	P—	P—
Reversal of allowance for impairment of property, plant and equipment (Note 11)	—	90,008	933
Tax credits on real property taxes	—	69,154	—
Gain on reversal of impairment of advances to contractors (Note 14)	—	22,447	—
Gain on sale of investments	—	—	867,067
Advisory fees	—	—	121,685
Reversal of allowance for credit losses	—	—	32
Others	313,053	201,642	82,658
	P18,201,992	P5,723,640	P3,551,889

Gain (loss) on settlement of derivatives pertain to maturities of foreign exchange forward contracts entered by ACEN with various banks and settlement of fuel and coal hedge contracts (see Notes 14 and 17)

Claims on insurance includes claim for business interruptions due to temporary shutdown of the powerplant, as covered by an industrial all-risk (IAR) insurance covering both property damage/repair (PD) and loss of profits due to business interruption (BI). The account also includes property damage claims from the Parent Company, Gigasol3 and NorthWind.

Gain on sale of by-product includes the gain on sale of fly-ash which is a by-product from coal of SLTEC. It also includes the gain on sale of scrap from the Parent Company and One Subic Power.

Interest and Other Financial Income

Interest and other financial income arise from cash in banks and short-term deposits, investments in redeemable preferred shares of associates and joint ventures, and from debt replacement and development loans and advances extended to associates and joint ventures.

The details of interest and other financial income are as follows:

	2022	2021	2020
Interest income on:			
Cash in banks and short-term deposits (see Note 4)	P285,196	P129,553	P253,968
Accounts and notes receivables (Notes 5 and 29)	1,879,077	1,947,792	711,416
Accounts and other receivable	349,651	526,698	304,938
Development loan	166,067	142,696	112,223
Other loan	1,363,359	1,278,398	294,255
Other financial assets at amortized cost (Note 8)	3,474,911	2,298,813	1,094,700
Redeemable preferred shares	2,251,145	1,151,895	557,237
Convertible loans	1,223,766	1,146,918	537,463
	P5,639,184	P4,376,158	P2,060,084



ACRI Guarantee Agreement and guarantee fee income

ACRI serves as a guarantor for the following borrowings entered by its related parties which ACRI unconditionally and irrevocably guaranteed. Fees are charged for these guarantee agreements. ACRI assessed that the expected credit loss from its guaranteed obligation of the related parties is nil. Therefore, the obligation related to the guarantee extended by ACRI is nil.

Guarantee for India Solar Projects

As at December 31, 2022, the Group has an outstanding guarantee amounting to \$204.63 million related to solar projects in India. The purpose of the guarantees are to secure various modules and supply agreements for the projects, performance guarantee, hedge guarantees and loan guarantees. The group recognized guarantee income based on a fixed rate per annum applied to the outstanding loan balance.

Guarantee for NESF Solar Project

On January 15, 2021, the Group entered into a guarantee agreement with the bank for a total of AUD 260 million (\$169.1 million) to guarantee the obligation of New England Solar Project to the project lender. As at December 31, 2022, total amount drawn from the loan was AU\$98.98 million (\$71.72 million). The Group recognized guarantee income based on a fixed rate per annum applied to the outstanding loan balance.

Parent Corporate Guarantee for BT Wind Projects

In 2020, the Group entered into various guarantee agreements with BT1 Windfarm JSC (“BT1 Wind”) and BT2 Windfarm JSC (“BT2 Wind”) to provide a Parent Company Guarantee (PCG) in favour of the contractors as security for the obligations of BT1 Wind and BT2 Wind. As at December 31, 2021, the guarantee has been released upon achievement of commercial operations date of the projects.

Guarantee for BT1 Windfarm’s Bank Loan

On September 30, 2020, the Group signed an agreement with a bank to guarantee BT1 Windfarm’s payment obligation to the project lender on its loan amounting to \$118.28 million. As at December 31, 2021, total amount drawn from the facility was \$110.98 million. On December 29, 2021, the guarantee has been terminated upon completion of conditions precedent. The Group recognized guarantee income based on a fixed rate per annum applied to the outstanding loan balance.

Guarantee for AMI Khan Hoa Solar Project’s Bank Loan

On October 12, 2018, the Group has entered into a guarantee agreement with a bank for a total of \$37 million to guarantee the obligation of AMI Khan Hoa Solar project to the project lender. Subsequently on October 3, 2020, loan amounting to \$33.71 million was drawn by AMI Khan Hoa. On March 16, 2022, the guarantee agreement has been terminated upon completion of the necessary conditions precedent. The group recognized guarantee income based on a fixed rate per annum applied to the outstanding loan balance.

For the years ended December 31, 2022 and 2021, the Group recognized corresponding guarantee fee income amounting to \$6.27 million (₹347.89 million) and \$5.18 million (₹254.41 million), respectively.



24. Income Taxes

- a. Current income tax pertains to the following:

	2022	2021	2020
RCIT	₱404,363	₱271,134	₱319,876
MCIT	10,962	26,555	84,177
	₱415,325	₱297,689	₱404,053

- b. The components of the Group's net deferred income tax assets (liabilities) as at December 31 are as follows:

Net deferred tax assets

	2022	2021
Income tax reported in consolidated statement of income		
Deferred income tax assets:		
Lease liability	₱668,666	₱460,512
Accrued expenses	118,155	142,568
MCIT	88,800	88,800
NOLCO	1,135,358	88,062
Allowance for doubtful accounts and credit losses	29,583	31,333
Deferred revenue	31,651	28,107
Pension and other employee benefits	21,243	19,549
Unrealized forex loss	23,057	18,390
Allowance for probable losses on deferred exploration costs	1,724	11,372
Unamortized discount on long-term receivable	10,123	10,497
Allowance for impairment on property and equipment	4,758	3,814
Asset retirement obligation	14,257	3,396
Unamortized past service cost	1,671	2,664
Allowance for inventory obsolescence	1,526	1,741
Impairment of Input VAT	—	536
Others	270,215	4,361
	2,420,787	915,702
Deferred income tax liabilities:		
Right-of-use assets	517,215	319,241
Unrealized foreign exchange gain	65,775	16,674
Accrual of bonus	48,365	57,824
Unamortized debt issue costs	52,962	14,576
Unamortized interest cost on payable to APHPC	52	52
Others	—	186
	684,369	408,553
	1,736,418	507,149
Income tax reported in consolidated statement of other comprehensive income		
Deferred tax asset:		
Remeasurement loss on defined benefit obligation	(282)	5,134
Derivative liability on forward contracts	9,375	83
	9,093	5,217

(Forward)



	2022	2021
<i>Deferred tax liabilities -</i>		
Derivative asset on hedging	₱15,317	₱—
		5,217
Total deferred income tax assets - net	₱1,730,194	₱512,366

Net deferred tax liabilities

	2022	2021
Income tax reported in consolidated statement of income		
Deferred income tax assets:		
Lease liability	₱8,871	₱96,391
Allowance for credit losses	181	181
Unrealized forex loss	1,634	17
Pension and other employee benefits	2,738	13
Accrued expenses	2,716	—
Inventory obsolescence	215	—
Others	84,430	13,092
	100,785	109,694
Deferred income tax liabilities:		
Right-of-use asset	13,826	169,626
Unamortized capitalized borrowing costs	257,042	—
Unamortized debt issue cost	54,245	110
Unrealized forex gain	1,940	144
Others	—	14,236
	327,053	184,116
Total deferred income tax liabilities - net	(₱226,268)	(₱74,422)

The Group's temporary differences and unused NOLCO for which no deferred income tax assets were recognized in the consolidated statement of financial position are as follows:

	2022	2021
Allowance for impairment loss on property and equipment	₱—	₱3,969,107
NOLCO	1,639,071	743,590
Accrued expenses	138,568	138,568
Allowance for probable losses	18,469	18,469
Allowance for credit losses	20,000	20,000
Excess MCIT	27,290	29,580
Unrealized foreign exchange loss	3,281	3,281
Asset retirement obligation	(70,222)	(70,222)
Lease liabilities	(73,198)	(73,198)



As at December 31, 2022 and 2021, aside from the recognition of deferred tax asset (DTA) from NOLCO amounting to ₱1,135.56 million and ₱88.06 million, respectively, DTAs on various deductible temporary differences and unused NOLCO have not been recognized as management believes it is not probable that sufficient future taxable income will be available against which the related deferred income tax assets can be used.

Temporary differences on asset retirement cost and PFRS 16 adoption are expected to reverse during the income tax holiday period of ISLASOL, SACASOL, and MONTESOL.

As at December 31, 2022 and 2021, NOLCO totaling ₱5,711.47 million and ₱1,095.84 million, respectively, can be claimed as deduction from regular taxable income and MCIT amounting to ₱26.52 million and ₱3.19 million, respectively, can be credited against future RCIT. The movement in NOLCO and MCIT is shown in the tables below:

Year	NOLCO					Expiry
Incurred	Beginning	Additions	Application	Expiration	Ending	Date
2016 ^(a)	₱129,030	₱116,549	(₱17,644)	(₱51,259)	₱176,676	2023
2017	176,676	470,941	—	(48,077)	599,540	2020
2018	599,540	1,449,379	—	(16,177)	2,032,742	2021
2019	2,032,742	1,080,806	—	(9,691)	3,103,857	2022
2020 ^(b)	3,103,857	620,811	(2,589,582)	(470,941)	664,145	2025
2021 ^(b)	664,145	431,693	—	—	1,095,838	2026
2022	1,095,838	5,047,595	—	(431,961)	5,711,472	2025

(a) NOLCO from renewable entities which can be carried over for the next 7 consecutive taxable years per RE Act of 2008

(b) RR-15-20 Bayanihan Act 2: NOLCO incurred for the taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five(5) consecutive years

Year	MCIT					Expiry
Incurred	Beginning	Additions	Application	Expiration	Ending	Date
2019	₱9,539	₱748	₱—	(₱351)	₱9,936	2022
2020	9,936	2,648	(8,325)	(1,079)	3,180	2023
2021	3,180	23,885	—	—	27,065	2024
2022	27,065	—	—	(541)	26,524	2025

The reconciliation between the effective income tax rates and the statutory income tax rates follows:

	2022	2021	2020
Applicable statutory income tax rates	25.00%	25.00%	30.00%
Increase (decrease) in tax rate resulting from:			
Nondeductible expenses	(7.34)	4.33	0.88
Income of foreign subsidiary exempt from tax	(27.06)	(14.83)	(8.72)
Equity in net income of associates and joint ventures	(1.60)	(6.28)	(5.80)
Movement in temporary differences, NOLCO and MCIT for which no deferred income tax assets were recognized and others	8.49	(3.70)	(5.32)
Net loss (income) under tax holiday	(1.78)	(1.52)	(0.65)
Impact of CREATE on effective tax rates	—	(0.75)	—
Financial income subject to final tax	(0.46)	(0.39)	(0.51)
Dividend income exempt from tax	(0.01)	(0.04)	—
Effective income tax rates	(4.75%)	1.82%	9.88%



- a. Applying the provisions of the CREATE Act, the Parent Company and certain subsidiaries of the Group were subjected to either a lower regular corporate income tax rate of 25% or a minimum corporate income tax rate of 1% effective July 1, 2020.
- b. R.A. No. 10963 or the Tax Reform for Acceleration and Inclusion Act (TRAIN) was signed into law on December 19, 2017 and took effect January 1, 2018, making the new tax law enacted.

The TRAIN changes the existing tax law and includes several provisions that generally affected businesses on a prospective basis. In particular, management assessed that amendment of Section 148 - Excise tax on manufactured oil and other fuels - which increases the excise tax rates of lubricating oil, diesel fuel oil and bunker fuel oil, among others that are used for the power plants, may have material impact to the operations of the Group. Management has considered the impact of TRAIN in managing the operation hours of its power plants.

- c. Guimaras Wind is a duly registered renewable energy developer under Renewable Energy (RE) Act of 2008, It is entitled to income tax holiday (ITH) for the first seven years of its commercial operations on all its registered activities starting 2015. Under the RE Act, Guimaras Wind can avail a corporate tax rate of 10% after the ITH period. Since Guimaras Wind will avail the 10% after the ITH, the deferred tax asset expected to be reversed after the ITH period were set up at 10%.
- d. ISLASOL is duly registered with the provisions of the Omnibus Investments Code of 1987 last March 29, 2017 which entitled the ISLASOL the incentive to avail ITH for seven years from March 2016, date of actual commercial operation under the administration of BOI. After 7 years of ITH, ISLASOL shall pay a corporate tax of ten percent (10%) on its net taxable income.
- e. SACASOL is duly registered in accordance with the provisions of the Omnibus Investments Code of 1987 last April 7, 2016 which entitled the SACASOL the incentive to avail ITH for seven years from May 2014, date of actual commercial operations under administration of BOI. After 7 years of ITH, SACASOL shall pay a corporate tax of ten percent (10%) on its net taxable income.
- f. MONTESOL is duly registered in accordance with the provisions of the Omnibus Investments Code of 1987 last October 15, 2015 which entitled the MONTESOL the incentive to avail ITH for seven years from March 2016, date of actual commercial operations under administration of BOI. After 7 years of ITH, SACASOL shall pay a corporate tax of ten percent (10%) on its net taxable income.

25. Pension and Other Employee Benefits

The Group has a funded, noncontributory defined benefit retirement plan covering all of its regular and full-time employees. The fund is administered by a trustee bank under the supervision of the Retirement Committee of the plan. The Retirement Committee is responsible for investment strategy of the plan. The Retirement Plan meets the minimum retirement benefit specified under Republic Act 7641.



Pension and other employee benefits consist of:

	2022	2021
Pension liability	₱71,658	₱67,542
Vacation and sick leave accrual	6,986	14,912
	78,644	82,454
Less: current portion of vacation and sick leave accrual*	1,647	2,032
	₱76,997	₱80,422

*Included in "Accrued expenses" under "Accounts payable and other current liabilities".

Pension and vacation and sick leave accrual included as part of pension and other employee benefits under "Cost of sale of electricity" and "General and administrative expenses" accounts in the consolidated statements of income, consist of the following:

	2022	2021	2020
Pension expense	₱39,757	₱30,274	₱21,360
Vacation and sick leave accrual (reversal)	3,320	6,325	1,809
	₱43,077	₱36,599	₱23,169

Net Defined Benefit Liability

Changes in net defined benefit liability of funded plan in 2022 are as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability
As at January 1, 2022	₱174,206	₱106,664	₱67,542
Change due to loss of control (Note 2)	(44,711)	(29,692)	(15,019)
Pension expense in consolidated statement of income:			
Current service cost	36,557	—	36,557
Net interest	71,783	68,765	3,018
Past service cost and other adjustments	(594)	—	(594)
Net acquired obligation due to employee transfers	776	—	776
	63,811	39,073	24,738
Change due to loss of control (Note 2)	5,791	—	5,791
Remeasurements in OCI:			
Experience adjustments	(48,824)	—	(48,824)
Actuarial changes arising from changes in financial assumptions	(39,880)	—	(39,880)
Return on plan assets (excluding amount included in net interest)	—	(63,439)	63,439
	(82,913)	(63,439)	(19,474)
Benefits paid	(17,492)	(16,344)	(1,148)
As at December 31, 2022	₱137,612	₱65,954	₱71,658



Changes in net defined benefit liability of funded plan in 2021 are as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability
As at January 1, 2021	₱136,828	₱98,241	₱38,587
Net transferred obligation	(170)	—	(170)
Pension expense in consolidated statement of income:			
Current service cost	73,717	—	73,717
Net interest	4,033	1,660	2,373
Past service cost and other adjustments	(7,003)	—	(7,003)
	70,577	1,660	68,917
Remeasurements in OCI:			
Experience adjustments	(2,210)	—	(2,210)
Actuarial changes arising from changes in financial assumptions	(21,817)	—	(21,817)
Return on plan assets (excluding amount included in net interest)	—	(6,590)	6,590
	(24,027)	(6,590)	(17,437)
Benefits paid	(9,172)	(4,049)	(5,123)
Contributions	—	17,402	(17,402)
As at December 31, 2021	₱174,206	₱106,664	₱67,542

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

	2022	2021
Investments	₱65,954	₱106,693
Receivables	—	35
Cash and cash equivalents	1	1
Liabilities	(1)	(65)
	₱65,954	₱106,664

Investments are diversified in government securities, mutual funds and UITFs that can be readily sold or redeemed and are assessed not to pose any concentration risk.

The cost of defined benefit pension plans and other post-employment benefits as well as the present value of the pension obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions.

The principal assumptions used in determining pension and post-employment benefit obligations for the defined benefit plans are shown below:

	2022	2021
Discount rate	7.33%	5.11%
Salary increase rate	5.30%	5.25%



There were no changes from the previous period in the methods and assumptions used in preparing sensitivity analysis.

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

		2022		2021	
		Increase (Decrease) in Pension Liability		Increase (Decrease) in Pension Liability	
Discount rate	(Actual + 1.00%)	8.33%	(P13,673)	6.11%	(P15,084)
	(Actual – 1.00%)	6.33%	16,010	4.11%	20,491
Salary increase rate	(Actual + 1.00%)	6.30%	P16,935	6.25%	P21,090
	(Actual – 1.00%)	4.30%	(14,675)	4.25%	(15,889)

Management performs an Asset-Liability Matching Study (ALM) annually. The overall investment policy and strategy of the Group's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plans.

The Group expects to contribute P44.18 million to the defined benefit pension plan in 2023.

There are no minimum funding standards in the Philippines.

The following table sets forth the expected future settlements by Plan of maturing defined benefit obligation as at December 31:

	2022	2021
Less than one year	P16,572	P29,393
More than one year to five years	76,017	61,236
More than five years to 10 years	137,993	130,258
More than 10 years to 15 years	245,537	188,780
More than 15 years to 20 years	316,660	257,344
More than 20 years	778,965	861,992

As at December 31, 2022 and 2021, the average duration of the expected benefit payments at the end of the reporting period ranges from 8.54 to 20.47 years and 18.11 to 24.26 years, respectively.

Vacation and Sick Leave

The following tables summarize the components of vacation and sick leave expense (income) recognized in the consolidated statement of income and the amounts recognized in the consolidated statement of financial position.

	2022	2021	2020
Current service costs	P3,495	P5,639	P4,114
Interest costs	745	636	485
Actuarial loss (gain)	(920)	50	(2,790)
	P3,320	P6,325	P1,809



Changes in present value of the vacation and sick leave obligation are as follows:

	2022	2021
Balance at the beginning of year	₱14,912	₱14,183
Change due to loss of control	(7,808)	–
Current service cost	3,495	5,639
Net interest	745	636
Past service cost	423	–
Actuarial (loss) gain	(920)	50
Benefits paid	(3,861)	(5,596)
Balance at the end of year	₱6,986	₱14,912

26. Related Party Transactions

Parties are related if 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 also considered to be related if they are subject to common control or common significant influence which include affiliates. Related parties may be individual or corporate entities.

In the ordinary course of business, the Group transacts with associates, affiliates, jointly controlled entities and other related parties on advances, loans, reimbursement of expenses, office space rentals, management service agreements and electricity supply.

ACEN served as the guarantor for the US\$400.00 million senior undated fixed-for-life (non-deferrable) Notes with a fixed coupon of 4.00% for life, with no step-up and no reset, priced at par, issued by ACEN Finance on September 8, 2021, under its medium-term note (MTN) Programme. Proceeds will be used to finance or refinance, in whole or in part, new or existing Eligible Green Projects in accordance with ACEN's Green Bond Framework (see Note 16).

The transactions and balances of accounts as at December 31, 2022 and December 31, 2021 and for the twelve-month period ended December 31, 2022 and 2021 are:

a. Transaction with ACEIC, the Parent Company

Nature	Amount/ Volume			Outstanding Balance		Terms / Conditions
	2022	2021	2020	2022	2021	
Development loans	(₱9,596,286)	₱–	₱–	₱–	₱9,596,286	Interest bearing; unsecured; no impairment
Interest receivable; interest income	107,000	142,152	–	–	144,621	Non-interest bearing; due and demandable
Management fee income	24,919	34,785	387,138	10,002	26,196	Unsecured; no impairment
Management fee (expense)	26,041	456,026	462,602	(23,421)	(132,893)	Non-interest bearing; due and demandable
SAP IT support services	–	–	8,744	–	–	30-day, non-interest bearing
Lease assignment	–	–	50,767	–	–	30-day, non-interest bearing
Due from related parties	–	–	–	167,572	110,373	Non-interest bearing; due and demandable
Due to related parties	–	–	6,809	(80,194)	–	Non-interest bearing; due and demandable



b. Notes Receivables

Nature & Relationship	Related Party	Outstanding Balance		Terms / Conditions
		2022	2021	
Development loans				
Joint Venture				
	UPC-AC Energy Solar Limited (UPC-ACE Solar)	₱1,115,100	₱1,015,480	Due in 2023; interest bearing; unsecured; no impairment
	Grencore 3	–	212,292	Due in 2022; interest bearing; unsecured; no impairment
Associate				
	TBC	–	658,437	Due in 2022; interest bearing; unsecured; no impairment
Affiliate				
	Yoma Strategic Investments Ltd (“Yoma”)	1,339,071	1,219,173	Due in 2023; interest bearing; unsecured; no impairment
		₱2,454,171	₱3,105,382	
Debt replacements				
Joint Venture				
	BIM Wind	₱4,749,490	₱4,325,183	Due in 2030 interest bearing; unsecured; no impairment
	Grencore 3	4,225,946	2,078,400	Due in 2023; interest bearing; unsecured; no impairment
	Asian Wind 1	3,087,433	2,883,963	Due in 2023; interest bearing; unsecured; no impairment
	Lac Hoa	2,643,403	–	Due in 2024; interest bearing; unsecured; no impairment
	Asian Wind 2	2,435,262	2,414,151	Due 2045 interest bearing; unsecured; no impairment
	Hoa Dong	2,318,792	–	Due in 2024; interest bearing; unsecured; no impairment
	NEFIN Solar	574,834	–	Due in 2024; interest bearing; unsecured; no impairment
	VWEL	59,614	3,637,879	Due in 2022; interest bearing; unsecured; no impairment
	BIMRE	–	1,914,180	Due in 2022; interest bearing; unsecured; no impairment
		₱20,094,774	₱17,253,756	
Other Loan				
Joint Venture	Ingrid	₱500,000	₱–	Due in 2023; interest bearing; unsecured; no impairment
Joint Venture	Infineum 4 Energy, Inc.	43,466	–	Due in 2024; interest bearing; unsecured; no impairment
		₱543,466	₱–	

Except for the discussion above, the movement in the notes receivable from related parties are revaluation of US\$ denominated notes receivable to Philippine peso from December 31, 2021, to December 31, 2022.

Receivables from Ingrid

In September 2022, the Group and Ingrid entered into a short-term loan agreement for the latter’s working capital requirements. The interest-bearing loan bears an annual fixed rate and principal is payable 30 to 120 days from drawdown.

Receivables from Infineum 4 Energy, Inc.

On January 7, 2022, the ACED, Maraj Energy and Development, Inc. (MEDI) and Infineum 4 entered into an Omnibus Loan and Security Agreement in which the Parent Company will lend a loan amounting to ₱150.00 million to Infineum 4 with an annual interest of 8% payable in full on the repayment date, to be utilized for the purpose of enabling the pre-development and development



activities in relation to its proposed floating solar power project in Lake Mapanuepe in San Marcelino, Zambales. The Loan shall be made available for a period of two (2) years from the date of the agreement which may be extended upon mutual agreement by the parties.

c. Interest Income and Receivable

This account consists of:

Related Party	Amount/Volume			Outstanding Balance Receivable (Payable)		Terms
	2022	2021	2020	2022	2021	
Other Financial Assets at Amortized Cost (Note 8)						
Redeemable preferred shares	₱2,251,145	₱1,151,895	₱ 557,237	₱2,487,852	₱946,559	various dates
Convertible loans	1,223,766	1,146,918	537,463	1,071,551	1,421,565	various dates
Development Loans						
Joint Venture						
UPC Solar	95,725	80,211	47,269	242,890	—	various dates
UPC-ACE Australia	7,087	—	—	—	—	various dates
Associate						
TBC	60,390	56,572	58,110	—	74,101	various dates
Affiliate						
Yoma	52,427	48,324	33,757	146,341	84,490	various dates
Debt replacements						
Joint Venture						
VWEL	59,043	306,768	22,441	431,899	394,970	various dates
Greencore 3	228,241	57,387	—	276,357	51,618	30-day, non-interest bearing
Asian Wind 2	199,560	233,424	13,440	67,648	253,989	various dates
BIM Wind	380,250	248,334	3,036	88,657	140,212	various dates
Lac Hoa	96,629	—	—	97,896	—	various dates
Hoa Dong	86,371	—	—	87,504	—	various dates
NEFIN Solar	26,480	—	—	22,084	—	various dates
BIMRE	10,370	186,173	54,751	—	192,216	various dates
Asian Wind 1	269,291	208,839	207,462	—	—	various dates
Others						
Ingrid	12,367	—	—	9,167	—	30-day, non-interest bearing
Infenium 4	1,876	—	—	1,875	—	30-day, non-interest bearing
Trade Receivables						
Affiliates	—	—	—	5,408	—	30-day, non-interest bearing
	₱5,061,018	₱3,724,845	₱1,534,966	₱ 5,037,129	₱3,559,720	

d. Loans Payable

Related Party	Amount / Volume			Outstanding Balance Receivable (Payable)		Terms
	2022	2021	2020	2022	2021	
BPI						
Interest Expense / Interest Payable	₱371,212	₱115,256	₱—	(₱8,834)	(₱9,533)	30 days, unsecured
Long-term loans	—	—	—	(1,766,487)	(2,079,133)	12 years, interest bearing
UPC Holdco II						
Interest Expense / Interest Payable	—	—	15,308	--	--	30 days, unsecured



e. Right of Use Assets / Lease Liabilities

The Group entered into lease agreements with Ayala Land, Inc, (ALI) and Fort Bonifacio Development Corporation (FBDC), affiliates, for the use of its office unit and parking spaces.

Related Party	Amortization / Interest Expense			Right-of-use assets / (Lease Liabilities)		Terms
	2022	2021	2020	2022	2021	
ALI						
Right of use Assets (Note 12)	₱114,880	₱93,899	₱13,998	₱926,451	₱930,453	10 years, unsecured
Lease Liabilities (Note 12)	41,550	38,847	1,270	(1,008,858)	(990,107)	10 years, unsecured
FBDC						
Right of use Assets (Note 12)	9,227	9,227	—	4,573	11,500	3 years, unsecured
Lease Liabilities (Note 12)	182	435	—	(9,771)	(9,771)	3 years, unsecured

f. Other Related Party Transactions

	Amount/Volume			Outstanding Balance Receivable (Payable)		Terms
	2022	2021	2020	2022	2021	
Management fee income	₱46,148	₱53,160	₱35,290	₱ 8,019	₱25,860	30-days, unsecured
Rental income	17,337	16,737	3,376	2,118	1,674	30-days, unsecured
Revenue from power supply contracts	33,721	—	—	—	—	30-days, unsecured
Cost of sale of electricity	911,744	472,004	116,378	(92,591)	(94,110)	30-days, unsecured
Due from related parties	—	3,465	—	422,796	168,386	On demand, Unsecured
Due to related parties	—	—	—	(1,585,951)	(596,079)	On demand, Unsecured

Management fee income pertains to service fees billed by the Group to its related parties under common control and joint venture & associates for providing a full range of business process outsourcing services, such as, but not limited to, financial and general accounting/ bookkeeping services, human resources management, manpower related services and other related functions.

Rental income pertains to revenue from sublease agreement with Ingrid.

The Parent Company purchases the entire net electricity output of MGI.

The amount due from a related company pertains mostly from advances including those for project development or reimbursement of expenses. These are non-trade, interest-free, repayable on demand and to be settled in cash.

The amount due to a related parties pertains to advances, including those for development cost, utilities expense, professional services and other miscellaneous expenses. These are non-trade, interest-free, repayable on demand and to be settled in cash.

g. Receivables from Employees and Officers

Receivables from officers and employees amounting to ₱301.17 million and ₱78.36 million as at December 31, 2022 and December 31, 2021, respectively, pertain to housing, car, salary and other loans granted to Group's officers and employees.



h. Payable to Directors and Stockholders

	Amount/Volume			Outstanding Balance Receivable (Payable)		Terms
	2022	2021	2020	2022	2021	
Accrued director's and annual incentives (Note 15)						
Directors' fee and annual incentives	₱35,155	₱23,352	30,574	(₱58,507)	(₱23,352)	On demand, Unsecured
Due to stockholders (Note 18)						
Cash dividends	2,298,000	1,197	547	(16,585)	(16,585)	On demand, Unsecured

Key Management Compensation

Compensation of key management personnel of the Group are as follows:

	2022	2021	2020
Short-term employee benefits	₱54,431	₱64,215	₱46,195
Post-employment benefits	4,132	2,691	2,532
	₱58,563	₱66,906	₱48,727

Identification, Review and Approval of Related Party Transactions

All (1) SEC-defined material related party transactions, i.e., related party transaction/s, either individually or in aggregate over a twelve (12)-month period of the Group with the same related party, amounting to ten percent (10%) or higher of the Group's total consolidated assets based on its latest audited consolidated financial statements; and (2) any related party transaction/s that meet the threshold values approved by the Risk Management and Related Party Transactions Committee (the Committee), i.e., ₱50.00 million or five percent (5%) of the Group's total consolidated assets, whichever is lower, shall be reviewed by the Committee and approved by the BOD before its commencement, except transactions that are explicitly excluded/exempted by the SEC and transactions delegated to management.

For SEC-defined material related party transactions, the approval shall be by at least 2/3 vote of the BOD, with at least a majority vote of the independent directors. In case that the vote of a majority of the independent directors is not secured, the material related party transactions may be ratified by the vote of the stockholders representing at least 2/3 of the outstanding capital stock.

27. Earnings Per Share

Basic and diluted EPS are computed as follows:

	2022	2021	2020
	(In Thousands, Except for Number of Shares and Per Share Amounts)		
(a) Net income (loss) attributable to equity holders of Parent Company	₱13,055,119	₱5,250,972	₱4,288,102
Common shares outstanding at beginning of year (Note 18)	38,324,027,174	13,692,457,210	7,521,774,922
Weighted average number of:			
Shares issued during the year	1,043,557,948	15,719,838,696	3,244,685,790
Shares buyback during the year	—	—	(10,428,664)
(b) Weighted average common shares outstanding	39,367,585,122	29,412,295,906	10,756,032,048
Basic/Diluted earnings per share (a/b)	₱0.33	₱0.18	₱0.40



On June 22, 2020, upon the SEC's approval of increase in ACS from 8.4 billion to 24.4 billion, 6,185,182,288 shares of ACEN were issued to ACEIC through the onshore share swap transaction.

On June 7, 2021, upon the SEC's approval of increase in ACS from 24.4 billion to 48.4 billion shares, 16,685,800,533 shares of ACEN were issued to ACEIC through the offshore share swap transaction (see Notes 18 and 29).

The SRO enabled the then minority shareholders to increase their shareholdings on account of the dilution of their existing share ownership as a result of the ACEIC onshore share swap transaction (see Note 18).

For the years ended December 31, 2022 and 2021, except for ESOWN, the Parent Company does not have any material potential common shares or other instruments that may entitle the holder to common shares. Consequently, diluted earnings per share is the same as basic earnings per share for the years ended December 31, 2022 and 2021.

28. Business Combinations

2022 Business Combinations

Investment in UPC-AC Energy Australia (HK) Limited (UPC-ACE Australia)

On March 11, 2022, the Group, UPCAPH and Mr. Rohner (collectively "the UPC AU Sellers") signed a Share Purchase Agreement for the Group's acquisition of 50% effective ownership interest of UPCAPH and Mr. Rohner in UPC-AC Energy Australia (HK) Limited ("UPC-ACE Australia").

On March 21, 2022, ACRI, UPCAPH, and Mr. Rohner signed separate instruments of transfer for the transfer to ACRI of UPCAPH's 7,150 ordinary shares in UPC-ACE Australia for US\$78.34 million (P4,070.40 million) and Rohner's 1,000,054 ordinary class B shares in UPC-ACE Australia for US\$9.36 million (P486.42 million), thereby completing the first tranche of the acquisition. The aggregate consideration paid by ACRI to UPCAPH and Mr. Rohner is US\$87.70 million (P4,556.82 million).

As a result of the first tranche, the Group owns 80% of UPC-ACE Australia.

On November 8, 2022, UPCAPH, executed proxy rights in favor of the Group, providing the ACRI with 100% voting rights in the consolidated group of UPC-ACE Australia.

UPC-ACE Australia is a holding company for Australia energy and power projects and investment.

ACEN Australia Pty Ltd. ("ACEN Australia"), a subsidiary of UPC-ACE Australia, started the construction of 520MW New England Solar Farm (NESF) located in Uralla, New South Wales and 520MW Stubbo Solar Farm (Stubbo) located in Stubbo, New South Wales. ACEN Australia also has further development portfolio located in Tasmania, Victoria and South Australia.

The Group remeasured its previously held interest in UPC-ACE Australia based on its acquisition date fair value which resulted in a remeasurement gain of \$189.67 million (P10,921.03 million) (Notes 7 and 23).



The fair value of the identifiable assets and liabilities, net of eliminations, at October 31, 2022 acquisition date were (in thousands):

	In US\$	In PHP
Current assets		
Other receivables	\$3,556	₱192,080
Prepayments	10	519
Cash and bank balances	12,779	690,251
Non-current assets		
Investment in associates and joint ventures (Note 7)	775	41,866
Derivative financial instrument	3,239	174,935
Plant and equipment (Note 11)	269,713	14,568,821
Development costs under other non-current assets (Note 14)	24,505	1,323,653
Right-of-use assets (Note 12)	24,503	1,323,557
Intangible assets (Note 13)	1,919	103,672
	340,999	18,419,354
Non-current liabilities		
Lease liabilities (Note 12)	(27,506)	(1,485,756)
Provisions	(1,919)	(103,657)
Other liabilities	(581)	(31,365)
Current liabilities		
Loans and borrowings (Note 16)	(101,821)	(5,499,956)
Other payables	(289)	(15,597)
Amount due to related parties	(40,541)	(2,189,843)
Other liabilities	(496)	(26,809)
Total identifiable net assets	\$167,846	₱9,066,371

Part of eliminated transaction of the Group with UPC-ACE Australia includes \$228.98 million (₱12,951.25 million) convertible loans (see Note 8).

The fair value of the receivables approximates their carrying amounts. None of the receivables have been impaired and it is expected that the full contractual amounts can be collected.

	In US\$	In PHP
Total consideration	\$505,926	₱28,664,849
Add non-controlling interest	33,569	1,946,009
Less fair value of assets acquired and liabilities assumed	(167,846)	(9,066,371)
Goodwill arising on acquisition (see Note 13)	\$371,649	₱21,544,487

The cost of the business combination is made up as follows:

	In US\$	In PHP
Cash (see Note 7)	\$87,699	₱4,556,824
Convertible loan (Note 8)	228,982	12,951,246
Fair value of equity interest in UPC-ACE Australia before business combination	189,245	11,156,779
Total consideration	\$505,926	₱28,664,849



The fair value of equity interest in UPC-ACE Australia before business combination includes \$1.76 million (₱88.37 million) (see Note 7) other comprehensive income share from remeasurement of pension and various legal and consulting fees amounting to US\$0.27 million (₱14.69 million). The reclassified convertible loan amounting to US\$50.78 million (₱2,807.21 million) was included as part of the convertible loan (see Note 8).

Goodwill arose in the acquisition of UPC-ACE Australia because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefits of expected synergies and future market growth. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The non-controlling interest (20%) in UPC-ACE Australia recognized at the acquisition date was measured by reference to the fair value of the non-controlling interest and amounted to US\$33.57 million (₱1,946.01 million) (see Note 18). The fair value approximates the carrying amounts.

Net cash outflow on acquisition is as follows:

	In US\$	In PHP
Total cash consideration paid in cash	\$87,699	₱4,556,824
Less cash acquired with the subsidiary ^(a)	(12,779)	(690,251)
Net cash outflow	\$74,920	₱3,866,573

^(a)Cash acquired with the subsidiary is included in cash flows from investing activities.

Included in the profit and loss for the year is \$0.09 million loss attributable to the additional business generated by UPC-ACE Australia.. No revenue for the period from UPC-ACE Australia.

Had the business combination been effected at January 1, 2022, the additional revenue reduction for the year ended December 31, 2022 would have been \$15.31 million (₱900.21 million), and the additional reduction to the profit for the year would have been \$6.55 million (₱384.99 million).

Initial accounting for the acquisition of UPC-ACE Australia has only been provisionally determined as the acquisition occurred close to the end of the reporting period. At the date of finalization of consolidated financial statements, the necessary market valuations and other calculations has not been finalized and they have therefore only been provisionally determined based on the management's best estimate of the likely values.

Investment in UPC Philippines

On March 18, 2022, ACEN, its wholly owned subsidiary, ACE Endeavor, UPC Philippines, and Stella Marie L. Sutton (collectively "the Sellers") signed an agreement for the sale and purchase of UPC Philippine's and Ms. Sutton's share and/or subscription rights in the following companies to ACEN and ACE Endeavor:

- 40% interest in NLR, the owner and operator of an 81MW operating wind farm in Brgy. Caparispisan, Pagudpud, Ilocos Norte (see Note 7),
- 39.98% interest in BWPC, the owner of the 160MW Pagudpud Wind Farm that is currently under construction in Brgy. Balaoi, Pagudpud, Ilocos Norte (see Note 18), and
- 100% in development and pipeline vehicle companies (collectively referred to as "Target Companies"):
 - Buduan Wind Energy Co, Inc.,
 - Caraballo Mountains UPC Asia Corporation,



- Pangasinan UPC Asia Corporation,
- Sapat Highlands Wind Corporation,
- UPC Mindanao Wind Power Corp.,
- Itbayat Island UPC Asia Corporation,
- Laguna Central Renewables, Inc.,
- Laguna West Renewables, Inc.,
- Suyo UPC Asia Corporation, and
- SolarAce 4 Energy Corp. ("SolarAce 4")

Prior to the acquisition of 39.98% in BPWC, ACEN indirectly owned 60.00% interest through its wholly owned subsidiary, Pagudpud Wind Power Corp. The acquisition resulted to 100.00% interest in BPWC and is accounted for as an acquisition of non-controlling interest (see Note 18).

Prior to the acquisition of 30.00% in SolarAce4, ACEN indirectly owned 70.00% interest through its wholly owned subsidiary, Endeavor. The acquisition resulted to 100.00% interest in SolarAce4 and is accounted for as an acquisition of non-controlling interest (see Note 18).

The following are the fair values of the identifiable assets and liabilities of the Target Companies as at the date of acquisition:

Assets	
Cash and cash equivalents	₱2,690
Accounts and notes receivable	727
Input value added tax	2,649
Property, plant and equipment (Note 11)	202
Other noncurrent assets	71,762
	<u>78,030</u>
Liabilities	
Accounts payable and other current liabilities	3,428
Income and withholding taxes payable	27
Other noncurrent liabilities	188,214
	<u>191,219</u>
Total identifiable net liabilities	(113,189)
Less cost of acquisition	5,167
Goodwill arising on acquisition (see Note 13)	<u>₱118,356</u>

Goodwill comprises the fair value of expected synergies arising from the acquisition. This is presented under Goodwill in the consolidated statements of financial position. None of the goodwill recognized is expected to be deductible for income tax purposes.

Consideration transferred was paid in cash on transaction date.

Net cash outflow on acquisition is as follows:

Cash consideration	₱5,167
Less cash acquired with the subsidiary ^(a)	2,690
Net cash outflow	<u>₱2,477</u>

^(a)Cash acquired with the subsidiary is included in cash flows from investing activities.

If the acquisition had taken place at the beginning of 2022, revenue contribution for the year ended December 31, 2022, would have been ₱0.01 million and the additional contribution to the net loss attributable to ACEN would have amounted to ₱2.04 million.



Following the ACEN BOD approval made on October 18, 2021, whereby ACEN and Endeavor will acquire interest in UPC Philippine companies, the Sellers will in turn subscribe to up to 390.00 million common shares of ACEN with subscription price of ₱ 11.32/share, subject to adjustments. The issuance and listing of the ACEN common shares were approved by ACEN's stockholders on December 15, 2021.

Consequently, on March 22, 2022, ACEN signed Subscription Agreements with the Sellers for 389,995,833 ACEN shares for subscription price per share of ₱8.2889 per share (see Note 18).

Initial accounting for the acquisition of UPC Philippine companies has only been provisionally determined as the acquisition occurred close to the end of reporting period. At the date of finalization of these consolidated financial statements, the necessary market valuations and other calculations have not been finalized and they have therefore only been provisionally determined based on the management's best estimate of the likely values.

Investment in SSPC

On November 29, 2022, ACEN, Sungrow, and Havilah signed an agreement for the sale and purchase of Sungrow's and Havilah's shares and/or subscription rights in SSPC to ACEN.

SSPC is the developer of the proposed ~60MWp solar power plant in San Manuel, Pangasinan.

On December 16, 2022, ACEN signed the following documents:

1. Deed of Absolute Sale of Shares with Sungrow for the acquisition by ACEN of Sungrow's 4,400 Class A Common Shares in SSPC;
2. Deed of Absolute Sale of Shares with Havilah for the acquisition by ACEN of Havilah's 600 Class B Common Shares in SSPC;
3. Deed of Assignment of Subscription Rights with Havilah for the acquisition by ACEN of Havilah's subscription rights to 6,000 Class B Common Shares in SSPC; and
4. Subscription Agreement with SSPC for the subscription by ACEN to 600,000 Redeemable Preferred Shares B ("RPS B"), to be issued out of the increase in ACS of SSPC.

The following are the fair value of the identifiable assets and liabilities of SSPC as at the date of acquisition:

Assets	
Cash and cash equivalents	₱268
Input value added tax	92
Property, plant and equipment (see Note 12)	143,706
Other noncurrent assets	20,490
	164,556
Liabilities	
Accounts payable and other current liabilities	17
Income and withholding taxes payable	3
	20
Total identifiable net assets	164,536
Less cost of acquisition	164,398
Gain on bargain purchase (Note 23)	₱138

The acquisition resulted in a gain on bargain purchase which is recognized under "Other income" account in the consolidated statement of income (see Note 23). Consideration transferred was paid in cash on transaction date.



Net cash outflow on acquisition is as follows:

Cash consideration	₱164,398
Less Cash acquired with the subsidiary ^(a)	268
Net cash outflow	₱164,130

^(a)Cash acquired with the subsidiary is included in cash flows from investing activities.

If the acquisition had taken place at the beginning of 2022, revenue contribution for the year ended December 31, 2022, would have been ₱0.01 million and the additional contribution to the net loss attributable to ACEN would have amounted to ₱0.09 million.

2021 Business Combinations of Entities Under Common Control

Acquisition of ACEIC's offshore subsidiaries through share swap

During the regular meeting held on March 18, 2020, the BOD of ACEN approved the consolidation of ACEIC's international business and assets into ACEN via a tax free exchange, whereby ACEIC would transfer its shares of stock in ACEN International, Inc. ("ACEN International"), ACEIC's subsidiary, a holding company that owns ACEIC's international business and investments) to ACEN in exchange for the issuance to ACEIC of additional primary shares in ACEN (assets-for-shares swap), on terms to be determined by ACEN Executive Committee.

On April 1, 2020, ACEN's Executive Committee approved the terms of the exchange at 16,685,800,533 additional primary shares of ACEN to ACEIC at an issue price of ₱2.97 per share in exchange for property consisting of 100% of ACEIC's shares in ACEN International.

On March 18, 2021, the BOD of ACEN approved the property-for-share swap with ACEIC and the issuance of 16.686 billion primary shares to ACEIC in exchange for ACEIC's shares of stock in ACEN International, for an issue price of ₱5.15 per ACEN share.

On the same date, the BOD of ACEN also approved and the amendment to the Articles of Incorporation to increase the number of shares exempt from the pre-emptive right of shareholders for issuance of shares in exchange for property needed for corporate purposes or in payment of previously contracted debt from 16 billion shares to 24 billion shares. This was subsequently approved by the stockholders of the Parent Company during the Annual Stockholders' Meeting held on April 19, 2021.

On April 26, 2021, ACEN signed a Deed of Assignment with ACEIC for the subscription by ACEIC to, and the issuance to ACEIC of, 16,685,800,533 shares at a subscription price of ₱5.15 per share, or an aggregate subscription price of ₱85,931,872,744.95 in exchange for ACEIC's 1,701,284,345 common shares and 15,030,279,000 redeemable preferred shares in ACEN International (share swap transaction), which holds ACEIC's international renewable assets.

On June 7, 2021, the application for the increase from 24.4 billion shares to 48.4 billion shares in the ACS of ACEN was approved by the SEC. Consequently, the closing date of the share swap was on June 7, 2021.

Effective June 7, 2021, ACEN acquired the entities listed below through the share swap transaction with ACEIC. Shares involved common and redeemable preferred shares. As the transaction is outside the scope of PFRS 3, the acquisition was accounted for using the pooling-of-interests method. In applying the pooling-of-interests method, the assets and liabilities of acquired entities are taken into the merged business at their carrying values with restatement of comparative 2020 figures. Likewise, no goodwill was recognized in the business combination.



The transfer was via a tax-free exchange under Section 40(C)(2) of the 1997 National Internal Revenue Code, as amended (“NIRC”), as amended by Republic Act No. 10963 (TRAIN Law) and Republic Act No. 11534 (CREATE Law), for which a request for ruling is no longer required to be filed with the BIR to confirm that the share swap transaction qualifies as a tax-free exchange.

The share swap transaction provides that ACEN shall issue its own shares equivalent to 16,685,800,533 common shares at ₱5.15 per share as consideration in exchange for ACEIC’s interest in the aforementioned entities, giving rise to additional paid-in capital presented in the equity of the Parent Company as follows:

Equity instruments issued	16,685,800,533
Par value per share	₱1.00
Total value of common shares issued	₱16,685,800,533
Transfer value at ₱5.15 per share	85,931,872,745
Gross additional paid-in capital	69,246,072,212
Transaction costs	(398,290,347)
Additional paid-in capital	₱68,847,781,865

Transaction costs include documentary stamp taxes and SEC fees paid relevant to share issuance amounting to ₱398.29 million were charged to additional paid-in capital account.

29. Financial Risk Management Objectives and Policies

Objectives and Investment Policies

The funds of the entities are held directly by the Group and are managed by the Corporate Finance and Treasury Group (“CFT”).

All cash investments of the Group are carried and governed by the following principles, stated in order of importance:

- Preservation of invested cash
- Liquidity of invested cash; and
- Yield on invested cash. Under no circumstance will yield to trump the absolute requirement that the principal amount of investment be preserved and placed in liquid instruments

The CFT manages the funds of the Group and invests them in highly liquid instruments such as short-term deposits, marketable instruments, corporate promissory notes and bonds, government bonds, and trust funds denominated in Philippine peso and U.S. dollar. It is responsible for the sound and prudent management of the Group’s financial assets that finance the Group’s operations and investments in enterprises.

CFT focuses on the following major risks that may affect its transactions:

- Foreign exchange risk
- Credit or counterparty risk
- Liquidity risk
- Interest rate risk

Corporate Planning and Investor Relations (“CPIR”) focuses on the following major risks that may affect its transactions:

- Market risk
- Equity price risk



Commercial Operations (“CO”) focuses on commodity price risk.

Professional competence, prudence, clear and strong separation of office functions, due diligence and use of risk management tools are exercised at all times in the handling of the funds of the Group.

Risk Management Process

Foreign Exchange Risk

The Group defines foreign exchange risk as the risk of realizing reduced operating cash flows and/or increasing the volatility of future earnings from movements in foreign exchange. The risk is measured based on potential downside impact of market volatility to operating cash flows and target earnings.

Foreign exchange risk is generally managed in accordance with the Natural Hedge principle and further evaluated through:

- Continual monitoring of global and domestic political and economic environments that have impact on foreign exchange;
- Regular discussions with banks to get multiple perspectives on currency trends/forecasts; and
- Constant updating of the foreign currency holdings gains and losses to ensure prompt decisions if the need arises.

In the event that a Natural Hedge is not apparent, the Group endeavors to actively manage its open foreign currency exposures through:

- Trading by spot conversions; or
- Entering into derivative forward transactions on a deliverable or non-deliverable basis to protect values.

The Group’s significant foreign currency-denominated financial assets and financial liabilities as at December 31 are as follows:

	2022	2021
	U.S. Dollar	U.S. Dollar
	(US\$)	(US\$)
Financial Assets		
Cash and cash equivalents	\$433,954	\$303,150
Other receivables	492,919	677,566
	926,873	980,716
Financial Liabilities		
Accounts payable and other current liabilities	(64,476)	(18,516)
Notes payable and loans-term loans	(284,620)	(397,744)
	(349,096)	(416,260)
Net foreign currency-denominated assets (liabilities)	\$577,777	\$564,456
Peso equivalent	₱32,424,845	₱28,657,431



In translating foreign currency-denominated financial assets and financial liabilities into Philippine Peso amounts, the exchange rates used were ₱56.12 to US\$1.00 December 31, 2022 and ₱50.77 to US\$1.00 as at December 31, 2021.

The following tables demonstrate the sensitivity to a reasonably possible change in the exchange rate, with all other variables held constant, of the Group's profit before tax (due to the changes in the fair value of monetary assets and liabilities) in periods presented. The possible changes are based on the survey conducted by management among its banks. There is no impact on the Group's equity other than those already affecting the profit or loss. The effect on profit before tax already includes the impact of derivatives.

Pertinent Period	Increase (Decrease) in Foreign Exchange Rate	US\$
December 31, 2022	(₱0.50)	(₱288,889)
	(1.00)	(577,777)
	0.50	288,889
	1.00	577,777
December 31, 2021	(₱0.50)	(₱282,228)
	(1.00)	(564,456)
	0.50	282,228
	1.00	564,456

For subsidiaries with functional currency in US\$, financial assets and liabilities are translated into Philippine peso, presentation currency of the Group using closing exchange rate prevailing at the reporting date, and respective income and expenses at the average rate for the period. These include the assets and liabilities of ACRI and its subsidiaries composed of dollar denominated investments in associates and joint ventures, accounts and other payables, and notes payable with US\$ functional currency, are translated into the presentation currency of the Group using the closing foreign exchange rate prevailing at the reporting date, and the respective income and expenses at the average rate for the period. Assets and liabilities of ACEC, ACEN HK and ACEN Finance which are in US\$ functional currency was likewise translated to the Group's presentation currency.

The exchange difference arising on the translation are recognized in OCI under "Cumulative Translation Adjustments". See below for the carrying amounts.

	2022	
	Peso	US\$
Cash and cash equivalents	₱24,035,474	\$431,091
Receivables	28,183,114	505,481
Investments in:		
Associates and joint ventures	67,285,242	1,206,802
Other financial assets at amortized cost	22,952,511	411,667
Financial asset at FVTPL	1,260,023	22,599
	143,716,364	2,577,640
Accounts payable and other current liabilities	(5,684,034)	(101,947)
Notes payable	(30,529,271)	(547,561)
Net foreign currency position	₱107,503,059	\$1,928,132



	2021	
	Peso	US\$
Cash and cash equivalents	₱15,153,410	\$298,448
Receivables	34,297,177	675,487
Investments in:		
Associates and joint ventures	41,569,737	818,721
Other financial assets at amortized cost	26,846,355	528,742
Financial asset at FVTPL	406,739	8,011
	118,273,418	2,329,409
Accounts payable and other current liabilities	(859,183)	(16,922)
Notes payable	(20,195,054)	(397,744)
Net foreign currency position	₱97,219,181	\$1,914,743

The following are the sensitivity rates used in reporting foreign currency risk internally to key management personnel. The sensitivity rates represent management's assessment of the reasonably possible change in foreign exchange rates.

		Increase (decrease) in Peso per foreign currency	Effect on income before income tax
December 31, 2022	USD	(\$0.50)	(₱964,067)
		(1.00)	(1,928,133)
		0.50	964,067
		1.00	1,928,133
December 31, 2021	USD	(\$0.50)	(₱1,118,686)
		(1.00)	(2,237,372)
		0.50	1,118,686
		1.00	2,237,372

Credit or Counterparty Risk

The Group defines Credit or Counterparty Risk as the risk of sustaining a loss resulting from a counterparty's default to a transaction entered with the Group.

Credit or counterparty risk is managed through the following:

- Investments are coursed through or transacted with duly accredited domestic and foreign banks subject to investment limits per counterparty as approved by the Board.
- Discussions are done on every major investment by CFT before it is executed subject to the Group's Chief Financial Officer (CFO) approval. Exposure limits are tracked for every transaction and CFT Finance Managers supervise major transaction executions.
- Market and portfolio reviews are done at least once a week and as often as necessary should market conditions require. Monthly reports are given to the CFO with updates in between these reports as needed.
- A custodian bank for Philippine peso instruments and foreign currency instruments has been appointed based on its track record on such service and the bank's financial competence.



With respect to credit risk arising from the receivables of the Group, its exposures arise from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

2022						
	Neither Past Due nor Impaired			Past Due but not Impaired	Past Due Individually Impaired	Total
	Class A	Class B	Class C			
Trade and other receivables						
<i>Current:</i>						
Trade receivables	₱7,686,667	₱461,360	₱—	₱171,351	₱60,433	₱8,325,811
Due from related parties	13,950,580	6,536	4,211	1,011,690		14,947,017
Others	6,798,294	155,960	17,020	174,266	84,864	7,230,404
<i>Noncurrent</i>						
Trade receivables	459,132	346,404	—	424,367	22,547	1,252,720
Due from related parties	13,559,933	264	—	534,004	—	14,094,201
Receivables from third parties	1,013,367	2,609	—	47,380	—	1,063,356
	₱43,467,973	₱973,133	₱21,231	₱2,363,058	₱167,844	₱46,913,509

2022						
	Neither Past Due nor Impaired			Past Due but not Impaired	Past Due Individually Impaired	Total
	Class A	Class B	Class C			
Trade and other receivables						
<i>Current:</i>						
Trade receivables	₱470,270	₱3,315,917	₱2,130	₱1,679,530	₱83,240	₱5,551,087
Due from related parties	18,724,341	7,918	216,715	6,629,151		25,578,125
Others	609,083	207,906	627,037	809,039	84,608	2,337,673
<i>Noncurrent</i>						
Trade receivables	—	1,313,647	—	589,634	6,753	1,910,034
Due from related parties	8,484,028	—	—			8,484,028
Receivables from third parties	2,210,103	—	29,577	564,325	6,998	2,811,003
	₱30,497,825	₱4,845,388	₱875,459	₱10,271,679	₱181,599	₱46,671,950

The Group uses the following criteria to rate credit risk as to class:

Class	Description
Class A	Customers with excellent paying habits
Class B	Customers with good paying habits
Class C	Unsecured accounts

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, short-term investments, financial assets at FVOCI and derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.



The Group's assessments of the credit quality of its financial assets are as follows:

- Cash and cash equivalents, short-term investments and derivative assets were assessed as high grade since these are deposited in or transacted with reputable banks, which have low probability of insolvency.
- Listed and unlisted financial assets at FVOCI were assessed as high grade since these are investments in instruments that have a recognized foreign or local third-party rating or instruments which carry guaranty or collateral.

There are no significant concentrations of credit risk within the Group.

Maximum exposure to credit risk of financial assets not subject to impairment

The gross carrying amount of financial assets not subject to impairment also represents the Group's maximum exposure to credit risk which mainly pertains to financial assets at FVOCI amounting to ₱366.84 million and ₱354.87 million as at December 31, 2022 and 2021, respectively.

Maximum exposure to credit risk of financial assets subject to impairment

The gross carrying amount of financial assets subject to impairment are as follows:

	2022	2021
<i>Financial Assets at Amortized Cost (Portfolio 1)</i>		
Cash and cash equivalents	₱34,630,011	₱26,445,429
Short-term investments	528	68,310
Under "Receivables" account		
Current:		
Trade receivables	9,649,612	5,550,827
Due from related parties	14,947,017	25,588,685
Others	7,315,267	2,337,633
Noncurrent:		
Trade receivables	1,230,172	1,910,035
Due from related parties	14,094,201	8,484,028
Receivables from third parties	1,063,355	2,210,103
Other financial assets at amortized cost	22,545,316	26,085,959
Under "Other Noncurrent Assets" account		
Deposits	109,718	165,164
	₱105,585,197	₱98,846,173

The Group's maximum exposure to credit risk are as follows:

	2022				
	Lifetime ECL				
Grade	12-month Stage 1	Stage 2	Stage 3	Simplified Approach	Total
High	₱ 29,473,652	₱—	₱—	₱ 32,273	₱ 29,505,925
Standard	—	—	—	1,573,540	1,573,540
Substandard	—	—	—	—	—
Default	—	—	—	—	—
Gross carrying amount	29,473,652	—	—	1,605,813	31,079,465
Less loss allowance	—	—	—	—	—
Carrying amount	₱ 29,473,652	₱—	₱—	₱ 1,605,813	₱ 31,079,465



	2021				
	Lifetime ECL				
Grade	12-month Stage 1	Stage 2	Stage 3	Simplified Approach	Total
High	₱34,297,803	₱—	₱—	₱26,743	₱34,324,546
Standard	183	—	—	—	183
Substandard	—	—	—	—	—
Default	—	—	—	621	621
Gross carrying amount	34,297,986	—	—	27,364	34,325,350
Less loss allowance	181,599	—	—	—	181,599
Carrying amount	₱34,116,387	₱—	₱—	₱27,364	₱34,143,751

Liquidity Risk

Liquidity risk is defined as the risk that the Group may not be able to settle or meet its obligations on time or at a reasonable price.

Liquidity risk is managed through:

- Asset and Liability Management principle. Short-term assets are used to fund short-term liabilities while major investments, capital expenditures and long-term assets are funded by long-term liabilities.
- Detailed cash flow forecasting and continuous monitoring of the weekly and monthly cash flows as well as frequent updates of the annual plans of the Group.
- Investment maturities being spread on a weekly, monthly, and annual basis as indicated in the Group's plans. Average duration of investments does not exceed one (1) year.
- Setting up working capital lines to address unforeseen cash requirements that may cause pressure to liquidity.

	2022					Total
	On Demand	Less than 3 Months	3 to 12 Months	More than 1 Year to 5 Years	More than 5 Years	
Accounts payable and other current liabilities:						
Trade and nontrade accounts payable	₱5,293,784	₱654,599	₱247,315	₱8,144	₱—	₱6,203,842
Retention payable	12,946	35,220	109,939	—	—	158,105
Accrued expenses ^a	1,930,807	1,993,145	786,139	—	—	4,710,091
Accrued interest	210,510	—	—	272,580	—	483,090
Due to related parties	1,782,157	—	—	—	—	1,782,157
Others	187,227	—	—	—	—	187,227
Derivative Liability	—	3,012	—	—	—	3,012
Short-term loans	—	—	2,900,000	—	—	2,900,000
Due to stockholders	—	—	—	16,585	—	16,585
Lease liabilities ^b	—	96,609	238,677	1,452,701	3,177,193	4,965,180
Long-term loans ^c	—	282,312	1,212,849	14,963,582	20,202,233	36,660,976
Notes payable	—	—	—	35,522,654	—	35,522,654
Other noncurrent liabilities ^d	—	—	—	827,643	—	827,643
	₱9,417,431	₱3,064,897	₱5,494,919	₱53,063,889	₱23,379,426	₱94,420,562

^a Excluding current portion of vacation and sick leave accruals.

^b Gross contractual payments.

^c Including contractual interest payments.

^d Excluding contract liabilities.



	2021					Total
	On Demand	Less than 3 Months	3 to 12 Months	More than 1 Year to 5 Years	More than 5 Years	
Accounts payable and other current liabilities:						
Trade and nontrade accounts payable	P2,163,882	P76,624	P293,538	P1,238,581	P—	P3,772,625
Retention payable	—	—	136,075	—	—	136,075
Accrued expenses ^a	644,535	128,384	501,485	—	—	1,274,404
Accrued interest	169,053	27,124	101,236	252,742	—	550,155
Due to related parties	276,322	5,573	4,975	536,212	—	823,082
Others	18,270	987	120,582	—	—	139,839
Derivative Liability	—	—	241,744	—	—	241,744
Short-term loans	—	—	—	—	—	—
Due to stockholders	16,585	—	—	—	—	16,585
Lease liabilities ^b	—	112,360	226,672	1,401,896	3,566,932	5,307,860
Long-term loans ^c	—	230,879	1,774,699	8,374,528	18,727,675	29,107,781
Notes payable	—	—	—	20,195,054	—	20,195,054
Other noncurrent liabilities ^d	—	—	—	2,392,953	4,333,333	6,726,286
	P3,288,647	P581,931	P3,401,006	P34,391,966	P26,627,940	P68,291,490

^a Excluding current portion of vacation and sick leave accruals.

^b Gross contractual payments.

^c Including contractual interest payments.

^d Excluding contract liabilities.

As at December 31, 2022 and 2021, the profile of financial assets used to manage the Group's liquidity risk is as follows:

	2022				Total
	On Demand	Less than 3 Months	3 to 12 Months	Over 12 Months	
Loans and receivables:					
Current:					
Cash and cash equivalents	P34,630,011	P—	P—	P—	P34,630,011
Short-term investments	—	—	—	—	—
Accounts and Notes Receivables:					
Accounts and other receivable	9,161,537	236,161	1,011,167	—	10,408,865
Notes receivable	13,232,751	421,179	4,318,712	—	17,972,642
Interest receivable	2,267,020	—	—	—	2,267,020
Noncurrent:					
Receivables:					
Accounts and other receivable	—	—	—	1,529,673	1,529,673
Notes receivable	—	—	—	11,974,612	11,974,612
Interest receivable	—	—	—	2,905,991	2,905,991
Derivative assets	—	—	—	617,139	617,139
Other financial assets at amortized cost	—	—	—	22,545,316	22,545,316
Financial assets at FVOCI:					
Quoted	—	—	—	1,822	1,822
Unquoted	—	—	—	365,022	365,022
	P59,291,319	P657,340	P5,329,879	P39,939,575	P105,218,113



	2021				Total
	On Demand	Less than 3 Months	3 to 12 Months	Over 12 Months	
Loans and receivables:					
<i>Current:</i>					
Cash and cash equivalents	P26,445,429	P—	P—	P—	P26,445,429
Short-term investments	68,310	—	—	—	68,310
Accounts and Notes Receivables:					
Accounts and other receivable	5,481,520	1,124,498	—	—	6,606,018
Notes receivable	24,278,081	—	—	—	24,278,081
Interest receivable	2,425,198	—	—	—	2,425,198
<i>Noncurrent:</i>					
Receivables:					
Accounts and other receivable	—	—	—	2,093,042	2,093,042
Notes receivable	—	—	—	9,586,187	9,586,187
Interest receivable	—	—	—	1,512,085	1,512,085
Derivative assets	—	241,744	—	—	241,744
Other financial assets at amortized cost	—	—	—	26,085,959	26,085,959
Financial assets at FVOCI:					
Quoted	—	—	—	353,678	353,678
Unquoted	—	—	—	1,190	1,190
	P58,698,538	P1,366,242	P—	P39,632,141	P99,696,921

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at December 31, 2022 and 2021, the Group has fixed rate financial instruments measured at fair value.

The Group's exposure to interest rate risk relates primarily to long-term debt obligations that bear floating interest rate. The Group generally mitigates risk of changes in market interest rates by constantly monitoring fluctuations of interest rates and maintaining a mix of fixed and floating interest-bearing loans. Specific interest rate risk policies are as follows:

Market Risk

Market risk is the risk that the value of an investment will decrease due to drastic adverse market movements that consist of interest rate fluctuations affecting bid values or fluctuations in stock market valuation due to gyrations in offshore equity markets or business and economic changes. Interest rate, foreign exchange rates and risk appetite are factors of a market risk as the summation of the three defines the value of an instrument or a financial asset.

Equity Price Risk

Equity price risk is the risk to earnings or capital arising from changes in stock exchange indices relating to its quoted equity securities. The Group's exposure to equity price risk relates primarily to its financial assets at FVOCI.

Commodity Price Risk

Cash flow hedges

The Group defines Commodity Price Risk as the risk of realizing reduced profit margins and/or increasing the volatility of future earnings that are affected by the pricing variability and uncertainty in coal and fuel supply and any associated foreign exchange risk. The risk is measured based on potential downside impact of market volatility to target earnings.

To manage Commodity Price Risk, the Group develops a Coal and Fuel Hedging Strategy aimed to:



- Manage the risk associated with unexpected increase in coal and fuel prices which affect the target Profit & Loss of the Group
- Determine the Hedge Item and appropriate Hedging Instrument to use, including but not limited to price, amount and tenor of the hedge to reduce the risk to an acceptable level
- Reduce Mark-to-Market impact of hedges by qualifying the hedging transaction for hedge accounting

Only the Group's Chief Executive Officer, Chief Finance Officer and Philippine Chief Operating Officer (PH COO) are authorized to make coal and bunker fuel oil hedging decisions for the Group. All executed hedges go through a stringent approval process to justify the tenor, price and volume of the hedge to be undertaken.

Monitoring and assessment of the hedge effectiveness and Coal and Fuel Hedging Strategy are reviewed periodically by the Commercial Operations. Continuation, addition, reduction and termination of existing hedges are decided by the Head of CO and any material change in permissible hedging instrument, counterparties and limits are elevated to the BOD for approval.

The Group purchases coal and bunker fuel oil on an ongoing basis for its operating activities in the thermal energy power generators, composed of SLTEC (by virtue of the AMA) and other diesel power plants (CIPP, One Subic Power, Bulacan Power). The increased volatility in coal and fuel oil price over time led to entering in commodity swap contracts. The forecasted volumes are determined based on each plant's projected operating capacity, plant availability, required monthly consumption and storage capacity.

These contracts are expected to reduce the volatility attributable to price fluctuations. Hedging the price volatility of forecast coal and bunker fuel oil purchases is in accordance with the risk management strategy outlined by the Board.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange and commodity swap contracts match the terms of the expected highly probable forecast transactions (i.e., notional amount and expected payment date). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange and commodity swap contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments
- Different indexes (and accordingly different curves) linked to the hedged risk of the hedged items and hedging instruments
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments



The Group is holding the following foreign exchange and commodity swap contracts:

	Maturity						
	< 1 month	1-3 months	4-6 months	7-9 months	10-12 months	>12 months	Total
As at December 31, 2022							
Foreign exchange forward contracts							
Notional amount (\$000)	\$10,600	\$4,115	\$—	\$—	\$—	\$—	\$14,715
Average forward rate (\$/P)	55.63	56.78	—	—	—	—	
Fuel							
Notional amount (in Metric Tons)	16,800	—	—	—	—	—	16,800
Notional amount (in \$000)	(\$461)	\$—	\$—	\$—	\$—	\$	(\$461)
Average hedged rate (\$ per Metric ton)	327.97	—	—	—	—	—	
Coal							
Notional amount (in Metric Tons)	9,000	—	—	—	—	1,950	10,950
Notional amount (in \$000)	\$846	\$—	\$—	\$—	\$—	\$39	\$885
Average hedged rate (\$ per Metric ton)	408.63	—	—	—	—	—	
As at December 31, 2021							
Foreign exchange forward contracts							
Notional amount (\$000)	\$—	\$360	\$270	\$181	\$273	\$—	\$1,084
Average forward rate (\$/P)	—	48.23	48.38	48.37	48.72	—	—

There were no additional fuel and coal commodity swap contracts entered into and the remaining coal contracts in 2021 were all settled as at December 31, 2021.

The impact of the hedging instruments on the consolidated statements of financial position are as follows:

	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period
As at December 31, 2022				
Foreign exchange forward contracts	\$14,715	(3,012)	Accounts payable and other current liabilities	(P3,012)
Commodity swap contracts – Fuel	\$16,800	11,604	Other current assets	8,703
Commodity swap contracts – Fuel		(37,500)	Other noncurrent liabilities	(28,125)
Commodity swap contracts – Coal	\$10,950	49,666	Other current assets	35,603
As at December 31, 2021				
Foreign exchange forward contracts	\$1,084	241,744	Other current assets	241,744
Commodity swap contracts - Coal	—	—	Other current assets	—



The impact of hedged items on the consolidated statements of financial position are as follows:

	Change in fair value used for measuring ineffectiveness	Cash flow hedge reserve	Cost of hedging reserve
As at December 31, 2022			
Highly probable forecast purchases	₱55,500	(₱51,722)	₱—
Highly probable forecast purchases	(3,012)	—	—
Fuel purchase	8,703	—	—
Fuel purchase	(28,125)	—	—
Coal purchase	35,603	—	—
As at December 31, 2021			
Highly probable forecast purchases	(₱47,029)	₱6,228	₱—
Highly probable forecast purchases	241,744	—	—

The effect of the cash flow hedge in the consolidated statements of comprehensive income are as follows:

	Total hedging gain/(loss) recognized in OCI	Ineffectiveness recognized in profit or loss	Line item in consolidated statements of comprehensive income	Cost of hedging recognized in OCI	Amount reclassified from OCI to profit or loss	Line item in the statement of profit or loss
As at December 31, 2022						
Foreign exchange forward contracts	₱—	(₱3,012)	Other income (expense)	₱—	₱—	₱—
Foreign exchange forward contracts	55,500	—	Unrealized fair value gains on derivative instruments designated as hedges	—	—	—
Commodity swap contracts - Fuel	8,703	—	Unrealized fair value gains on derivative instruments designated as hedges	—	—	—
Commodity swap contracts - Fuel	(28,125)	—	Unrealized fair value gains on derivative instruments designated as hedges	—	—	—
Commodity swap contracts - Coal	35,603	—	Unrealized fair value gains on derivative instruments designated as hedges	—	—	—
As at December 31, 2021						
Foreign exchange forward contracts	₱—	₱241,744	Other income (expense)	₱—	₱—	₱—
Foreign exchange forward contracts	(47,029)	—	Unrealized fair value gains on derivative instruments designated as hedges	—	—	—

Monitoring of Risk Management Process

Risk management is regarded as a core competency, thus review of processes and approval processes including periodic audit are practiced and observed as follows:

- Enterprise risk assessments are refreshed on an annual basis. Risk assessments at the plant level are also conducted for operational risks. Insurance coverage is also reviewed annually by the Insurance Committee.
- Monthly Treasury meetings are scheduled where approved strategies, limits, mixes are challenged and rechallenged based on current and forecasted developments on the financial and political events.
- Monthly management reports are submitted to the Operations Management Committee that includes updates from the various business and functional units, including market updates. This



includes updates on financials, leverage, operations, health and safety, human resources, sustainability, and other risk areas.

- Annual planning sessions are conducted to set the targets for the Group, and these are revisited at midyear to review the progress and risks related to the accomplishment of these targets.
- Annual teambuilding sessions are organized as a venue for the review of personal goals, corporate goals and professional development.
- One on one coaching sessions are scheduled to assist, train and advise personnel.
- Periodic review of Treasury risk profile and control procedures.
- Periodic specialized audit is performed to ensure active risk oversight.

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 support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or acquire long-term debts.

The Group monitors capital using a gearing ratio of debt to equity and net debt to equity.

Debt consists of short-term and long-term debts of the Group. Net debt includes short-term and long-term debts less cash and cash equivalents, short-term investments and restricted cash. The Group considers its total equity as capital.

	2022	2021
Short-term debt (Note 16)	₱2,900,000	₱—
Long-term debt (Note 16)	60,864,602	41,137,275
Total debt	63,764,602	41,137,275
Less:		
Cash and cash equivalent (Note 4)	34,630,011	26,388,448
Short-term investments (Note 14)	528	68,310
Restricted cash (Note 4)	—	56,981
Net debt	29,134,063	14,623,536
Total equity	149,593,443	117,968,762
Debt to equity	43.40%	34.87%
Net debt to equity	19.83%	12.40%

The Group closely monitors its debt covenants and maintains a capital expenditure program and dividend declaration policy that keep the compliance of these covenants into consideration. The Group is not subject to externally imposed capital requirements.



30. Fair Values

The table below presents the carrying values and fair values of the Group's financial assets and financial liabilities, by category and by class, as at December 31, 2022 and 2021:

2022				
	Carrying Value	Fair Value		
		Quoted Prices in Active Markets (Level 1)	Significant Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Financial assets at FVTPL	₱1,302,886	₱–	₱1,302,886	₱–
Financial assets at FVOCI	366,844	–	366,844	–
Other financial assets at amortized cost	21,260,907	–	–	18,623,291
Derivative asset*	617,139	–	617,139	–
Refundable deposits**	109,718	–	–	109,608
Trade receivables***	906,343	–	–	937,789
Receivables from third parties****	51,025	–	–	51,025
	₱24,614,862	₱–	₱2,286,869	₱19,721,713
Liabilities				
Notes payable	₱32,093,314	₱–	₱–	₱28,638,196
Long-term debt	28,771,288	–	–	28,282,078
Deposit payables and other liabilities*****	92,667	–	91,522	–
Derivative liability*****	37,500	–	37,500	–
Lease liabilities	4,465,021	–	–	3,391,140
	₱65,450,322	₱–	₱116,844	₱60,311,414

* Included under "Other current assets" account.

** Included under "Other noncurrent assets" account.

*** Included under "Receivables" and "Other noncurrent assets" accounts and pertain to FIT adjustments and multilateral agreement with PEMC

**** Included under "Receivables"

***** Included under "Accounts payable and other current liabilities" and "Other noncurrent liabilities" accounts.

***** Included under "Other noncurrent Liabilities"

2021				
	Carrying Value	Fair Value		
		Quoted Prices in Active Markets (Level 1)	Significant Observable Input (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Financial assets at FVTPL	₱406,739	₱–	₱406,739	₱–
Financial assets at FVOCI	354,868	21	354,847	–
Other financial assets at amortized cost	26,085,959	–	–	25,515,486
Derivative asset*	241,744	–	241,744	–
Refundable deposits**	165,164	–	–	167,953
Trade receivables***	2,052,268	–	–	2,081,941
Receivables from third parties****	75,752	–	–	75,752
	₱29,382,494	₱21	₱1,003,330	₱27,841,132
Liabilities				
Notes payable	₱20,195,054	₱–	₱–	₱20,447,789
Long-term debt	20,942,221	–	–	20,906,144
Deposit payables and other liabilities*****	174,581	–	–	203,399
Derivative liability	241,744	–	241,744	–
Lease liabilities	2,696,252	–	–	3,369,737
	₱44,249,852	₱–	₱241,744	₱44,927,069

* Included under "Other current assets" account.

** Included under "Other noncurrent assets" account.

*** Included under "Receivables" and "Other noncurrent assets" accounts and pertain to FIT adjustments and multilateral agreement with PEMC

**** Included under "Receivables" and "Other noncurrent assets" accounts.

***** Included under "Accounts payable and other current liabilities" and "Other noncurrent liabilities" accounts.



The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Cash and Cash Equivalents, Short-term Investment, Receivables, Accounts Payable and Other Current Liabilities and Due to Stockholders

The carrying amounts of cash and cash equivalents, short-term investment, receivables, accounts payable and other current liabilities and due to stockholders approximate their fair values due to the relatively short-term maturities of these financial instruments.

Financial Asset at FVTPL and FVOCI

Quoted market prices have been used to determine the fair values of quoted financial assets at FVOCI.

For unquoted financial assets at FVTPL and FVOCI, management uses the discounted cash flow technique in estimating the fair value of the financial instruments. Based on the financial performance and financial position of the investee entity which is a related party investment company, management estimates the amount and timing of the future cash inflow arising from redemption of preferred shares.

Other Financial Assets at Amortized Cost

This includes investments in redeemable preferred shares and convertible loans. The estimated fair value is based on the discounted value of future cash flows using the prevailing credit adjusted risk-free rates that are adjusted for credit spread.

Noncurrent trade receivables, Receivables from third parties, Refundable Deposits, Deposits Payable and Other Liabilities

Estimated fair value is based on present value of future cash flows discounted using the prevailing BVAL rates that are specific to the tenor of the instruments' cash flows at the end of the reporting period.

Long-Term Loans

The estimated fair value is based on the discounted value of future cash flows using the prevailing credit adjusted risk-free rates that are adjusted for credit spread. Interest rates used in discounting cash flows ranged from 1.03% to 9.13% and 4.40% to 7.10% as at December 31, 2022 and 2021, respectively.

Notes Payable

The estimated fair value is based on the discounted value of future cash flows using the prevailing credit adjusted risk-free rates that are adjusted for credit spread. Interest rates used in discounting cash flows is 6.47% and 4.40% as at December 31, 2022 and 2021 respectively.

Derivative asset and liability

The fair value of the derivative asset and liability is determined using valuation techniques with inputs and assumptions that are based on market observable data and conditions and reflect



appropriate risk adjustments that market participants would make for risks existing at the end of each reporting period.

31. Operating Segment Information

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

For management purposes, the Group is organized into the following business units:

- Philippines, which includes:
 1. Retail Electricity Supply (RES) or Commercial Operations (CO)
 2. Renewables - generation, transmission, distribution, and supply of electricity using renewable sources such as solar, wind, and geothermal resources
 3. Thermal - generation, transmission, distribution, and supply of electricity using conventional way of energy generation
 4. Project development
 5. Leasing
 6. bulk water supply, and
 7. Petroleum and exploration
- International represents the operations of ACRI, which is the holding company for all offshore investments. This includes earnings from the international renewable investments, as well as project development expenses and overhead expenses for the various renewable power projects in the pipeline
- Parent and Others represents operations of the Parent Company (excluding RES / CO) and ACE Shared Services, Inc. This also includes interest expense incurred by ACEN Finance Limited.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. The chief operating decision-maker (CODM) has been identified as the chief executive officer. The CODM reviews the Group's internal reports to assess performance of the Group.

Revenue earned from a single external customer amounted to ₱11,880 million and ₱7,023 million in 2022 and 2021, respectively, which accounted for more than 10% of the consolidated revenues from external customers, arise from sales in the Philippine Segment.

Intersegment transfers or transactions are entered into under the normal commercial terms and conditions that would also be available to unrelated third parties. Segment revenue, segment expense and segment results are shown net of transfers between operating segments. Those transfers are eliminated in consolidation.



The following tables regarding operating segments present revenue and income information for the years ended December 31, 2022, 2021 and 2020 and assets and liabilities as at December 31, 2022, 2021, and 2020:

For the year ended December 31, 2022				
	Philippines	International	Parent and Others	Consolidated
Revenues				
Revenue from sale of electricity	₱34,995,488	₱—	₱—	₱34,995,488
Rental income	68,469	—	—	68,469
Dividend income	—	3,635	—	3,635
Other revenues	79,282	28,586	63,091	170,959
	35,143,239	32,221	63,091	35,238,551
Costs and expenses				
Costs of sale of electricity	34,183,239	—	—	34,183,239
General and administrative expenses	655,629	1,830,939	1,415,249	3,901,817
	34,838,868	1,830,939	1,415,249	38,085,056
Interest and other finance charges	(1,101,532)	(1,067,837)	(188,162)	(2,357,531)
Equity in net income of associates and joint ventures	783,095	154,739	—	937,834
Other income - net	381,292	17,692,343	128,357	18,201,992
Net income (loss) before income tax	367,226	14,980,527	(1,411,963)	13,935,790
Benefit from income tax	(338,523)	(81,862)	(241,713)	(662,098)
Segment net income (loss)	₱705,749	₱15,062,389	(₱1,170,250)	₱14,597,888

Other disclosures:

Depreciation and amortization	1,949,062	16,673	212,673	2,178,408
Capital expenditures	25,808,545	24,774,169	—	50,582,714
Provision for impairment of property, plant and equipment, advances to contractors and investment in an associate	40,188	—	—	40,188

As at December 31, 2022

Operating assets	₱37,606,942	₱92,551,857	₱102,613,764	₱232,772,563
Operating liabilities	₱11,531,664	₱36,852,019	₱34,795,437	₱83,179,120

Other disclosures:

Investments in associates and joint ventures	₱10,392,685	₱14,373,748	₱—	₱24,766,433
Pension & other employment benefits	38,804	—	38,193	76,997

For the year ended December 31, 2021

	Philippines	International	Parent and Others	Consolidated
Revenues				
Revenue from sale of electricity	₱25,878,039	₱—	₱—	₱25,878,039
Rental income	61,466	—	—	61,466
Dividend income	—	11,725	—	11,725
Other revenues	20,316	46,685	63,210	130,211
	25,959,821	58,410	63,210	26,081,441
Costs and expenses				
Costs of sale of electricity	21,469,733	—	—	21,469,733
General and administrative expenses	1,036,059	1,254,785	494,705	2,785,549
	22,505,792	1,254,785	494,705	24,255,282
Interest and other finance charges	(812,861)	(320,170)	(561,349)	(1,694,380)



Equity in net income of associates and joint ventures	1,126,943	825,810	—	1,952,753
Other income - net	(762,868)	5,601,000	885,509	5,723,640
Net income (loss) before income tax	3,005,243	4,910,265	(107,336)	7,808,172
Provision for (benefit from) income tax	277,183	37,625	(172,671)	142,137
Segment net income	₱2,728,060	₱4,872,640	₱65,335	₱7,666,035

Other disclosures:

Depreciation and amortization	1,856,163	51	149,651	2,005,865
Capital expenditures	13,517,192	19,718,901	—	33,236,093
Provision for impairment of property, plant and equipment, advances to contractors and investment in an associate	301,413	—	—	301,413

As at December 31, 2021

Operating assets	₱64,282,801	₱90,206,146	₱16,672,440	₱171,161,387
Operating liabilities	₱18,064,751	₱21,165,040	₱13,962,834	₱53,192,625

Other disclosures:

Investments in associates and joint ventures	₱7,762,008	₱13,596,293	₱—	₱21,358,301
Pension & other employment benefits	48,499	—	31,923	80,422

For the year ended December 31, 2020

	Philippines	International	Parent and Others	Consolidated
Revenues				
Revenue from sale of electricity	₱20,283,303	₱—	₱—	₱20,283,303
Rental income	86,623	—	—	86,623
Dividend income	—	14,034	—	14,034
Other revenues	68,985	34,812	480	104,277
	20,438,911	48,846	480	20,488,237
Costs and expenses				
Costs of sale of electricity	13,420,539	—	—	13,420,539
General and administrative expenses	2,233,968	183,037	600,661	3,017,666
	15,654,507	183,037	600,661	16,438,205
Interest and other finance charges	(1,079,410)	(166,076)	(742,600)	(1,988,086)
Equity in net income of associates and joint ventures	898,513	591,679	—	1,490,192
Other income (expense) - net	250,603	2,962,795	338,491	3,551,889
Net income (loss) before income tax	4,854,110	3,254,207	(1,004,290)	7,104,027
Provision for (benefit from) income tax	980,369	29,147	(307,639)	701,877
Segment net income (loss)	₱3,873,741	₱3,225,060	(₱696,651)	₱6,402,150

Other disclosures:

Depreciation and amortization	1,781,180	36	29,527	1,810,743
Capital expenditures	6,161,117	—	98,344	6,259,461
Provision for impairment of property, plant and equipment, advances to contractors and investment in an associate	161,393	—	270,529	431,922

As at December 31, 2020

Operating assets	₱59,958,203	₱78,534,519	₱3,323,098	₱141,815,820
Operating liabilities	₱16,265,006	₱595,696	₱20,675,783	₱37,536,485

Other disclosures:

Investments in associates and joint ventures	₱6,618,590	₱12,176,499	₱—	₱18,795,089
Pension & other employment benefits	31,617	—	19,312	50,929



Adjustments and Eliminations

Interest on parent loans and other financial income, including fair value gains and losses on financial assets, are not allocated to individual segments as the underlying instruments are managed on a group basis. Likewise, certain operating expenses and finance-related charges are managed on a group basis and are not allocated to operating segments. Allocable operating expenses have been allocated as applicable.

Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis.

Capital expenditures consist of additions to property, plant and equipment. Investments and advances consist of investments and cash advances to the Group's associates and joint ventures.

Other income - Net includes interest and other financial income from investments in redeemable preferred shares of associates and joint ventures and from development loans and advances to these associates and joint ventures, guarantee fee income, reversal of allowance for impairment of advances to contractors and impairment of investments in joint venture, tax credits on real property taxes, gain (loss) on derivatives, gain on sale of by-product, claims on insurance, foreign exchange gain (loss), gain (loss) on sale of property, plant and equipment, mark-to market gains, fees on advisory services, and other miscellaneous income (expense) which are allocated to operating segments.

32. Supplemental Cash Flows Information

The non-cash investing activities of the Group for the years ended December 31, 2022 and 2021 are as follows:

	2022	2021
Non-cash additions to property, plant and equipment	₱1,466,936	₱33,334
Set-up of ROU assets from new lease agreements	282,104	1,242,723
Reclassifications to (from):		
Property, plant and equipment	186,683	670,393
Investments in associates and joint ventures	148,975	—
Other noncurrent assets	(936,776)	—
Creditable withholding taxes	(337,737)	(188,201)
Investments in other financial assets at amortized cost	(59,782)	—
Noncurrent assets held for sale	(1,539)	283,168
Other current assets	—	35,046
Goodwill and other intangible assets	—	216
Right-of-use assets	—	(672,133)
Investment properties	—	(438,375)
Changes due to business combinations (Note 28):		
Property, plant and equipment	14,712,729	—
Right-of-use assets	1,323,557	—
Other noncurrent assets	1,323,653	—
Goodwill and other intangible assets	103,672	—
Investments in other financial assets at amortized cost (Note 8)	(12,951,246)	—
Investments in associates and joint ventures	(4,578,944)	—
Changes due to loss of control (Note 2):		
Property, plant and equipment	(14,221,341)	—
Other noncurrent assets	(319,293)	—
Creditable withholding taxes	(117,954)	—
Input VAT – net of current portion	(4,973)	—



Movements in the Group's liabilities from financing activities for the years ended December 31, 2022 and 2021 are as follows:

	January 1, 2022	Availments/ Proceeds	Payments	Others	December 31, 2022
Current portion of:					
Short-term loans	P=	P23,259,020	(P20,359,020)	P=	P2,900,000
Long-term loans	824,488	—	(7,387,050)	7,281,947	719,385
Lease liabilities	536,950	—	(291,085)	12,697	258,562
Interest payable	448,919	—	(1,955,949)	1,990,120	483,090
Due to stockholders	16,585	—	(3,801,730)	3,801,730	16,585
Noncurrent portion of:					
Notes payable	20,195,054	10,000,000	—	1,898,260	32,093,314
Long-term loans	20,117,733	23,012,509	—	(15,078,339)	28,051,903
Lease liabilities	2,159,302	—	—	2,047,157	4,206,459
Other noncurrent liabilities	2,736,920	—	(1,040,364)	(868,913)	827,643
Total liabilities from financing activities	P47,035,951	P56,271,529	(P34,986,125)	P1,235,586	P69,556,941

	January 1, 2021	Availments/ Proceeds	Payments	Others	December 31, 2021
Current portion of:					
Short-term loans	P4,635,000	P3,000,000	(P7,635,000)	P=	P=
Long-term loans	707,782	—	(2,188,811)	2,305,517	824,488
Lease liabilities	285,001	—	(450,271)	702,220	536,950
Interest payable	203,972	—	(1,165,047)	1,409,994	448,919
Due to stockholders	18,272	—	(3,428,512)	3,426,825	16,585
Noncurrent portion of:					
Notes payable	—	20,383,600	—	(188,546)	20,195,054
Long-term loans	21,546,373	848,276	—	(2,276,916)	20,117,733
Lease liabilities	1,631,628	—	—	527,674	2,159,302
Other noncurrent liabilities	1,695,048	1,016,196	—	25,676	2,736,920
Total liabilities from financing activities	P30,723,076	P25,248,072	(P14,867,641)	P5,932,444	P47,035,951

Long term loans include those assumed through business combination with carrying amounts of AU\$138.29 million (US\$ 88.47 million) Construction facility loan under NESF Syndicated Facility Agreement, AU\$10.50 million (US\$ 6.71 million) green long-term revolving loan with DBS Bank Australia ("DBS Bank"), AU\$10.00 million (US\$ 6.40 million) green term loan with MUFG Bank, Ltd., Sydney Branch ("MUFG Bank") and AU\$0.38 million (US\$ 0.24 million) green term loan facility agreement with Clean Energy Finance Corporation ("CEFC") were assumed as a result of acquisition of control over UPC-ACE Australia (see Note 28).

33. Provisions and Contingencies

Tax assessments:

On August 20, 2014, ACEN distributed cash and property dividends in the form of shares in ENEX after securing SEC's approval of the registration and receipt of CAR from the BIR.

On October 22, 2014, ACEN received from the BIR a Formal Letter of Demand ("FLD"), assessing ACEN for a total donor's tax due of P157.75 million inclusive of penalty and interest up to September 30, 2014.



On November 21, 2014, ACEN and its independent legal counsel filed an administrative protest in response to the FLD, on the following grounds:

1. The dividend distribution is a distribution of profits by ACEN to its stockholders and not a “disposition” as contemplated under Revenue Regulations Nos. 6-2008 and 6-2013 which would result in the realization of any capital gain of ACEN;
2. ACEN did not realize any gain or increase its wealth as a result of the dividend distribution; and,
3. There was no donative intent on the part of ACEN.

On May 27, 2015, ACEN received from the BIR a Final Decision on Disputed Assessment (“FDDA”) denying the protest.

On June 25, 2015, ACEN filed with the Court of Tax Appeals (“CTA”) a Petition for Review seeking a review of the FDDA and requesting the cancellation of the assessment.

In its decision dated September 28, 2018, the CTA Third Division granted ACEN’s petition and ordered the cancellation and withdrawal of the FLD (the “CTA Third Division Decision”). On January 18, 2019, the CTA denied the Commissioner of Internal Revenue’s (“CIR”) motion for reconsideration (“CTA Resolution”). On February 22, 2019, the CIR filed a petition for review with the CTA *en banc* seeking the reversal of the CTA Third Division’s Decision and CTA Resolution. On July 21, 2020, the CTA *en banc* upheld the CTA Third Division Decision and denied the CIR’s petition. The CIR filed a motion for reconsideration dated August 26, 2020. In response, ACEN filed its Comment/ Opposition. As at March 7, 2023, the CIR’s motion for reconsideration has not been resolved by the CTA *en banc*.

Claims for tax refund

- a. On May 19, 2022, Guimaras Wind received a copy of the Decision of the CTA En Banc dated May 17, 2022 denying Guimaras Wind's Petition for Review for lack of merit. The CTA en banc affirmed the decision dated January 3, 2020 and Resolutions dated July 1, 2020 and September 23, 2020, both rendered by the CTA Third Division, which partially granted Guimaras Wind's claim for the refund of or the issuance of a tax credit certificate in the reduced amount of ₱16,149,514.98, out of the total amount claimed of ₱335,759,253, representing Guimaras Wind's excess and unutilized input value-added tax for Q3 and Q4 of 2014 and Q1 and Q2 of 2015. Guimaras Wind filed its Motion for Reconsideration (MR) to the CTA En Banc on June 3, 2022.

On June 27, 2022, Guimaras Wind received a Resolution from the CTA En Banc directing Guimaras Wind to file its Comment to the MR filed by the Commissioner of Internal Revenue within five (5) days from receipt of the said Resolution. Consequently, Guimaras Wind complied with the Resolution and filed its Comment to the CTA En Banc on July 4, 2022. The case remains pending with the CTA En Banc.

On January 17, 2023, the CTA EB issued a Resolution reiterating its Decision dated May 17, 2022, which in turn affirmed the CTA Third Division’s Decision limiting the Guimaras Wind’s entitlement to refund to a reduced amount of ₱16,149,514.98.

The CTA EB held that the Certificate of Endorsement (COE) from the Department of Energy (DOE) and the Certificate of Compliance (COC) from the Energy Regulatory Commission (ERC) are both required in order for Guimaras Wind to properly avail VAT zero-rating incentives. The CTA EB also rejected the Guimaras Wind’s position that its application for COC should be deemed “provisionally approved” six months from the filing of its application for a COC with the ERC.



On February 3, 2023, Guimaras Wind filed a Motion for Extension of Time to File Petition for Review on Certiorari with the Supreme Court. The Petition for Review is due for filing on March 7, 2023.

- b. In 2018, SACASOL filed a Petition for Review with the CTA regarding the disallowed claim of 2014 and 2015 input VAT amounting to ₱62.64 million. On February 3, 2020, SACASOL filed a Memorandum with the CTA on the pending case. CTA Third Division denied the Petition of SACASOL on Feb. 3, 2021. A Motion for Reconsideration, Supplement to the Motion for Reconsideration with Ad Cautelam Motion to Admit Additional Evidence, and Second Supplement to the Motion for Reconsideration with Ad Cautelam Motion to Admit Additional Evidence were filed in 2021. As at December 13, 2021, CTA Third Division denied the MR. As at March 7, 2023, SACASOL elevated and filed a Petition for Review before the CTA En Banc.

Compliance with Must Offer Rule

On October 4, 2018, CIPP, One Subic Power, Bulacan Power and the Parent Company received a letter from PEMC for pending investigation of trading intervals covering periods from 2014 to 2018. The scope of the investigation covers possible non-compliance with the Must Offer Rule (MOR) and with the Real-Time Dispatch (RTD) or System Operator Instructions.

On October 28, 2020 and August 17, 2021, the PEMC Board cleared CIP and found no breaches from August 2014 to December 2015. On June 3, 2022, the PEMC Board cleared One Subic Power and found no breaches for the period May- December 2014 period. In the May 2022 meeting, PEMC met with trading participants with pending investigations and discussed a shortened process in the investigation while at the same time ensuring due process for all participants. The shortened process will adopt the current PEMC process of frequently flagging the trading participant of the intervals under investigation and requesting for immediate replies and dispensing with lengthy discussions in its investigation reports. At present, the PEMC is still finishing all its investigations.

Refund of Market Transaction Fee from PEMC

On July 9, 2020, the ERC issued its Decision on ERC Case 2015-160 RC ordering PEMC to refund the over collection in the Market Transaction Fee (MTF) in 2016 and 2017. The ERC determined the over collection by getting the variance between the MTF collected in 2016 and 2017, and the ERC-Approved Budget of PEMC for the same period. The total refund was determined at ₱433.20 million which shall be apportioned among all the Luzon and Visayas participants. The ERC has directed PEMC to implement the refund over twelve (12) months beginning the next billing month upon receipt of the relevant Decision.

The PEMC filed a motion for reconsideration with the ERC. In an Order promulgated on June 11, 2021, the ERC resolved to deny the motion for reconsideration filed by the. The market level fee approved by the ERC in its Decision of July 2020 was implemented by the Independent Electricity Market Operator of the Philippines for the WESM market fee collection for the calendar year 2021.



34. Events After the Reporting Period

Below are the events after the reporting period which are treated as non-adjusting events as at December 31, 2022:

Update on the Group's up to ₱1,000.00 million Omnibus Loan and Security Agreement ("OLSA") with Provincia Investments Corporation ("PIC") and Solar Philippines Power Project Holdings, Inc. ("Solar PH")

The Parent Company's Executive Committee (acting on authority from the Board) approved on January 25, 2023, the execution by the Parent Company of definitive agreements whereby the Parent Company will receive from Solar PH, 500 million shares in SPNEC, a listed company which is an affiliate of Solar PH (which SPNEC shares have a market value of ~₱660 million as at January 24, 2023) as (a) pre-payment for part of the loan's principal, and (b) payment of interest and arrangement and security amendment fees in consideration for the Parent Company releasing its pledge over shares owned by Solar PH in SPNEC (the "Transaction").

Acquisition by ACEN of the effective ownership interest of UPC Renewables Asia Pacific Holdings Pte Limited ("UPCAPH") and Mr. Anton Rohner ("Rohner") in ACEN Australia (formerly, UPC-AC Renewables Australia)

On 1 February 2023, ACRI and UPCAPH signed an Instrument of Transfer for the transfer to ACRI of UPCAPH's remaining 4,766 ordinary shares in UPC-AC Energy Australia (HK) Limited, which completes the second and final tranche of ACRI's acquisition of ACEN Australia.

The acquisition transforms the UPC\AC Renewables Australia joint venture into ACEN Australia, the Group's first wholly owned development and operating platform outside of the Philippines.

The acquisition results in the full ownership by ACEN of the 521 MW New England solar farm and the 520 MW Stubbo solar farm in Australia, as well as the development pipeline of ACEN Australia spanning New South Wales, Tasmania, Victoria, and South Australia.

Completion of 2nd Stage acquisition

On February 1, 2023, ACRI completed its previously announced acquisition of the Australia development platform.

ACRI and UPCAPH signed an Instrument of Transfer for the transfer to ACRI of UPCAPH's remaining 4,766 ordinary shares in UPC-ACE Australia, which completes the second and final tranche of the Company's acquisition of ACEN Australia.

The acquisition transforms the joint venture into a subsidiary, the Group's first wholly owned development and operating platform outside of the Philippines. The acquisition results in the full ownership by the Group of the 521 MW New England solar farm and the 520 MW Stubbo solar farm in Australia, as well as the development pipeline of ACEN Australia spanning New South Wales, Tasmania, Victoria, and South Australia.

