

AC Energy and Infrastructure Corporation and Subsidiaries

Consolidated Financial Statements
December 31, 2022 and 2021

and

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

The Board of Directors and the Stockholders
AC Energy and Infrastructure Corporation and Subsidiaries

Opinion

We have audited the consolidated financial statements of AC Energy and Infrastructure Corporation and Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2022 and 2021, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

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

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

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



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

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

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

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

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



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

SYCIP GORRES VELAYO & CO.



Lucy L. Chan

Partner

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Tax Identification No. 152-884-511

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

SEC Partner Accreditation No. 88118-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. 08-001998-046-2020, December 3, 2020, valid until December 2, 2023

PTR No. 9369790, January 3, 2023, Makati City

April 28, 2023



**AC ENERGY AND INFRASTRUCTURE CORPORATION
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 25)	₱35,512,201,706	₱37,890,174,302
Short-term investments	528,000	68,310,124
Current portion of receivables (Notes 5 and 25)	32,703,753,963	24,328,628,347
Financial assets at fair value through profit or loss (FVTPL; Notes 9 and 25)	42,862,548	—
Current portion of:		
Input value-added taxes (VAT)	2,192,258,390	1,339,897,474
Creditable withholding tax	940,403,215	837,441,345
Other current assets (Note 15)	2,147,895,608	2,535,015,319
	73,539,903,430	66,999,466,911
Noncurrent assets held for sale (Note 6)	11,821,057,526	12,386,687,528
Total Current Assets	85,360,960,956	79,386,154,439
Noncurrent Assets		
Investments in:		
Associates and joint ventures (Note 7)	34,583,838,720	27,984,232,021
Other financial assets at amortized cost (Notes 8 and 25)	21,260,907,142	26,085,958,998
Financial assets at FVTPL (Notes 9 and 25)	1,260,022,842	406,738,633
Financial assets at fair value through other comprehensive income (FVOCI; Notes 10 and 25)	895,822,682	461,962,770
Property, plant and equipment (Note 11)	61,885,838,274	40,144,784,623
Right-of-use (ROU) assets (Note 12)	4,102,990,249	2,541,173,745
Investment property (Note 13)	415,854,219	13,084,800
Receivables - net of current portion (Notes 5 and 25)	39,078,720,776	33,579,867,085
Intangible assets: (Note 14)		
Goodwill	22,042,657,790	1,767,760,807
Other intangible assets	2,155,391,832	2,209,246,187
Net of current portion:		
Input VAT	2,504,918,979	525,071,463
Creditable withholding tax	1,260,925,074	1,130,996,578
Deferred tax assets - net (Note 22)	1,833,329,812	616,481,641
Other noncurrent assets (Note 15)	2,772,452,515	2,806,653,614
Total Noncurrent Assets	196,053,670,906	140,274,012,965
TOTAL ASSETS	₱281,414,631,862	₱219,660,167,404

(Forward)



	December 31	
	2022	2021
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts and other payables (Notes 16 and 25)	₱14,691,858,815	₱7,180,168,619
Short-term loans (Notes 17 and 25)	2,900,000,000	—
Current portion of loans payable (Notes 17 and 25)	846,848,739	828,488,232
Current portion of lease liabilities (Notes 12 and 25)	262,226,361	546,831,152
Other current liabilities (Notes 18 and 25)	359,036,936	514,767,734
Total Current Liabilities	19,059,970,851	9,070,255,737
Noncurrent Liabilities		
Notes payable (Notes 17 and 25)	74,935,143,429	59,193,577,539
Loans payable - net of current portion (Notes 17 and 25)	39,070,358,498	29,331,598,703
Lease liabilities (Notes 12 and 25)	4,248,114,367	2,210,398,910
Deferred tax liabilities - net (Note 22)	626,563,188	438,252,741
Other noncurrent liabilities (Note 19)	962,735,351	3,000,055,793
Total Noncurrent Liabilities	119,842,914,833	94,173,883,686
Total Liabilities	138,902,885,684	103,244,139,423
Equity		
Paid-in capital (Note 20)	33,537,220,900	33,537,220,900
Equity reserves (Note 20)	13,382,014,213	12,505,423,612
Remeasurement loss on defined benefit obligation (Note 19)	(58,544,517)	(64,736,721)
Unrealized fair value loss on equity instruments at FVOCI (Note 10)	(22,501,922)	(5,110,940)
Unrealized fair value gain on derivative instruments designated as hedges (Note 25)	280,507,946	9,442,968
Cumulative translation adjustments	6,025,345,225	1,043,651,446
Retained earnings (Note 20)	30,817,564,771	42,255,670,772
Treasury shares (Note 20)	(9,184,284,000)	(9,184,284,000)
Total equity attributable to equity holders of the Parent Company	74,777,322,616	80,097,278,037
Non-controlling interests (Notes 2 and 20)	67,734,423,562	36,318,749,944
Total Equity	142,511,746,178	116,416,027,981
TOTAL LIABILITIES AND EQUITY	₱281,414,631,862	₱219,660,167,404

See accompanying Notes to Consolidated Financial Statements.



**AC ENERGY AND INFRASTRUCTURE CORPORATION
AND SUBSIDIARIES**

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2022	2021
REVENUE		
Rendering of services (Note 21)	₱36,065,919,895	₱34,480,373,970
Equity in net earnings of associates and joint ventures (Note 7)	4,082,053,291	3,505,199,281
Rental income	184,206,298	87,439,466
Others	41,094,842	21,642,823
	40,373,274,326	38,094,655,540
COST AND EXPENSES		
Cost of power operations (Note 21)	35,215,346,444	25,491,660,723
Provisions for impairment loss (Notes 5, 8, 11 and 14)	1,345,610,402	342,847,442
Salaries, wages and employee benefits	828,526,230	890,715,545
Taxes and licenses	598,972,965	2,382,937,976
Depreciation and amortization (Notes 11, 12 and 14)	582,795,210	666,259,730
Professional fees	381,291,936	647,281,607
Management fee	86,487,933	62,887,167
Retirement and other benefits expense (Note 19)	80,387,720	74,434,301
Transportation and travel	70,211,059	27,922,330
Contracted services	65,973,404	80,251,556
Repairs and maintenance	32,329,336	155,757,417
Entertainment, amusement and recreation	18,899,571	19,501,816
Insurance	13,783,701	181,116,276
Supplies	12,896,543	167,079,783
Postal and communication	11,355,350	14,168,001
Others	621,860,227	264,434,353
	39,966,728,031	31,469,256,023
OTHER INCOME (EXPENSES) - NET		
Gain on remeasurement of previously held interest (Note 24)	10,921,025,993	—
Interest income (Notes 4, 5, 8 and 23)	7,429,944,730	4,406,973,324
Foreign exchange gain - net	583,088,418	530,324,882
Mark-to-market losses - net (Notes 6 and 9)	(68,521,944)	(262,880,706)
Interest expense and other financing charges (Notes 12 and 17)	(4,940,490,387)	(5,160,599,887)
Gain (loss) on disposal of investments - net (Notes 2, 6, 7, 11 and 24)	(5,372,116,403)	3,552,056,222
Others (Note 21)	1,250,151,915	1,410,255,461
	9,803,082,322	5,572,275,055
INCOME BEFORE INCOME TAX	10,209,628,617	11,101,528,813
BENEFIT FROM (PROVISION FOR) INCOME TAX (Note 22)	394,554,842	(374,351,258)
NET INCOME	10,604,183,459	10,727,177,555

(Forward)



	Years Ended December 31	
	2022	2021
OTHER COMPREHENSIVE INCOME (LOSS)		
<i>Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:</i>		
Cumulative translation adjustments	₱5,072,580,574	₱1,096,336,823
Unrealized fair value gain (loss) on derivative instruments designated as hedges - net of tax (Notes 15 and 18)	320,448,068	(51,181,387)
<i>Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:</i>		
Net changes in the fair market value of financial assets at FVOCI (Note 10)	(24,476,523)	(44,910,067)
Remeasurement loss on defined benefit obligation - net of tax (Note 19)	(8,950,134)	(50,534,035)
	5,359,601,985	949,711,334
SHARE IN OTHER COMPREHENSIVE INCOME OF ASSOCIATES AND JOINT VENTURES (Note 7)		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Cumulative translation adjustments	46,668,387	55,416,507
Unrealized fair value gain on derivative instruments designated as hedges - net of tax	45,224,139	26,570,432
<i>Other comprehensive income not to be reclassified to profit or loss in subsequent periods:</i>		
Remeasurement gain on defined benefit obligation - net of tax	7,627,784	23,741,628
	99,520,310	105,728,567
TOTAL OTHER COMPREHENSIVE INCOME	₱5,459,122,295	₱1,055,439,901
TOTAL COMPREHENSIVE INCOME	₱16,063,305,754	₱11,782,617,456
NET INCOME ATTRIBUTABLE TO:		
Equity holders of the Parent Company	₱4,525,891,917	₱9,338,348,931
Non-controlling interests	6,078,291,542	1,388,828,624
	₱10,604,183,459	₱10,727,177,555
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:		
Equity holders of the Parent Company	₱9,942,258,128	₱10,363,521,648
Non-controlling interests	6,121,047,625	1,419,095,808
	₱16,063,305,754	₱11,782,617,456

See accompanying Notes to Consolidated Financial Statements.



AC ENERGY AND INFRASTRUCTURE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	Attributable to Equity Holders of the Parent Company										Non-controlling Interests (Note 20)	Total Equity
	Redeemable Preferred Stock (Note 20)	Common Shares (Note 20)	Equity Reserves (Note 20)	Remeasurement Gain (Loss) on Defined Benefit Obligation (Note 19)	Unrealized Fair Value Gain (Loss) on Equity Instruments at FVOCI (Note 10)	Unrealized Fair Value Gain (Loss) on Derivative Instruments – Designated as Hedges	Cumulative Translation Adjustments	Retained Earnings (Note 20)	Treasury Shares (Note 20)	Total		
BALANCES AT JANUARY 1, 2022	₱17,550,621,600	₱15,986,599,300	₱12,505,423,612	(₱64,736,721)	(₱5,110,940)	₱9,442,968	₱1,043,651,446	₱42,255,670,772	(₱9,184,284,000)	₱80,097,278,037	₱36,318,749,944	₱116,416,027,981
Net income	–	–	–	–	–	–	–	4,525,891,917	–	4,525,891,917	6,078,291,542	10,604,183,459
Other comprehensive income (loss)	–	–	–	(8,950,134)	(24,476,523)	320,448,068	5,029,824,491	–	–	5,316,845,902	42,756,083	5,359,601,985
Share in other comprehensive income of an associates and joint ventures (Note 7)	–	–	–	7,627,784	–	45,224,139	46,668,387	–	–	99,520,310	–	99,520,310
Total comprehensive income (loss)	–	–	–	(1,322,350)	(24,476,523)	365,672,207	5,076,492,878	4,525,891,917	–	9,942,258,129	6,121,047,625	16,063,305,754
Dividends (Note 20)	–	–	–	–	–	–	–	(16,052,366,905)	–	(16,052,366,905)	(812,646,984)	(16,865,013,889)
Change in ownership without loss of control (Note 20)	–	–	848,441,635	1,723,772	7,085,541	(6,238,242)	(94,799,099)	–	–	756,213,607	13,296,120,442	14,052,334,049
Effects of common control business combination (Note 24)	–	–	121,830,893	–	–	–	–	–	–	121,830,893	(105,192,204)	16,638,689
Acquisition of non-controlling interest in a subsidiaries	–	–	(110,463,231)	–	–	–	–	–	–	(110,463,231)	15,138,595	(95,324,636)
Change due to loss of control	–	–	–	5,790,782	–	–	–	–	–	5,790,782	162,090,900	167,881,682
Non-controlling interest arising from a business combination (Note 24)	–	–	–	–	–	(88,368,987)	–	88,368,987	–	–	1,946,009,060	1,946,009,060
Capital infusion of non-controlling interest in a subsidiary (Note 20)	–	–	–	–	–	–	–	–	–	–	10,558,576,995	10,558,576,995
Capital redemption of non-controlling interest in a subsidiary (Note 20)	–	–	–	–	–	–	–	–	–	–	–	–
Grants through Employee Stock Ownership Plan	–	–	–	–	–	–	–	–	–	–	243,208,989	243,208,989
*Others	–	–	16,781,304	–	–	–	–	–	–	16,781,304	(8,679,800)	8,101,504
	–	–	876,590,601	7,514,554	7,085,541	(94,607,229)	(94,799,099)	(15,963,997,918)	–	(15,262,213,550)	25,294,625,993	10,032,412,443
BALANCES AT DECEMBER 31, 2022	₱17,550,621,600	₱15,986,599,300	₱13,382,014,213	(₱58,544,517)	(₱22,501,922)	₱280,507,946	₱6,025,345,225	₱30,817,564,771	(₱9,184,284,000)	₱ 74,777,322,616	₱67,734,423,562	₱142,511,746,178

(Forward)



Attributable to Equity Holders of the Parent Company

	Redeemable Preferred Stock (Note 20)	Common Shares (Note 20)	Equity Reserves (Note 20)	Remeasurement Gain (Loss) on Defined Benefit Obligation (Note 19)	Unrealized Fair Value Gain (Loss) on Equity Instruments at FVOCI (Note 10)	Unrealized Fair Value Gain (Loss) on Derivative Instruments – Designated as Hedges	Cumulative Translation Adjustments	Retained Earnings (Note 20)	Treasury Shares (Note 20)	Total	Non-controlling Interests (Note 20)	Total Equity
BALANCES AT JANUARY 1, 2021	P17,550,621,600	P15,986,599,300	P142,513,516	(P39,500,523)	P151,794,611	(P90,407,218)	(P965,443,228)	P37,917,321,841	P–	P70,653,499,899	P20,193,403,080	P90,846,902,979
Net income	–	–	–	–	–	–	–	9,338,348,931	–	9,338,348,931	1,388,828,624	10,727,177,555
Other comprehensive income (loss)	–	–	–	(50,534,035)	(44,910,067)	(51,181,387)	1,066,069,639	–	–	919,444,150	30,267,184	949,711,334
Share in other comprehensive income of an associate (Note 7)	–	–	–	23,741,628	–	26,570,432	55,416,507	–	–	105,728,567	–	105,728,567
Total comprehensive income (loss)	–	–	–	(26,792,407)	(44,910,067)	(24,610,955)	1,121,486,146	9,338,348,931	–	10,363,521,648	1,419,095,808	11,782,617,456
Dividends (Note 20)	–	–	–	–	–	–	–	(5,000,000,000)	–	(5,000,000,000)	(614,730,335)	(5,614,730,335)
Redemption of preferred shares (Note 20)	–	–	–	–	–	–	–	–	(9,184,284,000)	(9,184,284,000)	–	(9,184,284,000)
Change in ownership without loss of control (Note 20)	–	–	13,335,660,901	1,556,209	32,626,340	9,642,194	883,711,732	–	–	14,263,197,376	(13,647,369,484)	615,827,892
Acquisition of non-controlling interest in a subsidiary (Note 20)	–	–	(985,702,344)	–	–	–	–	–	–	(985,702,344)	(313,597,656)	(1,299,300,000)
Change in treasury shares held by a subsidiary (Note 20)	–	–	195,202,390	–	–	–	–	–	–	195,202,390	–	195,202,390
Reversal of unrealized fair value gain upon redemption (Note 10)	–	–	–	–	(25,906,081)	–	–	–	–	(25,906,081)	–	(25,906,081)
Reclassifications and adjustments (Note 20)	–	–	(182,250,851)	–	(118,715,743)	114,818,947	3,896,796	–	–	(182,250,851)	–	(182,250,851)
Capital infusion and sale of non- controlling interest in a subsidiary (Note 20)	–	–	–	–	–	–	–	–	–	–	39,995,908,571	39,995,908,571
Capital redemption of non-controlling interest in a subsidiary (Note 20)	–	–	–	–	–	–	–	–	–	–	(5,952,826,073)	(5,952,826,073)
Change due to loss of control (Notes 6 and 20)	–	–	–	–	–	–	–	–	–	–	(4,821,683,029)	(4,821,683,029)
Grants through Employee Stock Ownership Plan (Note 20)	–	–	–	–	–	–	–	–	–	–	60,549,062	60,549,062
	–	–	12,362,910,096	1,556,209	(111,995,484)	124,461,141	887,608,528	(5,000,000,000)	(9,184,284,000)	(919,743,510)	14,706,251,056	13,786,507,546
BALANCES AT DECEMBER 31, 2021	P17,550,621,600	P15,986,599,300	P12,505,423,612	(P64,736,721)	(P5,110,940)	P9,442,968	P1,043,651,446	P42,255,670,772	(P9,184,284,000)	P80,097,278,037	P36,318,749,944	P116,416,027,981

See accompanying Notes to Consolidated Financial Statements



AC ENERGY AND INFRASTRUCTURE CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱10,209,628,617	₱11,101,528,813
Adjustments for:		
Interest expense	4,940,490,387	5,160,599,887
Depreciation and amortization (Notes 11, 12 and 14)	2,501,102,633	2,472,623,092
Mark-to-market losses (Notes 6 and 18)	100,538,091	262,880,706
Pension and other employee benefits (Note 19)	97,721,076	89,521,042
Dividend income (Note 10)	3,635,464	(11,724,861)
Interest income	(7,429,944,730)	(4,406,973,324)
Equity in net earnings of associates and joint ventures (Note 7)	(4,082,053,292)	(3,505,199,281)
Unrealized foreign exchange gain – net	(473,328,258)	(68,120,055)
Provision for impairment of financial assets at amortized cost	1,281,821,876	–
Write-off of receivables	1,123,510,891	–
Reversal of provision for impairment of receivables	(363,755,522)	–
Provision for probable losses on deferred exploration costs	583,951	23,379,340
Impairment loss on:		
Unrecoverable input tax	22,102,512	–
Investment in an associate (Note 7)	(587,368)	–
Advances to contractors (Note 15)	(341,757)	(22,446,905)
Property, plant and equipment - net (Note 11)	41,443,820	211,404,941
(Gain) loss on:		
Remeasurement of previously held interest (Note 24)	(10,921,025,993)	–
Divestment of investment in associate (Note 7)	(734,672,298)	–
Remeasurement of retained interest	(73,824,230)	–
Disposal of investment (Notes 2 and 8)	6,187,706,560	–
Fair value adjustment on financial asset at FVTPL (Note 9)	124,512,761	–
Discount on long-term receivables	82,508,000	–
Sale of property, plant and equipment	7,049,000	(1,095,720)
Sale of noncurrent assets held for sale	8,400,000	–
Disposal of investments (Note 8)	–	(3,552,056,222)
Operating income before working capital changes	2,653,222,191	7,754,321,453
Decrease (increase) in:		
Receivables	(1,886,399,221)	(2,281,131,868)
Other assets	189,981,199	(4,557,483,687)
Input VAT	(2,994,819,454)	(396,329,454)
Increase (decrease) in:		
Accounts and other payables	4,504,316,625	640,532,943
Other liabilities	(1,988,546,281)	2,399,081,785
Cash generated from operating activities	477,755,059	3,558,991,172
Interest received	249,797,171	146,651,413
Income taxes paid including CWTs withheld	(357,605,817)	(487,804,317)
Net cash flows generated from operating activities	369,946,413	3,217,838,268
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Receivables (Note 5)	(20,319,739,286)	(16,820,144,277)
Property, plant and equipment (Note 11)	(25,412,119,954)	(8,982,244,550)
Investments in redeemable preferred shares and subscription deposits (Note 8)	(3,752,186,353)	(4,016,627,420)
Investments in associates and joint ventures (Note 7)	(3,038,245,595)	(655,446,562)
Issuance of convertible loans (Note 8)	(2,807,214,282)	(6,542,561,256)
Financial assets at FVTPL (Note 9)	(912,534,075)	(406,175,678)
Advances for land acquisition (Note 15)	(809,975,374)	–
Financial assets at FVOCI (Note 10)	(410,828,656)	(35,875,566)

(Forward)



	Years Ended December 31	
	2022	2021
Deferred exploration costs (Note 14)	(P1,486,854)	(P21,761,372)
Investment properties (Note 13)	–	(109,910,456)
Cash paid for acquisition of subsidiaries	(4,033,447,527)	(3,349,633,038)
Proceeds from:		
Collection of receivables (Note 5)	15,655,302,008	6,040,535,970
Sale of ACEN shares	14,051,238,400	–
Financial assets at FVOCI	–	12,687,858,000
Sale of subsidiary, net of cash surrender	5,494,610,621	–
Divestment of investment in associates and joint ventures (Note 7)	734,672,298	72,833,222
Sale of asset held for sale (Note 6)	193,524,539	4,963,108
Redemption of convertible loans (Note 8)	14,508,406	791,328,243
Property, plant and equipment (Note 11)	5,846,617	5,878,989
Dividends received from investments in:		
Associates and joint ventures (Note 7)	2,222,356,055	1,693,682,195
Financial assets at FVOCI (Note 10)	3,635,464	11,724,861
Interest received (Note 5)	3,862,819,297	1,233,828,430
Decrease (increase) in short-term investment (Note 15)	67,782,124	(68,310,124)
Net cash used in investing activities	(19,191,482,127)	(18,466,057,281)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from:		
Availment of loans payable (Note 17)	23,753,475,307	2,340,407,598
Availment of short-term loans (Note 17)	23,259,020,000	14,550,000,000
Issuance of notes (Note 17)	10,000,000,000	20,309,600,000
Capital infusion of non-controlling interests in a subsidiary (Notes 2 and 20)	10,558,576,995	40,298,138,807
Payments of:		
Short-term loans (Note 17)	(20,359,020,000)	(19,185,000,000)
Dividends (Note 20)	(16,865,013,889)	(6,599,822,652)
Loans payable (Note 17)	(7,406,281,879)	(3,565,431,844)
Interest expense, including capitalized borrowing cost (Note 27)	(4,459,583,632)	(5,081,448,435)
Debt issuance cost (Note 17)	(390,064,525)	–
Lease liabilities (Note 12)	(299,848,600)	(302,303,528)
Notes payable (Note 17)	–	(10,945,658,455)
Acquisition of non-controlling interest	(95,324,636)	–
Redemption of:		
Redeemable preferred shares	–	(9,184,284,000)
Minority shares	–	(5,952,826,073)
Net cash provided by financing activities	17,695,935,141	16,681,371,418
NET EFFECT OF CHANGES IN FOREIGN CURRENCY EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	(1,252,372,023)	1,516,241,311
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,377,972,596)	2,949,393,716
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR*	37,890,174,302	34,940,780,586
CASH AND CASH EQUIVALENTS AT END OF YEAR	P35,512,201,706	P37,890,174,302

*Includes cash and cash equivalents under assets held for sale.

See accompanying Notes to Consolidated Financial Statements.



AC ENERGY AND INFRASTRUCTURE CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

AC Energy and Infrastructure Corporation. (“ACEIC”, “the Parent Company”) was incorporated on December 13, 2005, and is domiciled in the Philippines. The Parent Company and its subsidiaries (collectively, “the Group”) were organized primarily to engage in the business of generating electricity, distribution of electricity and supply of electricity, including the provision of related services.

The Parent Company is a wholly-owned subsidiary of Ayala Corporation (AC), a publicly-listed company incorporated in the Philippines which is 47.91% owned by Mermac, Inc. (ultimate parent company), and the rest by the public.

On November 11, 2021, the BOD approved the change of the principal office address of the Parent Company from 4th Floor 6750 Office Tower, Ayala Avenue, Makati City to 35th Floor, Ayala Triangle Gardens Tower 2, Paseo de Roxas corner Makati Avenue, Makati City effective January 1, 2022, and for this purpose, to amend the Articles of Incorporation. This was registered with the Bureau of Internal Revenue (BIR) on March 16, 2022 and approved by the Securities and Exchange Commission (SEC) on January 27, 2023.

The accompanying consolidated financial statements of the Group as at and for the years ended December 31, 2022 and 2021 were approved and authorized for issuance by the BOD on April 28, 2023.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVTPL), financial assets at fair value through other comprehensive income (FVOCI), derivative asset and derivative liability which are all measured at fair value. The consolidated financial statements are presented in Philippine Peso (₱), which is the functional and presentation currency of the Parent Company, and all amounts are rounded to the nearest Philippine Peso, unless otherwise indicated.

Statement of Compliance

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

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as of December 31, 2022 and 2021. 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.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

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

Non-controlling interests pertain to the equity in a subsidiary not attributable, directly or indirectly to the Parent Company. Any equity instruments issued by a subsidiary that are not owned by the Parent Company are non-controlling interests including preferred shares and options under share-based transactions. The portion of profit or loss and net assets in subsidiaries not wholly owned are presented separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position, separately from the Parent Company's equity. Non-controlling interests are net of any outstanding subscription receivable. Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity as "Equity reserves" and attributed to the owners of the Parent Company. Likewise, other comprehensive income accounts are reattributed between the owners of the Parent Company and the non-controlling interest. When there is a reduction in the ownership interest of a subsidiary without loss of control, a proportion of the goodwill is reallocated between the owners of the Parent Company and the non-controlling interest.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities of the subsidiary, non-controlling interest and the cumulative translation adjustments recorded in equity, recognizes the fair value of the consideration received and any investment retained, while the resulting gain or loss is recognized in profit or loss under "Gains on acquisitions and disposals of investments.". It also reclassifies the parent's share of components previously recognized in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.



The consolidated financial statements include the financial statements of the Parent Company and the following subsidiaries. The voting rights held by the Group in these subsidiaries are in proportion of their ownership interest.

Subsidiaries	Principal Activities	Percentage of Ownership (%)			
		2022		2021	
		Direct	Indirect	Direct	Indirect
ACEN Corporation (ACEN, formerly AC Energy Corporation)	Power generation and trading	57.74	—	64.65	—
ACEN International, Inc. (“ACEN International”; formerly AC Energy International, Inc.)	International investment holding	—	57.74	—	64.65
ACEN Renewables International Pte. Ltd. (“ACRI”; formerly AC Renewables International Pte. Ltd.) ^a	International investment holding	—	57.74	—	64.65
ACEN Cayman Limited (“ACEC”, formerly AC Energy Cayman) ^b	International investment holding	—	57.74	—	64.65
ACEN Investments HK Limited (“ACEN HKL”, formerly ACE Investments HK Limited) ^c	International investment holding	—	57.74	—	64.65
UPC-AC Energy Australia (HK) Ltd. (“UPC-ACE Australia”) ^c	Power generation	—	46.20	—	—
ACEN Finance Limited (“ACEN Finance”) ^b	Investment holding	—	57.74	—	64.65
Bulacan Power Generation Corporation (“Bulacan Power”)	Power generation	—	57.74	—	64.65
CIP II Power Corporation (“CIPP”)	Power generation	—	57.74	—	64.65
Guimaras Wind Corporation (“Guimaras Wind”)	Wind power generation	—	57.74	—	64.65
One Subic Oil Distribution Corporation	Distribution of petroleum products	—	57.74	—	64.65
One Subic Power Generation Corporation (“One Subic Power”)	Power generation	—	57.74	—	64.65
ACE Enexor, Inc. (“ENEX”)	Oil, gas, and geothermal exploration	—	44.07	—	49.34
Palawan55 Exploration & Production Corporation (“Palawan55”)	Oil and gas exploration	—	48.26	—	54.03
South Luzon Thermal Energy Corporation (“SLTEC”)	Power generation	—	—	—	64.65
Buendia Christiana Holdings Corp. (“BCHC”)	Investment holding	—	57.74	—	64.65
ACE Shared Services, Inc. (“ACES”)	Shared services	—	57.74	—	64.65
Giga Ace 1, Inc.	Power generation	—	57.74	—	64.65
Giga Ace 2, Inc.	Power generation	—	57.74	—	64.65
Giga Ace 3, Inc. (“Giga Ace 3”)	Power generation	—	57.74	—	64.65
Giga Ace 4, Inc. (“Giga Ace 4”)	Power generation	—	57.74	—	64.65
Giga Ace 5, Inc.	Power generation	—	57.74	—	64.65
Giga Ace 6, Inc.	Power generation	—	57.74	—	64.65
Giga Ace 7, Inc.	Power generation	—	57.74	—	64.65
Giga Ace 8, Inc. (“Giga Ace 8”)	Power generation	—	57.74	—	64.65
Giga Ace 9, Inc. (“Giga Ace 9”)	Power generation	—	57.74	—	64.65
Giga Ace 10, Inc.	Power generation	—	57.74	—	64.65
Giga Ace 11, Inc.	Power generation	—	57.74	—	64.65
Giga Ace 12, Inc.	Power generation	—	57.74	—	64.65
Giga Ace 14, Inc.	Power generation	—	57.74	—	64.65
Giga Ace 15, Inc.	Power generation	—	57.74	—	64.65
Negros Island Solar Power, Inc. (“ISLASOL”)	Solar power generation	—	34.64	—	38.79
San Carlos Solar Energy, Inc. (“SACASOL”)	Solar power generation	—	57.74	—	64.65
Monte Solar Energy, Inc. (“MONTESOL”)	Solar power generation	—	57.74	—	64.65
ACE Endeavor, Inc. (“ACE Endeavor”)	Investment holding and management	—	57.74	—	64.65
Visayas Renewables Corp. (“VRC”)	Investment holding	—	57.74	—	64.65
San Julio Land Development Corporation	Leasing and land development	—	57.74	—	64.65
LCC Bulk Water Supply, Inc.	Water supply and distribution	—	57.74	—	64.65
MCV Bulk Water Supply Inc.	Water supply and distribution	—	57.74	—	64.65
SCC Bulk Water Supply Inc.	Water supply and distribution	—	57.74	—	64.65
HDP Bulk Water Supply Inc.	Water supply and distribution	—	57.74	—	64.65
Ingrid2 Power Corp.	Advisory/Consultancy	—	57.74	—	64.65
Ingrid3 Power Corp. (“Ingrid3”)	Advisory/Consultancy	—	57.74	—	64.65
Ingrid4 Power Corp.	Advisory/Consultancy	—	57.74	—	64.65
Ingrid5 Power Corp.	Advisory/Consultancy	—	57.74	—	64.65
Ingrid6 Power Corp.	Advisory/Consultancy	—	57.74	—	64.65
Solienda Inc.	Leasing and land development	—	57.74	—	64.65
Gigasol 2, Inc.	Power generation	—	57.74	—	64.65
Gigasol 1, Inc.	Power generation	—	57.74	—	64.65
Gigasol 3, Inc. (“Gigasol 3”)	Power generation	—	57.74	—	64.65
Gigasol 4, Inc.	Power generation	—	57.74	—	64.65
Gigasol 5, Inc.	Power generation	—	57.74	—	64.65
Gigasol 6, Inc.	Power generation	—	57.74	—	64.65



Subsidiaries	Principal Activities	Percentage of Ownership (%)			
		2022		2021	
		Direct	Indirect	Direct	Indirect
Gigasol 7, Inc.	Power generation	—	57.74	—	64.65
Gigasol 8, Inc.	Power generation	—	57.74	—	64.65
Gigasol 9, Inc.	Power generation	—	57.74	—	64.65
Gigasol 10, Inc.	Power generation	—	57.74	—	64.65
GigaWind1 Inc.	Power generation	—	57.74	—	64.65
GigaWind2 Inc.	Power generation	—	57.74	—	64.65
GigaWind3 Inc.	Power generation	—	57.74	—	64.65
GigaWind4 Inc.	Power generation	—	57.74	—	64.65
GigaWind5 Inc.	Power generation	—	57.74	—	64.65
GigaWind6 Inc. ^d	Power generation	—	57.74	—	—
GigaWind7 Inc. ^e	Power generation	—	57.74	—	—
SolarAce1 Energy Corp. (“SolarAce1”)	Power generation	—	57.74	—	64.65
SolarAce2 Energy Corp. (“SolarAce2”)	Power generation	—	57.74	—	64.65
SolarAce3 Energy Corp.	Power generation	—	57.74	—	64.65
SolarAce4 Energy Corp. ^f	Power generation	—	57.74	—	64.65
AC Subic Solar, Inc.	Power generation	—	57.74	—	64.65
AC Laguna Solar, Inc.	Power generation	—	57.74	—	64.65
AC La Mesa Solar, Inc.	Power generation	—	57.74	—	64.65
Bataan Solar Energy, Inc. (“BSEI”)	Power generation	—	57.74	—	64.65
Santa Cruz Solar Energy, Inc. (“SCSE”)	Power generation	—	57.74	—	64.65
Pagudpud Wind Power Corp. (“PWPC”)	Investment holding	—	57.74	—	64.65
Bayog Wind Power Corp. (“BWPC”)	Power generation	—	57.74	—	38.79
Manapla Sun Power Development Corporation (“MSPDC”)	Leasing and land development	—	57.74	—	64.65
ACE Renewables Philippines, Inc.	Investment holding	—	57.74	—	64.65
NorthWind Power Development Corporation (“NorthWind”)	Wind power generation	—	57.74	—	64.65
Viage Corporation	Investment holding	—	57.74	—	64.65
ACTA Power Corporation	Coal power generation	—	57.74	—	64.65
Buduan Wind Energy Co, Inc.	Power generation	—	57.74	—	—
Caraballo Mountains UPC Asia Corporation	Power generation	—	57.74	—	—
Pangasinan UPC Asia Corporation	Power generation	—	57.74	—	—
Sapat Highlands Wind Corporation	Power generation	—	57.74	—	—
UPC Mindanao Wind Power Corp.	Power generation	—	57.74	—	—
Itbayat Island UPC Asia Corporation	Power generation	—	57.74	—	—
Laguna Central Renewables, Inc.	Power generation	—	57.74	—	—
Laguna West Renewables, Inc.	Power generation	—	57.74	—	—
Suyo UPC Asia Corporation	Power generation	—	57.74	—	—
Natures Renewable Energy Devt. Corporation (“NAREDCO”)	Power generation	—	34.64	—	—
Sinocalan Solar Power Corp. (“SSPC”)	Power generation	—	57.74	—	—
ACE Thermal International Pte. Ltd.(ACETI)	International investment holding	100.00	—	100.00	—
ACE Thermal International (BVI), Inc.(ACETI BVI)	International investment holding	—	100.00	—	100.00
ACE (BVI) D, Inc. (BVI D)	International investment holding	—	100.00	—	100.00
ACE (BVI) T, Inc. (BVI T)	International investment holding	—	100.00	—	100.00
ACE (BVI) F, Inc. (BVI F)	International investment holding	—	100.00	—	100.00
ACE (BVI) PHILCO, Inc. (BVI PHILCO)	International investment holding	—	88.38	—	88.38
ACE (BVI) GP, Inc. (BVI GP)	International investment holding	—	100.00	—	100.00
AC Energy Finance International (ACEFIL)	International investment holding	100.00	—	100.00	—
ACEIC Cayman Limited, formerly ACEN Finance International Limited (ACEIC Cayman)	International investment holding	100.00	—	100.00	—
AC Energy GP Corporation (AEGC)	Investment holding	100.00	—	100.00	—
ACE Dinginin GP Corporation (ADGC)	Investment holding	100.00	—	100.00	—
ACE Mariveles GP Corporation (AMGC)	Investment holding	100.00	—	100.00	—
ACE Thermal, Inc. (ATI)	Investment holding	100.00	—	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 in the notes below, the principal place of business and country of incorporation of the Parent Company’s investments in subsidiaries, associates and joint ventures is the Philippines.



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

Block sale of ACEN shares to AC

On May 10, 2022, ACEIC sold 1,861.00 million ACEN shares to AC via a block sale at ₱7.60 per share with a book value of ₱3.88 per share. Gain on sale of ACEN shares to AC recorded in the ACEIC parent company financial statements amounted to ₱6,834.96 million net of ₱92.36 million costs on disposal.

As at December 31, 2022, ACEIC owns 57.74% (December 31, 2021: 64.65%) of ACEN's total outstanding shares of stock.

The Parent Company's share in ACEN dividends in 2022 and 2021 is ₱1,486.30 million and ₱670.53 million, respectively.

The fair value of the ACEN shares held by the Parent Company amounted to ₱174,579.70 million and ₱272,488.94 million as of December 31, 2022 and 2021, respectively. The voting rights held by the Parent Company in ACEN is 57.74% and 64.65% as of December 31, 2022 and 2021, respectively.

Acquisition of 50% interest in Batangas Clean Energy, Inc. ("BCEI")

On January 14, 2022, ENEX, BCEI, and Gen X Energy L.P. executed a Shareholders' Agreement and Subscription Agreements where ENEX will subscribe to a total of 150,002 shares in BCEI for a total subscription price of ₱150.22 million. Gen X Energy L.P. is a portfolio company of Blackstone Inc. (see Note 7).

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

On March 11, 2022, ACEN, through its subsidiary ACEN Renewables International Pte. Ltd. ("ACRI"), UPC Renewables Asia Pacific Holdings Pte Limited ("UPCAPH"), and Mr. Anton Rohner ("Rohner") signed a Share Purchase Agreement for ACRI's acquisition of the 50% ownership interest of UPCAPH and Mr. Rohner in UPC-ACE Australia increasing ownership to 100% (see Note 24).

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

On March 18, 2022, ACEN, its wholly owned subsidiary ACE Endeavor, Inc. ("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 Notes 7 and 24).

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 where ACEN and ACE Endeavor will subscribe to a total of 82,500 shares in NAREDCO for a total subscription price of ₱8.25 million. After subscription by ACEN and ACE Endeavor the ownership structure will be ACEN 55%, ACE Endeavor 5%, CREC 40%. Effectively, the Group will have 60% interest in NAREDCO. NAREDCO is the project company that will develop and operate the 200MW Lal-lo Solar Power Project in Lal-lo, Cagayan.

On August 16, 2022, ACEN, ACE Endeavor, and NAREDCO executed the agreements for the subscription by (1) ACEN to 275,000 Redeemable Preferred Shares A ("RPS A") with a par value of ₱2,820.51 per share or an aggregate par value of ₱775.64 million and 200,000 Redeemable Preferred Shares C ("RPS C") with a par value of ₱2,585.55 per share or an aggregate par value of ₱517.11 million; and (2) ACE Endeavor to 25,000 Redeemable Preferred Shares B ("RPS B") with a par value



of ₱1.00 per share or an aggregate par value of ₱0.025 million in NAREDCO. Total subscription price amounted to ₱1,292.78 million.

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

On June 3, 2022, ACEN BOD approved the cancellation of the property-for-share swap and Deed of Assignment between ACEN and its subsidiary, 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 were being withdrawn.

On the same date, ENEX's BOD also approved the cancellation of the plan to conduct of a Stock Rights Offer of up to 105.00 million of ENEX's shares at ₱10.00 per share; the cancellation of the issuance of up to 74.00 million shares of 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 650.00 million primary common shares.

ACEN's Php-denominated ASEAN Green Fixed Rate 5-year Bond

On July 6, 2022, ACEN's Executive Committee authorized the establishment of up to ₱30 billion 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 billion 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 issued and listed on the Philippine Dealing & Exchange Corp. its ASEAN Green fixed-rate bonds with a tenor of five (5) years, in the aggregate principal amount of ₱10,000.00 million due 2027 and with an interest rate of 6.0526% (the "Green Bonds") (see Note 17).

ACEN Australia Pty Ltd. ("ACEN Australia")'s execution of green long-term revolving loan facility, with ACEN as Guarantor

In various dates in 2022, ACEN Australia, a subsidiary under ACRI, ACEN, as Guarantor to ACEN Australia, and various financing partners executed long-term facilities. These green long-term revolving loan facilities are 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 (see Note 17).

Divestment in The Blue Circle Pte. Ltd. ("TBC")

On September 5, 2022, the Group entered into a buy out agreement in respect to its 25% investment in TBC (see Note 7).

ACEN approves the final tranche of its energy transition financing

On July 25, 2022, ACEN, at the special board meeting, approved the divestment of all its shares in its wholly-owned subsidiary, SLTEC, through energy transition financing. The 246 MW coal plant in Calaca, Batangas, is the only coal plant under ACEN's portfolio. Upon completion of regulatory approval, the shares were acquired by ETM Philippines Holdings, Inc. ("EPHI") and other financial investors for an aggregate value of approximately ₱3,700.00 million. ACEN will use the proceeds from the divestment to invest in more renewable energy projects.



Full divestment of the South Luzon Thermal Energy Corporation (SLTEC) coal plant using the energy transition mechanism (ETM)

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

On October 21, 2022, SLTEC redeemed 32,000,000 redeemable preferred shares held by ACEN for a total redemption price of ₱3,200.00 million.

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, ACEN 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, ACEN and EPHI (a third party) executed a Share Purchase Agreement covering the sale of 832,500 common shares with 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.

As a result of the foregoing, ACEN lost control over SLTEC, deconsolidated the assets, liabilities and equity of accounts of SLTEC.

SLTEC accounts have been accounted for in the Group's consolidated financial statements as of 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:

	<i>(in thousands)</i>
Assets	
Cash and cash equivalents	₱1,671,439
Accounts and notes receivable	1,080,420
Fuel and spare parts	857,660
Other current assets	733,748
Property, plant and equipment	19,678,197
Goodwill	669,040
Other noncurrent assets	442,220
	25,132,724
Liabilities	
Accounts payable and other current liabilities	1,759,667
Income and withholding taxes payable	30,090
Long-term loans	13,380,342
Deferred income tax liabilities – net	267,298
Pension and other employee benefits	9,227

(Forward)



	<i>(in thousands)</i>
Equity	
Remeasurement loss on defined benefit plans	(P5,791)
	15,440,833
Total identifiable net assets	9,691,891
Add: redemption of ACEN shares	6,947,775
Less:	
Government Service Insurance System (GSIS) investments	(2,200,000)
Insular Life (InLife) investments	(1,000,000)
EPHI investments	(248,000)
	13,191,666
Net assets attributable to ACEN	
Add: Noncontrolling interest	162,091
Less: Cash consideration	7,166,050
Loss on deconsolidation	P6,187,707

After the sale to EPHI, ACEN has fully divested its interest in SLTEC. The divestment resulted in a loss which is recognized under “Loss on disposal of investment” account in the consolidated statement of income.

Net cash inflow on acquisition is as follows:

	<i>(in thousands)</i>
Cash consideration	P7,166,050
Less: Cash surrendered with the subsidiary ^(a)	1,671,439
Net cash inflow	P5,494,611

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

ACEIC Group recognized deconsolidation loss of P6,187.71 million which represents the difference between the total SLTEC carried in ACEIC’s consolidated financial position of P13,353.76 million and proceeds from divestment of P7,166.05 million. SLTEC’s carrying value of P13,353.76 million included P699.04 million goodwill recognized during the acquisition of control in 2019.

ACEN also paid donor’s tax amounting to P6.90 million which is presented as “Others” under “General and administrative expenses” in the consolidated statement of income.

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

On October 24, 2022 and November 7, 2022, ACEN executed separate Option Agreements with InLife, GSIS and EPHI, (the “Investors”) involving the 246MW coal plant of the SLTEC, following the issuance of SLTEC shares to these Investors.

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 a cleaner technology. These options are exercisable only beginning 2031 to 2040 and accounted as derivative asset and liability. As of December 31, 2022, derivative asset on call options on common and preferred shares amounted to P16.43 million and the derivative liability on put options on preferred shares amounted to P7.16 million.



Administration and Management Agreement (“AMA”) and Operations and Maintenance Agreement (“O&M Agreement”)

Executed on October 4, 2019, which was amended on April 11, 2022, 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. In addition, 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. The agreement shall have a term of until December 25, 2040, unless sooner terminated pursuant to the exercise by ACEN of the call option.

On April 11, 2022, the ACEN also 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 do not give ACEN control over SLTEC. The rights of ACEN and terms and conditions under this agreement are subject to review and approval of SLTEC BOD.

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 57.74% ownership in ACEN, has an effective 20% economic interest in GNPD.

Subscription by ACEN to additional shares in NAREDCO

On November 25, 2022, ACEN signed a subscription agreement with NAREDCO for the subscription by ACEN to (a) 57,750 Redeemable Preferred Shares A (“RPS A”) with a par value of ₱2,820.51 per share or an aggregate par value of ₱162.88 million, and (b) 42,000 Redeemable Preferred Shares C (“RPS C”) with a par value of ₱2,585.55 per share or an aggregate par value of ₱108.59 million in NAREDCO.

Total Subscription Price amounted to ₱271.48 million.

On December 22, 2022, ACEN signed a subscription agreement with NAREDCO for the subscription by ACEN to (a) 309,700 Redeemable Preferred Shares A (“RPS A”) with a par value of ₱2,820.51 per share or an aggregate par value of ₱873.51 million, and (b) 225,240 Redeemable Preferred Shares C (“RPS C”) with a par value of ₱2,585.55 per share or an aggregate par value of ₱582.37 million in NAREDCO.

Total Subscription Price amounted to ₱1,455.88 million, and will be used by NAREDCO to fund the development of the 133MWdc Cagayan North Solar Power Plant Project (Phase 1) in Lal-lo, Cagayan.



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 24).

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

ACEN Stock Rights Offering (SRO)

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 SRO. ACEN will issue 2,267.58 million 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 2,267.58 million common shares subject of the Rights Offer to all stockholders as of the Record Date of January 13, 2021, at ₱2.37 per share, comprised of two rounds and a domestic institutional offer.

During the Rights Offer Period from January 18, 2021 to January 22, 2021, ACEN sold, by way of SRO, 2,094.90 million shares and 172.68 million shares in first round and second round allocation, respectively, which were subsequently listed with the PSE on January 29, 2021.

Net capital raised through SRO is at ₱5,318.98 million (₱5,374.16 million gross proceeds less ₱55.18 million shares issued to Bulacan Power).

ACEN Follow-On Offering (FOO)

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 2,000.00 million common shares (primary).

On February 16, 2021, ACEN submitted a registration statement for up to 2,430.25 million common shares (primary and secondary shares with over-allotment) with the SEC.

On March 18, 2021, the BOD of ACEN approved the issuance of 1,580.00 million 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 2,010.00 million common shares priced at ₱6.50 per share, consisting of 1,580.00 million primary shares, 330.24 million secondary shares offered by ACEIC and Bulacan Power, and an over-



subscription of 100.00 million secondary shares sold by ACEIC. ACEIC recognized gain on sale of investments from FOO amounting to ₱1,836.00 million.

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

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

Net capital raised through FOO primary shares issuances is at ₱10,080.62 million. Total proceeds from sale of secondary shares through FOO by ACEIC is at ₱2,600.00 million for 400.00 million shares with cost of ₱764.00 million.

GIC Private Limited (GIC) to invest 20,000.00 million in ACEN

On November 11, 2020, the BOD of ACEN approved the potential investment of Arran Investment Pte. Ltd. (Arran), in ACEN, in a deal valued at approximately ₱20,000.00 million. Arran is a private limited company incorporated in Singapore that is affiliated with GIC, the private equity and infrastructure investment arm of the Singapore Government.

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 SRO and FOO, and the infusion by ACEIC of its international business into ACEN have been completed.

On March 18, 2021, Arran subscribed to 4,000.00 million common shares of ACEN at a price of ₱2.97 per common share through a private placement, for an aggregate value or consideration of ₱11,880.00 million.

The investment was implemented through a combination of subscription to 4,000.00 million 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 Seven of ACEN's Articles of Incorporation.

On December 10, 2021, ACEIC sold 2,689.52 million 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. Proceeds from sale of shares to Arran is ₱9,326.72 million with book value of shares sold amounted to ₱10,428.98 million, resulting to a net loss on sale of ₱1,102.26 million.

As at December 31, 2021, ACEIC owns 64.65% (December 31, 2020: 81.62%) of the ACEN's total outstanding shares of stock.

Transfer of ACEIC's offshore subsidiaries through share swap

On April 26, 2021, ACEN signed a Deed of Assignment with ACEIC for the subscription by ACEIC to, and the issuance to ACEIC of, 16,685.80 million shares at a subscription price of ₱5.15 per share, or an aggregate subscription price of ₱85,931.87 million in exchange for ACEIC's 1,701.28 million common shares and 15,030.28 million redeemable preferred shares in ACE International (share swap agreement), which holds ACEIC's international renewable assets.



On June 7, 2021, the application for the increase from 24,400.00 million shares to 48,400.00 million shares in the ACS of ACEN was approved by the SEC. Consequently, the closing date of the share swap was on June 7, 2021, and effectively ACEN acquired full ownership interest in ACE International including indirect ownership interests in ACRI, ACEC, ACE HKL.

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, ACEN’s subsidiary Buendia Christiana Holdings Corp. (BCHC) acquired 34.00% ownership interest of the minority stockholders of MSPDC at an aggregate amount of ₱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”) for up to ₱1,093.00 million. Moreover, the BOD approved the issuance of up to 90.00 million common shares to the owners, affiliate, and/or partners of the NW Minorities at up to ₱11.32 per share (subject to adjustments), and subject to agreed conditions precedent and applicable regulatory approvals.

On November 12 and 15, 2021, the Share Purchase Agreement and Subscription Agreements, respectively, were signed by ACEN and the NW Minorities for 90.00 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 NW Minorities on November 29, 2021.

Material partly-owned subsidiaries with material economic ownership interest

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.

Information of subsidiaries that have material non-controlling economic interests are provided below:

2022	ACEN
Proportion of equity interests held by non-controlling interest	42.26%
Voting rights held by non-controlling interest	42.26%
Accumulated balances of non-controlling interest	₱81,614,018,184
Net income attributable to non-controlling interests	7,059,862,225
Total comprehensive income attributable to material non-controlling interests	10,512,799,907



2021	ACEN	KPHLC*
Proportion of equity interests held by non-controlling interest	35.35%	14.28%
Voting rights held by non-controlling interest	35.35%	14.28%
Accumulated balances of non-controlling interest	₱61,065,134,007	₱4,821,731,640
Net income attributable to non-controlling interests	4,271,281,449	(317,317,777)
Total comprehensive income attributable to material non-controlling interests	5,408,424,028	(291,202,652)
<i>*As of and for the nine-month period ended September 30, 2021 prior to the loss of control over KPHLC.</i>		

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

2022 (In thousands)	ACEN
Statement of financial position	
Current assets	₱70,022,580
Noncurrent assets	162,749,983
Current liabilities	17,696,536
Noncurrent liabilities	65,482,585
Statement of comprehensive income	
Revenue	34,995,488
Profit attributable to:	
Equity holders of the Parent Company	13,055,119
Non-controlling interests	1,542,769
Total comprehensive income attributable to:	
Equity holders of the Parent Company	21,188,277
Non-controlling interests	1,556,186
Statement of cash flows	
Operating activities	2,295,906
Investing activities	(24,338,065)
Financing activities	31,508,053
Effect of changes in foreign exchange rates on cash and cash equivalents	(1,281,312)
2021	ACEN KPHLC*
Statement of financial position	
Current assets	₱64,271,968,887 ₱11,009,825,181
Noncurrent assets	106,889,418,571 53,466,862,817
Current liabilities	7,828,772,969 6,121,105,837
Noncurrent liabilities	45,363,853,037 35,002,589,447
Statement of comprehensive income	
Revenue	25,878,038,948 4,354,546,343
Profit attributable to:	
Equity holders of the Parent Company	5,250,971,866 1,305,628,011
Non-controlling interests	2,415,062,894 (317,317,777)



2021	ACEN	KPHLC*
Total comprehensive income attributable to:		
Equity holders of the Parent Company	₱8,281,628,378	₱2,674,703,200
Non-controlling interests	2,480,868,397	(291,202,652)
Statement of cash flows		
Operating activities	3,420,572,051	1,701,286,931
Investing activities	(23,068,645,257)	(252,882,260)
Financing activities	16,626,694,974	(2,850,574,511)
Effect of changes in foreign exchange rates on cash and cash equivalents	1,389,635,987	(114,512,440)

*As of September 30, 2021 only. ACEIC has divested its interest in KPHLC effective September 30, 2021, upon completion of the sale to Power Partners Ltd Co. (see Note 6).

Changes in Accounting Policies and Disclosures

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 amendments did not have an impact on the consolidated financial statements of the Group.

Effective beginning on or after January 1, 2022

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

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

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

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

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

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

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

The Group adopted the amendments beginning January 1, 2022, but the retrospective impact is deemed immaterial.



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

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

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

- *Annual Improvements to PFRSs 2018-2020 Cycle*

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

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

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

- 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. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

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

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

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



An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not applicable to the Group.

Future Changes in Accounting Policies

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements 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 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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

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

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023. The amendments are not expected to have an 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. The amendments are not expected to have an impact on the Group.

- 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.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
 - What is meant by a right to defer settlement
 - That a right to defer must exist at the end of the reporting period
 - That classification is unaffected by the likelihood that an entity will exercise its deferral right
 - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

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. The adoption of the standard is not applicable to the Group.



Deferred effectivity

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

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

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

Summary of Significant Accounting Policies

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

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 all classified as noncurrent.

Fair Value Measurement

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



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

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a 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 financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

Cash and Cash Equivalents

Cash includes cash on hand and cash in bank. Cash in bank earns interest at the respective bank deposit rates. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities of three months or less from dates of placements and are subject to an insignificant risk of change in value.

Financial Instruments

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

Financial Asset

'Day 1' difference

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in the consolidated statement of income under "Interest income" or "Interest and other financing charges" unless it qualifies for



recognition as some other type of asset or liability. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Initial recognition

The Group classifies financial assets, at initial recognition, as measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

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

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

Subsequent measurement of financial assets

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

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses upon derecognition (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

Financial assets at amortized cost (debt instruments)

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

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Financial assets at amortized cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired. This accounting policy relates to the Group's "Cash and cash equivalents", "Short term investments", "Receivables", "Other financial assets at amortized cost" and "Deposits."



If the Group revises its estimates of receipts of future cashflows, it shall adjust the gross carrying amount of the financial asset to reflect the revised estimated contractual cash flows that are discounted at the financial instrument's original effective interest rate. The adjustment is recognized in the profit or loss as income or expense.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under PAS 32, Financial Instruments: Presentation, and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as other income in the consolidated statement of income when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its equity investments under this category (see Note 10).

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in the consolidated statement of profit or loss.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.



Derecognition

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

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

Modification of financial assets

The Group derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

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 consolidated statement of income.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate (EIR). The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

For trade receivables, 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 and short-term investments, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from



Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

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

The key inputs in the model include the Group's definition of default and historical data of three years for the origination, maturity date and default date. The Group considers trade receivables in default when contractual payment are 90 days past due, except for certain circumstances when the reason for being past due is due to reconciliation with customers of payment records which are administrative in nature which may extend the definition of default to 90 days and beyond. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

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. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 90 days past due.

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

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 income/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 income/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 27).

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value, except for loans and borrowings, and payables that are recognized net of directly attributable transaction costs.

As of December 31, 2022, the Group's financial liabilities pertain to "Accounts and other payables" (except taxes payable), "Short-term loans," "Notes payable," "Loans payable," "Lease liabilities," "Other current liabilities," "Other noncurrent liabilities" and "Derivative liabilities".

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purposes of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of income.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability as at FVTPL.



Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as interest and other financing charges in the consolidated statement of income.

This category generally applies to interest-bearing short-term loans, loans payables and notes payable.

Other financial liabilities

Issued financial instruments or their components, which are not designated at FVTPL, are classified as accounts payable and accrued expenses and other payables/liabilities where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount, after deducting from the instrument the amount separately determined as the fair value of the liability component on the date of issue.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees that are an integral part of the effective interest rate. Any effect of restatement of foreign currency-denominated liabilities is recognized in profit or loss.

This accounting policy applies to the Group's accounts and other payables, other current liabilities, and other noncurrent liabilities (other than liabilities covered by other accounting standards such as pension liability and income tax payable).

Exchange or modification of financial liabilities

The Group considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

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 a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss.



When the exchange or modification of the existing financial liability is not considered as substantial, the Group recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

If a loan payable is prepaid or pre-terminated, the difference between the carrying amount of the loan payable and the total payments made, including prepayment penalties or pre-termination costs, is recognized as part of “Interest expense and other financing charges” in profit or loss.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has 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 statement 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.

Input Value-added Taxes (VAT)

Input VAT represents VAT imposed on the Group by its suppliers and contractors for the acquisition of goods and services required under Philippine taxation laws and regulations. Input VAT is recognized as an asset and will be used to offset the Group’s Output VAT liabilities. Input VAT is stated at its net realizable value (NRV) and classified as to “current” or “non-current” based on projected utilization within the next twelve months after the reporting period.

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.

Inventories

Inventories are stated at the lower of cost and net realizable value (NRV). Cost incurred in bringing inventories to its present location and conditions includes purchase cost on a moving average basis.

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.



Advances to Contractors

Advances to contractors pertain to advance payments for services and supply of repairs and maintenance. Advances to contractors are carried at cost less impairment loss, if any.

Prepaid Expenses

Prepaid expenses are carried at cost less the amortized portion. Prepayments are expenses paid in advance and recorded as asset before they are utilized. Prepayments that are expected to be realized for not more than twelve months after the reporting date are classified as current assets; otherwise these are classified as other noncurrent assets.

Assets Held for Sale

Assets held for sale are carried at lower of its carrying amount and fair value less cost to sell. At reporting date, the Group classifies assets held for sale (disposal group) when their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sale of such assets and its sale must be highly probable. For the sale to be highly probable, the appropriate level of management must be committed to a plan to sell the asset, an active program to locate a buyer and complete the plan must have been initiated. Further, the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Extension of the period required to complete a sale

An extension of the period required to complete a sale does not preclude an asset (or disposal group) from being classified as held for sale if the delay is caused by events or circumstances beyond the entity's control and there is sufficient evidence that the entity remains committed to its plan to sell the asset (or disposal group). An exception to the one-year requirement shall apply in the following situations which such events or circumstances arise:

- (a) at the date an entity commits itself a plan to sell a non-current asset (disposal group) it reasonably expects that others (not buyer) will impose conditions on the transfer of the asset (or disposal group) that will extend the period required to complete the sale, and:
 - (i) actions necessary to respond to those conditions cannot be initiated until after a firm purchase commitment is obtained, and
 - (ii) a firm purchase commitment is highly probable within one year.
- (b) an entity obtains a firm purchase commitment and, as a result, a buyer or others unexpectedly impose conditions on the transfer of a non-current asset (or disposal group) previously classified as held for sale that will extend the period required to complete the sale, and;
 - (i) Timely actions necessary to respond to the conditions have been taken, and
 - (ii) a favorable resolution of the delaying factors is expected.
- (c) During the initial one-year period, circumstances arise that were previously considered unlikely and, as a result, a non-current asset (or disposal group) previously classified as held for sale is not sold by the end of that period, and:
 - (i) during the initial one-year period the entity took action necessary to respond to the change in circumstances,
 - (ii) the non-current asset (or disposal group) is being actively marketed at a price that is reasonable, given the change in circumstances, and
 - (iii) the criteria to classify non-current assets and disposal groups as held for sale are met:



When an entity acquires a non-current asset (or disposal group) exclusively with a view to its subsequent disposal, it shall classify the non-current asset (or disposal group) as held for sale at the acquisition date only if the one year requirement is met (subject to the allowed exception) and it is highly probable that any other criteria that are not met at that date will be met within a short period following the acquisition (usually within three months). No share in the net income of KPHLC was recognized from its retained interest.

Advances for Land Acquisitions

Advances for land acquisitions are carried at less impairment losses, if any and is classified as current or noncurrent 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.

Property, Plant and Equipment

Property, plant and equipment, except land, are carried at cost less accumulated depreciation and amortization and any impairment in value. Land is carried at cost less any impairment in value. The initial cost of property, plant and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost also includes interest and other financing charges on borrowed funds specifically used to finance the acquisition of property, plant and equipment to the extent incurred during the period of installation and construction.

The Group is contractually required under various contracts to restore leased property to its original condition and to bear the cost of dismantling and deinstallation at the end of the contract period. The Group recognizes the present value of these obligations and capitalizes these costs as part of the carrying value of the related property, plant and equipment accounts, and depreciates on a straight-line basis over the useful life of the related property, plant and equipment or the contract period, whichever is shorter.

Major repairs are capitalized as part of property, plant and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged to the consolidated profit or loss as incurred.

Depreciation and amortization of property, plant and equipment commences once the assets are available for use and computed on a straight-line basis over the estimated useful lives (EULs) of the property, plant and equipment as follows:

	Years
Land improvements	5-40
Buildings and improvements	6-25
Machinery and equipment - solar	10-25
Machinery and equipment - wind	10-25
Machinery and equipment - thermal	10-25
Machinery and equipment - power barges	10
Transportation equipment	3-5
Tools and other miscellaneous assets	5-10
Furniture and fixtures	3
Others	5-10



The useful life and depreciation and amortization method are reviewed periodically to ensure that the amounts, periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

When property, plant and equipment are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and accumulated provision for impairment losses, if any, are removed from the accounts and any resulting gain or loss is credited to or charged to profit or loss.

Construction in progress, included in property, plant and equipment, is stated at cost. Cost of construction in progress includes cost of construction, capitalized borrowing cost and other directly attributable cost of bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Construction in progress is not depreciated until such time that the relevant assets are completed and ready for use.

Transfers are made to investment property when there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from right-of-use assets when, and only when, there is a change in use, evidenced by commencement of owner-occupation. Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of the property for measurement or for disclosure purposes.

Leases

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

Group as a lessee

Except for short-term leases and leases of low-value assets, the Group applies a single recognition and measurement approach for all leases. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying 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, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received and estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Group is reasonably certain to obtain ownership of the leased asset.

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 as follows:

	Years
Land and easement rights	5-25
Land and power plants	5-25
Office space and parking slots	3-10
Leasehold rights	5-25



Right-of-use assets are subject to impairment. Refer to the accounting policies in Impairment of non-financial assets section.

Lease liabilities

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

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. PFRS 16 requires certain adjustments to be credited to or charged against current operations, while others are adjusted to the cost of the related right-of-use asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered of low value as defined in the accounting policies of subsidiaries. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted on a straight-line basis over the lease term and is included in revenue in the consolidated statement of income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Intangible Assets

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.

The remaining useful life of identifiable FIT contract is 13 years.

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.

Investments in Associates and Joint Ventures

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 statements of income reflect 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 equals 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 10). 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.

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 non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

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, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and any resulting gain or loss is included under "Gains on acquisition and disposal of investments" in the consolidated statement of profit or loss. For previously held equity interest designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition, cumulative gains and losses at the acquisition date are reclassified to retained earnings.

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.

Goodwill

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss as bargain purchase gain. The Group reassess whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure 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 profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment loss. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For purposes of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated should:

- represent the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- not be larger than an operating segment determined in accordance with PFRS 8, *Operating Segments*.

Impairment is determined by assessing the recoverable amount of the CGU (or group of CGUs), to which the goodwill relates. Where the recoverable amount of the CGU (or group of CGUs) is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a CGU (or group of CGUs) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in these circumstances is measured based on the relative values of the operation disposed of and the portion of the CGU retained. If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the acquirer shall recognize immediately in the consolidated statement of income any excess remaining after reassessment.

If the initial accounting for a business combination can be determined only provisionally by the end of the period in which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the acquirer shall account for the combination using those provisional values. The acquirer shall recognize any adjustments to those provisional values as a result of completing the initial accounting within twelve months of the acquisition date as follows: (i) the carrying amount of the identifiable asset, liability or contingent liability that is recognized or adjusted as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date; (ii) goodwill or any gain recognized shall be adjusted by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted; and (iii) comparative information presented for the periods before the initial accounting for the combination is complete shall be presented as if the initial accounting has been completed from the acquisition date.



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

Goodwill is tested for impairment annually and more frequently when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. 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 Rights

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

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*.

Equity

Capital Stock

Capital stock represents the portion of the paid-in capital representing the total par value of the shares issued. When the Group issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued. Subscription receivable pertains to the uncollected portion of the subscribed shares.

Retained Earnings

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

Equity Reserves

Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e., transactions with owners in their capacity as owners). In such circumstances, the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid shall be recognized directly in equity and included under "Equity reserves" account in the equity section of the consolidated statement of financial position.

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 PFRSs. 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.

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.

Revenue and Income Recognition

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 and coal 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 and solar 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 the 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 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.



Dividend Income

Dividend income is recognized when the Group's right to receive the payment is established, which is generally when shareholders of the investee companies approve the dividend. This is lodged under "Others" in profit or loss.

Management Fees

Management fees for services rendered are recognized when earned.

Interest Income

Interest income is recognized as it accrues using the EIR method.

Rental Income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms.

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.

Cost and Expenses

Costs and expenses are recognized in the consolidated statement of comprehensive income when a decrease in economic benefits related to a decrease in an asset or an increase in liability has arisen that can be measured reliably. These are generally recognized as they are incurred and measured at the fair value of the consideration paid or payable.

Deferred Financing Cost

Deferred financing cost, including debt issue costs, represent the fees incurred to obtain financing and are accounted for as deduction to the related debt. Deferred financing costs are amortized using the EIR method over the terms of the related long-term debt.

Pension Cost

Defined benefit plan

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. This method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial valuations are conducted with sufficient regularity, with the option to accelerate when significant changes to underlying assumptions occur.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset



Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

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

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Pension liabilities are the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net pension asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Income Taxes

Current Income Tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. The Group periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, with certain exceptions. Deferred tax assets are recognized for all deductible temporary differences, carryforward benefit of unused tax credits from excess of minimum corporate income tax (MCIT) over the regular corporate income tax and unused net operating loss carryover (NOLCO), to the extent that it is probable that



taxable income will be available against which the deductible temporary differences and carryforward benefits of MCIT and NOLCO can be utilized.

Deferred tax liabilities are not provided on nontaxable temporary differences associated with investments in domestic subsidiaries, associates and interests in joint ventures. With respect to investments in foreign subsidiaries, associates and interests in joint ventures, deferred tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred 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 as part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable income will allow all as part of the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted as at the end of the reporting period. Movements in the deferred income tax assets and liabilities arising from changes in tax rates are charged or credited to income for the period.

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

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

For periods where the income tax holiday (ITH) is in effect, no deferred taxes are recognized in the consolidated financial statements as the ITH status of the subsidiary neither results in a deductible temporary difference or temporary taxable difference. However, for temporary differences that are expected to reverse beyond the ITH, deferred taxes are recognized.

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 Translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Exchange gains or losses arising from foreign exchange transactions are credited to or charged against operations for the period.

The functional currency of ACRI, ACEFIL, ACEIC Cayman, ACEN Finance, ACEC, ACEN HKL, ACETI, ACETI BVI, BVI T, BVI D, BVI F and BVI Philco is in US Dollar. As of reporting date, the assets and liabilities of foreign subsidiaries, with functional currencies other than the functional currency of the Parent Company, are translated into the presentation currency of the Group using the closing foreign exchange rate prevailing at the reporting date, and their respective income and expenses at the weighted average rates for the year. The exchange differences arising on the translation are recognized in OCI under “Cumulative Translation Adjustments”. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation shall be recognized in profit or loss in the consolidated statement of comprehensive income.

Exchange differences arising from elimination of intragroup balances and intragroup transactions are recognized in profit or loss. As an exception, if the exchange differences arise from intragroup balances that, in substance, forms part of an entity’s net investment in a foreign operation, the exchange differences are not to be recognized in profit or loss, but are recognized in OCI and accumulated in a separate component of equity until the disposal of the foreign operation. Where circumstances have changed such that the entity decides that the monetary item is planned or is likely to be settled in the foreseeable future and ceases to form part of the net investment in a foreign operation, exchange differences that arise after that date are recognized in profit or loss.

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.

If the Group changes the structure of its internal organization in a manner that caused the composition of its reportable segments to change, the corresponding information for earlier periods, shall be restated unless the information is not available and the cost to develop it would be excessive. The determination of whether the information is not available and the cost to develop it would be excessive shall be made for each individual item of disclosure. Following a change in the composition of its reportable segments, the Group discloses whether it has restated the corresponding items of segment information for earlier periods.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. Provisions are reviewed at each financial reporting date and adjusted to reflect the current best estimate.

Contingencies

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



economic benefits is probable.

Events After the Financial Reporting Date

Post year-end events up to the date when the consolidated financial statements are authorized for issue that provide additional information about the Group's position 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 consolidated financial statements when material.

3. Significant Accounting Judgments 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 consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the financial statements. Future events may occur which can cause the assumptions used in arriving at those estimates to change. 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.

Judgment

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

Classification of Assets (Liabilities) Held for Sale and Exercise of Control

a. KPHLC

In 2019, the Group classified the assets and liabilities of KPHLC, which includes GN Power Kauswagan Ltd. Co. (GNPK) being its subsidiary, to "Assets held for sale" and "Liabilities held for sale", respectively (see Note 7) as a result of its assessment that the asset's carrying amount will be recovered principally through a sale transaction rather than through continuing use. The following criteria were met prior to the first tranche sale last September 30, 2021:

- i. The investment in KPHLC is available for immediate sale as evidenced by the term sheet signed on July 1, 2019 (the "Divestment Term Sheet") which was amended and restated on December 28, 2020. While the transaction is subject to certain conditions precedent, the requirements under PFRS 5 are deemed to have been satisfied in so far as the investment to be sold is concerned.
- ii. The sale is highly probable to be completed within 12 months from end of period date.

Events or circumstances may extend the period to complete the sale beyond one year. As of December 31, 2020, the Group has assessed that extension of the period required to complete the sale beyond the 12-month period does not preclude the assets and liabilities from being classified as held for sale since the Group remains committed to its plan to sell its stake in GNPK and has, in fact, already obtained the necessary lenders' consent to be able to implement a full divestment from GNPK.



On March 5, 2021, ACEIC, Power Partners Ltd Co. (PPLC) and certain of their affiliated companies, signed a Divestment Agreement for the transfer by ACEIC of its indirect ownership interest in GNPK in favor PPLC and its affiliates. The transfer will be implemented in tranches with the purchase price to be paid on a deferred basis.

On September 30, 2021, the Group completed the first tranche sale of its 38.6% (45% of the 85.7%) interest in GNPK through the sale of the limited partnership interest in KPHLC in favor of PPLC. The Group continued to take up the full profit and loss of GNPK until September 30, 2021. As of September 30, 2021, the assets and liabilities of GNPK classified under “Assets held for sale” and “Liabilities held for sale” amounting to ₱64,476.69 million and ₱41,123.70 million, respectively, were deconsolidated from the Group’s consolidated statements financial position.

The Group reclassified the remaining 47.1% (55% of the 85.7%) interest in GNPK as “Assets held for sale” based on the fair value of the investment amounting to US\$232.22 million (₱11,780.45 million). The retained 47.1% ownership of ACEIC in KPHLC is available for immediate sale in its present condition within the next 12 months upon classification to held for sale and is not subject to any further condition precedent. All conditions precedent (including lender’s consent) and completion of restructuring to consummate the sale were completed as of December 31, 2021.

The Group classified the assets and liabilities of KPHLC as assets and liabilities held for sale in 2019 since based on management’s assessment, the criteria under PFRS 5 have been met. The transaction is subject to certain conditions precedent, including PCC approval that was already obtained on September 30, 2019, and lenders’ consent for ACEIC’s full divestment from the project which was been obtained on December 15, 2020.

On December 31, 2022, management continues to classify the retained interest as held for sale even after the one-year period because of the following factors:

- There is an executed divestment agreement;
- The Group is actively undertaking activities to finalize the divestment, including the plan to issue a notice of divestment to the buyers;
- On February 23, 2023, the Group has issued a Second Sale Tranche Notice to PPLC confirming the intent to execute and complete the Sale Tranche covering the balance of the Group’s interests in KPHLC by March 31, 2023.

b. Kauswagan Land

The amendment and restated Divestment Term Sheet on December 28, 2020 included a provision wherein the Parent Company agreed to sell and PMR Group Retirement Plan, Inc. (PGRP) agreed to acquire certain parcels of land located in Kauswagan Lanao Del Norte which constitute the current project site of GNPK and which are currently legally and beneficially owned by the Parent Company. PGRP is a related party of PPLC.

To enable PGRP to pay the Land Purchase Price, one of the modes of settlement is ACEIC shall extend a loan to PGRP in an amount up to the Land Purchase Price (referred to as “ACEIC Land Loan”) and PGRP shall use the loan amount exclusively to pay the Land Purchase Price to ACEIC. PGRP shall pay interest on the ACEIC Land Loan at equivalent rates agreed in the term sheet. Since ACEIC Land Loan may require prior consent from PGRP’s existing lender, it is agreed that the issuance of such consent shall be a condition precedent to the effectiveness of the ACEIC Land Loan.

In July 2021, the consent from PGRP’s existing lenders were obtained. The carrying value of the Kauswagan Land amounting to ₱402.77 million as of December 31, 2021 was classified as “Assets held for sale”.



As of December 31, 2022, the sale has not been carried out with PGRP after revisiting the commercial terms on the binding agreement. Discussion between PGRP and ACEIC is ongoing as of date. The carrying value of the Kauswagan Land, rent receivable arising from the straight-line adjustment, the related deferred tax liability and security deposit were all reclassified from “Assets and liabilities held for sale” to Investment property, Accounts receivable, Deferred tax liability and Other noncurrent liabilities, respectively (see Note 6).

In accordance with PFRS 5, for changes to a plan of sale, the entity shall measure a non-current asset that ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale) at the lower of:

- (a) its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset (or disposal group) not been classified as held for sale, and
- (b) its recoverable amount at the date of the subsequent decision not to sell.

Determining Control Over an Investee

The Group determines control when it 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 regularly reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. The Group determined that it exercises control on its subsidiaries.

Loss of control over SLTEC

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

1. It does not any have voting and economic rights over SLTEC
2. The call option is considered non-substantive as it exercisable beginning only 2031-2040
3. The AMA and O&M agreements are considered service contracts arrangements

Gain of control over UPC-ACE Australia

The acquisition date is the date the acquirer obtains control of the acquiree, generally the specified closing or completion date of the business combination (November 8, 2022).

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. 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 (see Note 24).



Receivables and Other Financial Assets at Amortized Cost

ACEIC Group's receivables include its Affiliated Subordinated Indebtedness (ASI) loan to its affiliate, GNPK, and the receivables from PPLC arising from the first tranche divestment of Kauswagan Power Holdings Limited Co. (KPHLC) which will be collected on a deferred basis. Other financial assets at amortized costs also include redeemable preferred shares and convertible loans. Management assessed that these receivables qualified 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 gives rise on specified dates to cash flows which are reflective of basic lending arrangements.

Foreign-currency transactions

The Group treats specific intragroup loan balances, which are not intended to be repaid in the foreseeable future, as part of its net investment in foreign operation, and the exchange differences are recognized in OCI and forms part of the Cumulative Translation Adjustments equity account. Management exercises significant judgment in assessing whether the intragroup loan balances are not intended to be settled in the foreseeable future and whether subsequent circumstances have triggered the change in management's intention on the planned settlement of the loan.

The net exchange differences recognized in OCI and accumulated under Cumulative Translation Adjustments for the years ended December 31, 2022 and 2021 are as follows (amounts in millions):

	2022	2021
	<i>In millions</i>	
Balance as at January 1	(P477)	P804
Foreign exchange losses during the year	(617)	(1,281)
Balance as at December 31	(P1,094)	(P477)

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% and 33.30% ownership interests in PhilWind and NLR, 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, WESM prices were elevated 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 Group 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 ₱1,123.51 million, net of ₱13.75 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.

Provisions on tax losses

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws and the amount and timing of future taxable profits. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The amount of such provisions is based on various factors, such as experience on previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences in interpretation may arise for a wide variety of issues depending on the conditions prevailing in the respective domicile of the entities within the Group.

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 periods 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 24).

Purchase Price Allocation and Goodwill

The Group made several acquisitions in 2022 (see Note 24) 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 gain on bargain purchase and goodwill. See Note 24 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.

Fair value measurement of financial assets at FVTPL and FVOCI

In the estimation of fair value of the investments recorded as financial assets at FVTPL and FVOCI, management need to determine the appropriate valuation techniques and inputs for fair value measurements. Management uses the discounted cash flow technique in estimating the fair value of the financial assets at FVTPL and FVOCI. Based on the financial performance and financial position of the investee entity, management estimates the amount and timing of the future cash inflows arising from the redemption of the preferred shares. Management estimates also the discount rate used to measure the fair value of the investments as disclosed in Notes 9 and 10.

Determination of present value of FIT adjustment

The Group recognized additional revenue and long-term receivables computed on the FIT rate increment based on Resolution No.06, Series of 2020 issued by the ERC. The revenue adjustment pertaining to 2016 - June 2020 delivered energy is a variable consideration as Eligible Renewable Energy (RE) Plants are entitled to applicable FITs under the ERC Resolution No. 16-2010 or the "FIT Rules" where such FITs are reviewed and adjusted by the ERC. Pending an updated resolution from the ERC for 2016 to 2020, Eligible RE Plants continued to charge the prevailing FITs. The revenue adjustment will be recovered for a period of 5 years. See Note 21 for the related balances.

The Group determined the present value of the Tariff adjustments through discounted cash flow model using Bloomberg Valuation Service (BVAL) risk-free interest rates of 5-year tenor for government securities that are denominated in Philippine peso currency, being the rate that the Group would receive in a similar economic environment with similar terms, security and conditions.



The valuation technique is validated and periodically reviewed by qualified personnel independent of the area that created them. The Group considers that it is impracticable, however, to disclose with sufficient reliability the possible effects of sensitivities surrounding the assumptions used.

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 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.

Measurement of Expected Credit Losses (ECL)

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 (see Note 5).

Determination of Significant Increase in Credit Risk (SICR)

The Group compares the probabilities of default occurring over its expected life as at the reporting date with the probability of default occurring over its expected life on the date of initial recognition to determine significant increase in credit risk. Since comparison is made between forward-looking information at reporting date against initial recognition, the deterioration in credit risk may be triggered by the following factors:

- substantial deterioration in credit quality as measured by the applicable internal or external ratings or credit score or the shift from investment grade category to non-investment grade category;
- adverse changes in business, financial and/or economic conditions of the borrower;
- early warning signs of worsening credit where the ability of the counterparty to honor his obligation is dependent upon the business or economic condition;
- the account has become past due beyond 30 days where an account is classified under special monitoring category; and
- expert judgment for the other quantitative and qualitative factors which may result to SICR as defined by the Group.

In response to COVID-19, the Group undertook a review of its portfolio of financial assets and the ECL for the period for financial assets carried at amortized cost. The review considered the macroeconomic outlook, client and customer/borrower credit quality, the type of collateral held, exposure at default and the effect of payment deferral options as at the reporting date.

As of December 31, 2022 and 2021, the Group assessed that for its financial assets such as cash and cash equivalents, receivables (other than trade) and financial assets at amortized cost, there has been no SICR since origination and are assessed of low credit risk based on published information of comparable entities. See Notes 4, 5 and 8 for the related balances.



For trade receivables, the Group used provision matrix in estimating its ECL. A broad range of forward-looking information are 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 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 were revised, the ECL models, and definitions of default remain consistent with prior periods. See Note 5 for the related balances.

Qualitative criterion is in place such as forbearance offered to customers in financial difficulty, as the Group complies with the Department of Energy circulars on granting extensions on deferment of payments and obligation. The changes in economic activity brought about by the community quarantine measures and lowering of Wholesale Electricity Spot Market (WESM) prices have resulted in lower electricity demand and consumption. Consequently, this affected the revenue targets of the Distribution Companies, Generation Companies, and Retail Energy Sales (RES) business units. However, projects under FIT were not affected by the movements in the WESM prices. Nevertheless, the Group has been in constant discussions, and has been working together with its customers and other key stakeholders to minimize the impact of the pandemic to the respective parties' power supply agreements.

Fair value measurement of receivables and retained interests

In the determination of fair value of receivable from PPLC and the retained interest in KPHLC, management determined the appropriate techniques and inputs for fair value measurements. Management estimates the amount and timing of the future cash inflows based on the distributable proceeds that will be received by PPLC from its 2 GN Power affiliates, GNPK and GN Power Dinginin Ltd. Co. (GNPD), which is based on the priority payment waterfall provisions of the divestment agreement. A discount rate is applied to the cash flow projections to establish the net present value of the receivables and retained interests.

Likewise, in the determination of the effective interest rate of the ASI loan, management estimates the amount and timing of the future cash inflows based on the distributable proceeds of GNPK.

Valuation of ASI loan and PPLC receivables

Subsequent to initial recognition, management revises its estimates of receipts of future cashflow from the ASI loan and PPLC receivables based on the distributable proceeds from GNPK and GNPD which is based on the priority payment waterfall provision of the divestment agreement and the management prepared forecast of future cashflows. Management has also exercised judgments in estimating the maturity dates of these loan / receivable when full collection will be made based on the terms and conditions of the loans / receivables.

Evaluation of Impairment 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. The Group recognized impairment loss on its investment in associate and property, plant, and equipment for the year ended December 31, 2022 at ₱42.94 million (₱321.67 million in 2021). Refer to Notes 5, 8, 11 and 14 for the relevant balances and assumptions. For goodwill, after performing its impairment assessment to reflect management's estimates of the possible impacts of COVID-19 on these key assumptions, the Group concluded that there are no impairment losses as at December 31, 2022.

Realization of Deferred Tax Assets

During the year ended December 31, 2022, management reviewed its business and operations to take into consideration the estimated impacts of COVID-19, 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. Management believes that sufficient taxable profit will be generated to allow all or part of the deferred income tax assets to be utilized. See Note 22 for the related balances.

Estimating Useful Lives of Property, Plant and Equipment and Right-of-use Assets

The Group estimates the useful lives of property, plant and equipment and right-of-use assets based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment and right-of-use assets are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. In addition, estimation of the useful lives of property, plant and equipment are based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. In 2022 and 2021, there were no changes in the estimated useful lives of the assets. See Notes 11 and 12 for the related balances.

4. Cash and Cash Equivalents

This account consists of:

	2022	2021
Cash on hand	₱2,084,319	₱7,984,562
Cash in banks	11,701,387,114	25,891,839,186
Cash equivalents	23,808,730,273	11,990,350,554
	₱35,512,201,706	₱37,890,174,302

Cash on hand pertains to petty cash fund used under an imprest fund system.

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.



The Group earned interest income from its cash in banks and cash equivalents amounting:

	2022	2021
Cash in banks	₱297,212,959	₱115,586,745
Cash equivalents	12,687,766	15,228,995
	₱309,900,725	₱130,815,740

Interest rates on cash in banks and cash equivalents are ranging from 1.25% to 5.55% for 2022 and 0.05% to 1.21% for 2021.

5. Receivables

This account consists of:

	2022	2021
Accounts receivable	₱12,254,546,972	₱9,890,392,373
Notes receivable (Note 23)		
Development loan	8,299,936,506	5,953,358,211
Debt replacement loan	20,094,773,955	17,253,756,069
Other loan	23,676,491,172	21,035,346,430
Accrued interest receivable	7,648,270,401	4,330,942,138
	71,974,019,006	58,463,795,221
Less: Allowance for impairment loss	191,544,267	555,299,789
	₱71,782,474,739	₱57,908,495,432

Accounts receivable

This account consists of trade and other receivables from related parties and third parties:

	2022	2021
Trade receivables		
Third parties		
Independent Electricity Market Operator of the Philippines ("IEMOP")	₱4,029,887,535	₱2,365,102,384
RES Buyer	3,669,586,202	2,356,769,356
National Transmission Corporation ("TransCo")	1,772,552,608	1,727,487,823
PEMC Multilateral Agreements	–	1,137,262,425
National Grid Corporation of the Philippines ("NGCP")	146,922,193	186,217,299
Philippine Electricity Market Corporation ("PEMC")	51,025,425	75,751,506
Others	41,948,872	140,675,029
Related parties (Note 23)	14,524,788	30,068,582
Other Receivables		
Third parties	1,251,008,741	1,160,976,413
Related parties (Note 23)	1,277,090,608	710,081,556
	12,254,546,972	9,890,392,373
Allowance for impairment loss	167,844,267	531,599,789
	12,086,702,705	9,358,792,584
Less: Noncurrent portion	1,539,878,901	2,530,817,246
Current portion	₱10,546,823,804	₱6,827,975,338



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%.

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, WESM prices were elevated 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 16).

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 and other payables.

Other Receivables

Other receivables from third party mainly pertain to receivable from Sta. Clara Group, Inc. (Sta. Clara). Other receivables also include advances to employees and advance payments to suppliers and deposits to distribution utilities.

Receivables from Sta. Clara Group

In 2016, the Group sold all of its 70.00% ownership interest in QuadRiver Energy Corporation (QEC), Philnew Hydro Power Corporation (PHPC) and PhilnewRiver Corporation (PRPC) to Sta. Clara for ₱350.00 million, payable on or before December 29, 2021. The note is noninterest-bearing and payable on December 29, 2021.

In 2022, the Parent Company collected the receivable from Sta. Clara totaling to ₱300.41 million. Remaining balance of ₱49.59 million is expected to be settled within 2023. The provision for allowance of ₱350.00 million was fully reversed within 2022. As of December 31, 2022, receivable from Sta. Clara amounted to ₱67.09, which includes ₱17.50 million penalties for late payment.



Notes receivable

This account consists of development, debt replacements and other loans receivable from related parties and third parties:

	2022	2021
Development loans		
Third party	₱5,845,765,820	₱2,847,976,403
Related party (Note 23)	2,454,170,686	3,105,381,808
Debt replacement		
Related party (Note 23)	20,094,773,955	17,253,756,069
Other loans		
Third party	11,909,024,943	10,880,546,430
Related party (Note 23)	11,767,466,229	10,154,800,000
	52,071,201,633	44,242,460,710
Allowance for impairment loss	23,700,000	23,700,000
	52,047,501,633	44,218,760,710
Less: Noncurrent portion	34,574,859,720	29,536,964,831
Current portion	₱17,472,641,913	₱14,681,795,879

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.

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 which is 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 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 ₱2,078.40 million, respectively.



c. Asian 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. Asian 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 to 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 (¥2,435.26 million) and US\$21.55 million (¥2,414.15 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 (¥2,318.79 million) and US\$47.41 million (¥2,643.40 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 (¥574.83 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 (P\$59.61 million) and US\$71.64 million (P\$3,637.88 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 availment 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 (P\$1,921.15 million), respectively.

Debt replacement facilities 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 in 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 (P\$1,115.10 million) and US\$20.00 million (P\$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"). In the Guarantee Agreement, 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 US\$12.97 million (₱658.44 million), respectively.

d. 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 and 2021, the receivable amount is USD\$6.53 million (₱364.23 million) and USD\$9.80 million (₱497.59 million), respectively.

e. 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 and 2021, the receivable amount is USD\$10.23 million (₱570.76 million and USD\$9.00 million (₱456.97 million), respectively.

f. 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.

g. 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 (P1,489.56 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 (P4,760.97 million).

h. 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 (P253.87 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 loans

Other loans from third parties includes long term loan receivables from PPLC in relation to the divestment of indirect ownership interest in GNPK (see Note 6) and receivables for land acquisitions.

Receivables from PPLC

On March 5, 2021, ACEIC, PPLC and certain of their affiliated companies, signed a Divestment Agreement for the transfer by ACEIC of its indirect ownership interest in GNPK in favor of PPLC and its affiliates. The transfer was implemented in tranches with the purchase price to be paid on a deferred basis. On September 30, 2021, after all conditions precedent has been met, ACEIC executed the divestment.

The receivables from PPLC and affiliates arising from the first tranche sale amounted to P9,638.55 million. The receivable from PPLC is subject to interest rate compounding semi-annually ranging from 5.00% to 12.50%. The maturity date of the loan is December 31, 2031. The amount and timing of collection is based on the priority payment waterfall provisions of the Divestment Agreement. Any unpaid interest shall accrue interest. As of December 31, 2022 and 2021, receivables from PPLC amounted to P10,718.80 million and P9,638.55 million, respectively.

Receivables from GNPK

On November 11, 2020, the Parent Company's Board approved the provision of a US\$200.00 million ASI loan to GNPK to enable GNPK to partially pre-pay its outstanding senior loans. The provision of the loan is subject to certain conditions precedent including but not limited to the signing of definitive documentation with GNPK, as well as relevant consents from the senior lenders and the project partners.

On December 22, 2020, ACEIC signed the ASI agreement with GNPK for US\$200.00 (P9,607.20 million). The ASI loan is subject to interest rate compounding semi-annually ranging from 5.00% to 12.50% which shall accrue starting January 1, 2021. The maturity date of the loan is the later of the (1) the final maturity date of the GNPK Senior Loans (due 2031); and (2) the full payment on, and redemption of full interest of a partner in GNPK and in GNPK's Parent Company, KPHLC under the limited partnership agreements. GNPK's payment of the interest on the ASI loan and the principal



shall follow the repayment waterfall stipulation in the ASI loan agreement. Any unpaid interest shall accrue interest.

Below shows the priority payment waterfall as indicated in the ASI loan agreement:

1. Up to 50% of cash available for distribution will be used to pay for, and make current, the interest in GNPK ASI loan
2. The remaining 50% of cash available for distribution plus any excess amount from 1 will be used to pay for, and make current, the coupons of PINAI's interest.
3. If after 1, there is still excess cash available for distribution, it will be used to redeem PINAI's interest or repay GNPK ASI loan
4. After full repayment of the Senior loans, excess will be used to either pay ASI loan or pay for the deferred purchase price for divestment or land loan

Interest income

The Group earned interest income from its receivables from debt replacement, development loans, redeemable preferred shares, convertible loans, other loans and trade receivables amounting to ₱7,120.04 million and ₱4,276.16 million as of December 31, 2022 and 2021, respectively.

Accrued interest receivable:

This account consists of accrued interest receivable from related parties and third parties, and from other financial assets at amortized cost:

	2022	2021
Development loan		
Third party	₱43,705,450	₱124,684,107
Related party (Note 24)	389,231,369	160,738,839
Debt replacement		
Related party (Note 24)	1,072,044,624	1,033,004,833
Redeemable preferred shares		
Related party (Note 24)	2,487,851,830	946,558,622
Convertible loan		
Related party (Note 24)	1,071,550,826	1,421,564,736
Other loan		
Third party	1,091,926,014	136,779,469
Related party (Note 24)	1,426,302,476	502,008,621
Trade receivables		
Third party	60,250,472	5,554,258
Related party (Note 24)	5,407,340	48,653
	7,648,270,401	4,330,942,138
Less: Noncurrent portion	2,963,982,155	1,512,085,008
Current portion	₱4,684,288,246	₱2,818,857,130



Provisions for impairment loss

The following is the rollforward analysis of impaired receivables:

	Accounts Receivables	Notes Receivables	Total
Balance at January 1, 2021	₱519,885,188	₱23,700,000	₱543,585,188
Provision for the year	11,714,601	–	11,714,601
Balance at January 1, 2022	531,599,789	23,700,000	555,299,789
Provision for the year	(363,755,522)	–	(363,755,522)
Balance at December 31, 2022	₱167,844,267	₱23,700,000	₱191,544,267

Impairment on accounts receivables includes receivable from Sta. Clara amounting to ₱350.00 million which was reversed with subsequent collections within 2022. Impairment on notes receivables pertains to receivable from Pinnacle.

6. Noncurrent Assets Held for Sale

Assets and liabilities held for sale comprise of the following:

	2022	2021
Assets held for sale:		
Investment in KPHLC/Assets of GNPk (a)	₱11,821,057,526	₱11,780,454,199
Kauswagan land (b)	–	402,769,420
ACEN Power Barges (c)	–	193,537,016
Bataan Solar Energy, Inc. (BSEI) tools (d)	–	9,926,893
	₱11,821,057,526	₱12,386,687,528

(a) Investment in KPHLC/Assets and Liabilities of GNPk

Classification as Assets (Liabilities) Held for Sale

On July 1, 2019, ACEIC and PPLC executed the Divestment Term Sheet for the acquisition in tranches by PPLC of the Group's indirect partnership interest in GNPk, through the sale of its limited partnership interest in KPHLC. The completion of the first tranche of the transaction will result in PPLC gaining control over GNPk's coal power plant. ACEIC classified the assets and liabilities of GNPk as assets and liabilities held for sale in 2019 since based on management's assessment, the criteria under PFRS 5 have been met. The transaction is subject to certain conditions precedent including PCC approval that was already obtained on September 30, 2019, and lenders' consent for the ACEIC's full divestment from the project which was obtained on December 15, 2020.

On December 28, 2020, ACEIC, PPLC and their related companies amended and restated the Divestment Term Sheet and signed and executed an Amended and Restated Term Sheet for the divestment of ACEIC from GNPk to update the terms and conditions of the divestment.

On March 5, 2021, ACEIC, PPLC and certain of their affiliated companies, signed a Divestment Agreement for the transfer by ACEIC of its indirect ownership interest in GNPk in favor PPLC and its affiliates. The transfer will be implemented in tranches with the purchase price to be paid on a deferred basis.



As of September 30, 2021, the following transactions were completed:

1. Redemption of KPHLC Class A and B limited partnership interests held by ACEIC, which holds 85.7% ownership over GNPk.
2. Investment of ACEIC subsidiaries (ACE (BVI) B, Inc., ACE (BVI) D, Inc., ACE (BVI) F, Inc., ACE (BVI) T, Inc., ACE (BVI) PHILCO Corp.) in GNPk through subscription to KPHLC's Class A and B limited partnership interests.
3. Sale of 100% interest in ACE (BVI) B, Inc. and 11.62% interest in ACE (BVI) PHILCO Corp. to PPLC and subsidiaries, equivalent to 38.6% (45% of the 85.7%) interest in GNPk (first tranche sale). Pursuant to the Divestment Agreement, with the completion of the first tranche sale, management and operational control over KPHLC and GNPk transferred to PPLC and its affiliates, whereby PPLC and its affiliates, among others, acquired the right to appoint and elect four of the five members of KPHLC's and GNPk's management committee representatives, and four of the five members of the Board of directors of Kauswagan Power GP Corporation, the sole general partner of GNPk.

The sale and retained interest are valued at US\$453.24 million (₱23,096.81 million) payable on a deferred basis. The carrying value of ACEIC indirect investment in GNPk was US\$363.65 million (₱18,531.31 million). Receivables from PPLC and subsidiaries for the 38.6% interest in GNPk is recorded at net present value at US\$190.00 million (₱9,638.55 million), while the fair value of the 47.1% (55% of the 85.7%) investment amounting to US\$232.22 million (₱11,780.45 million) is presented as "Assets held for sale" in the December 31, 2021 consolidated statements of financial position.

The transfer of ACEIC's interest in the GNPk Project is part of ACEIC's plan to rebalance its generation portfolio as it aims to grow its renewable assets with a target of achieving at least 5 GW of attributable renewable energy capacity by 2025.

Total gain upon loss of control over GNPk is at ₱3,501.4 million, which is presented under "Gains on acquisition and disposal of investments in the consolidated statements of comprehensive income, includes the following: 1) ₱1,299.5 million gain on sale of shares on the 38.6% interest in GNPk; 2) ₱1,588.2 million fair value gain on sale on the 47.1% retained interest in GNPk; and 3) ₱613.7 million gain on the re-attribution of accumulated share in currency translation adjustments as of September 30, 2021.

Prior to the first tranche sale, ACEIC classified the assets and liabilities of GNPk as "Assets held for sale" and "Liabilities held for sale", respectively, in the consolidated statement of financial position. ACEIC continued to consolidate the balances until completion of the first tranche sale as of September 30, 2021, upon which, the Assets held for sale and Liabilities held for sale were deconsolidated from the Group's consolidated statements financial position.

The Group continued to take up the full profit or loss of GNPk until September 30, 2021.

The amount and timing of collection of the consideration is dependent on the distributable proceeds that will be received by the buyer from its two GN Power affiliates, GNPk and GNPD, which is based on the priority payment waterfall provisions of the divestment agreement. In determining the fair value of the receivables and the retained interest, ACEIC used key assumptions such as revenue from energy sales, fuel costs and discount rate in relation to the future cashflows of GNPk and GNPD.



The amounts as of September 30, 2021 are as follows:

Assets Held for Sale

	September 30, 2021
Current Assets	
Cash and cash equivalents	₱3,347,325,084
Current portion of receivables	2,388,762,130
Input value-added taxes	3,025,332,820
Other current assets	2,248,405,147
	11,009,825,181
Noncurrent Assets	
Property, plant and equipment	52,666,341,288
Receivables - net of current portion	9,384,474
Intangible assets	327,981,818
Derivative assets - non-current	457,023,481
Other noncurrent assets	6,131,756
	53,466,862,817
Assets Held for Sale	₱64,476,687,998

Liabilities Held for Sale

	September 30, 2021
Current Liabilities	
Accounts and other payables	₱3,986,657,043
Current portion of loans payable	2,134,448,794
	6,121,105,837
Noncurrent Liabilities	
Deferred tax liability – net	404,752,347
Loans payable - net of current portion	33,282,537,738
Other noncurrent liabilities	1,315,299,362
	35,002,589,447
Liabilities Held for Sale	₱41,123,695,284

	Assets held for sale	Liabilities held for sale
At reclassification date	₱54,440,519,894	₱40,274,584,889
Movement to December 31, 2019	6,264,038,685	2,610,654,463
Movement to December 31, 2020	(1,794,585,511)	(15,033,524,706)
Movement to September 30, 2021, arising from continued consolidation of GNPK	5,566,714,930	13,271,980,638
	₱64,476,687,998	₱41,123,695,284

As of December 31, 2022, management continues to classify the retained interest as held for sale even after the one-year period because of the following factors:

- There is an executed divestment agreement;
- The Group is actively undertaking activities to finalize the divestment, including the plan to issue a notice of divestment to the buyers;



- On February 23, 2023, the Group has issued a Second Sale Tranche Notice to PPLC confirming the intent to execute and complete the Sale Tranche covering the balance of the Group's interests in KPHLC by March 31, 2023.

Claims for Property Damage and Business Interruption

GNPK has the right to claim Delay Liquidated Damages for any construction delay. Total compensation recognized under Other revenues for the year ended December 31, 2020 amounted US\$10 million (₱509.04 million). As at December 31, 2020, no compensation was recognized as cost recovery or cost reduction to Construction in Progress account under Property, plant and equipment.

GNPK revenues from electricity sales of ₱4,354.5 million and ₱5,108.7 million and mark-to-market loss on derivative instrument of ₱411.7 million and ₱802.6 million for the nine-month period ended September 30, 2021 and for the year ended December 31, 2020, respectively, were recognized in the Group's consolidated statement of comprehensive income.

As of September 30, 2021 and December 31, 2020, the carrying value of the GNPK's power plant amounted to ₱49,884.0 million and ₱47,207.97 million, respectively. GNPK has assessed that the units will be available in the location and condition for them to be capable of operating as intended by management when the units have achieved the unit performance test level as agreed in the EPC Agreement. As of September 30, 2021 and December 31, 2020, the units are not yet available for their intended use as there are still expected testing and costs that will be incurred until the units achieve the agreed and expected conditions to operate. Consequently, no depreciation was recognized as of September 30, 2021 and December 31, 2020.

Performance Guarantee

GNPK is entitled to compensation or reduction in construction cost if the power plant does not meet performance criteria for net electrical output in accordance with the testing conditions agreed in the EPC Agreement. On May 18, 2020, as security that EPC contractor will rectify the remaining defects to achieve the contractual performance criteria based on the EPC Agreement, GNPK fully drew the performance guarantee-under the EPC Agreement amounting to US\$47.73 million (₱2,429.3 million). GNPK initially treated the drawn amount as advances from contractors as of December 31, 2020. Subsequently, on October 18, 2021, upon effectivity of the Settlement Agreement with SEPC, GNPK treated such amount as a reduction of the Construction in progress account in accordance with PAS 16 and based on the provisions of the settlement agreement which indicates that such amount relates to the reduction in the Supply Cost and Construction Cost reflecting the decreased value of work affected by the defects and deficiencies under the EPC Agreement.

Derivative Asset

The onshore and offshore loan agreements of GNPK have embedded prepayment options subject to a 3.00% prepayment penalty. The embedded derivative for the onshore dollar loan is assessed to be not closely related to the host contract, and thus, bifurcated and accounted for separately. For the period ended September 30, 2021 and year ended December 31, 2020, the net fair value changes in profit or loss during the year amounted to ₱411.7 million and ₱802.6 million, respectively. This is presented as mark-to-market gains in the consolidated statement of comprehensive income.

Loans Payable

GNPK entered into several facility agreements to include onshore dollar and peso facilities, offshore commercial facility and additional senior term facility.



In June 2021, GNPk obtained a working capital loan from a bank amounting to \$10.00 million with an interest rate of 2.2412% for a period of 6 months, starting June 22, 2021 with a maturity date of December 21, 2021. This was rolled over for another three months, thereby changing the maturity date to February 21, 2022. GNPk also obtained a letter of credit with another bank amounting to \$14.33 million for the funding of its coal shipments.

On December 22, 2020, ACEIC signed the ASI agreement with GNPk for US\$200.00 (P9,607.20 million). The ASI loan is subject to interest rate compounding semi-annually ranging from 5.00% to 12.50% which shall accrue starting January 1, 2021. The maturity date of the loan is the later of the (1) the final maturity date of the GNPk Senior Loans (due 2031); and (2) the full payment on, and redemption of full interest of a partner in GNPk and in GNPk's Parent Company, KPHLC under the limited partnership agreements. GNPk's payment of the interest on the ASI loan and the principal shall follow the repayment waterfall stipulation in the ASI loan agreement. Any unpaid interest shall accrue interest.

Cash flow movement

The table below provides summary of the cash flows of GNPk for the nine-month period ended September 30, 2021:

	2021
	<i>(In Thousands)</i>
Net cash flows provided by operating activities	P1,701,287
Net cash used in investing activities	(252,882)
Net cash provided by (used) in financing activities	(2,850,575)
Effect of exchange rate changes on cash and cumulative translation adjustment	114,512
Net increase (decrease) in cash and cash equivalents	(P1,287,658)

(b) Kauswagan Land

The amended and restated Divestment Term Sheet that was signed and executed on December 28, 2020 included a provision wherein ACEIC agreed to sell and PMR Group Retirement Plan, Inc. (PGRP) agreed to acquire, certain parcels of land located in Kauswagan Lanao Del Norte with an area of approximately 684,640 sqm which constitute the current project site of GNPk, and which are currently legally and beneficially owned by ACEIC. PGRP is a related party of PPLC.

The purchase price for the Kauswagan Land is equal to US\$15.90 million inclusive of value added tax, and subject to withholding taxes to the extent prescribed under Philippine law (referred to as Land Purchase Price). The documentary stamp tax as well as other costs and fees for the title transfer including cost to obtain the certificate authorizing registration (CAR), local transfer taxes and fees payable to the register of deeds, shall be for the account of PGRP.

To enable PGRP to pay the Land Purchase Price, one of the modes of settlement is ACEIC shall extend a loan to PGRP in an amount up to the Land Purchase Price (referred to as "ACEIC Land Loan") and PGRP shall use the loan amount exclusively to pay the Land Purchase Price to ACEIC. PGRP shall pay interest on the ACEIC Land Loan at equivalent rates agreed in the term sheet. Since ACEIC Land Loan may require prior consent from PGRP's existing lender, it is agreed that the issuance of such consent shall be a condition precedent to the effectiveness of the ACEIC Land Loan.



In July 2021, the consent from PGRP's existing lenders were obtained. The carrying value of the Kauswagan Land amounting to ₱402.77 million as of December 31, 2021 was classified as "Assets held for sale".

As of December 31, 2022, the sale has not been carried out with PGRP after revisiting the commercial terms on the binding agreement. Discussion between PGRP and ACEIC is ongoing as of December 31, 2022. The carrying value of the Kauswagan Land, rent receivable arising from the straight-line adjustment, the related deferred tax liability and security deposit were all reclassified from "Assets and liabilities held for sale" to Investment property, Accounts receivable, Deferred tax liability and Other noncurrent liabilities, respectively (see Note 13).

In accordance with PFRS 5, for changes to a plan of sale, the entity shall measure a non-current asset that ceases to be classified as held for sale (or ceases to be included in a disposal group classified as held for sale) at the lower of:

- (a) its carrying amount before the asset (or disposal group) was classified as held for sale, adjusted for any depreciation, amortization or revaluations that would have been recognized had the asset (or disposal group) not been classified as held for sale, and
- (b) its recoverable amount at the date of the subsequent decision not to sell.

(c) ACEN Power Barges

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. These were acquired by ACEN from the Power Sector Assets and Liabilities Management Corporation ("PSALM") in 2015. Each power barge is a barge-mounted bunker-fired diesel generating power station with Hitachi diesel generator units and a gross capacity of 32MW and providing dispatchable reserve services to the Visayas grid.

On August 20, 2021, the Parent Company's Executive Committee approved the sale of PB 101 to Prime Strategic Holdings Inc. or its designated affiliate or subsidiary, and PB 102 and PB 103 to SPC Power Corporation or its designated affiliate or subsidiary.

On September 16, 2021, the Asset Purchase Agreement for the sale of PB 102 and 103 with SPC Island Power Corporation was signed. Impairment loss amounting to ₱8.71 million was recognized for the year ended December 31, 2021, to bring down to its estimated net realizable value.

On December 21, 2021, ACEN signed the Asset Purchase Agreement for the sale of PB 101 to MORE Power Barge, Inc. The Deed of Absolute sale was executed by the parties on January 21, 2022. Impairment loss amounting to ₱69.15 million was recognized for the year ended December 31, 2021, to bring down 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 Power Barge 101 amounting to ₱126.00 million, inclusive of VAT, and sold at cost.

On February 22, 2022, ACEN and SPC Island Power Corporation executed the Deed of Absolute Sale and Assignment implementing the sale of PB 102 amounting to ₱39.20 million, inclusive of VAT. Conditions precedent to closing of the transaction is the approval of PSALM to the



assignment of the Lease Agreement covering the mooring site of PB 102. The sale resulted to 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 amounting to ₱39.20 million, inclusive of VAT. The sale resulted to a loss of ₱4.20 million.

As at December 31, 2022 and 2021, the carrying value of the power barges (PB101 to P103) amounted to nil and ₱193.53 million, respectively.

Impairment Losses

PB 102 located in Barrio Obrero, Iloilo City, accidentally discharged fuel oil on July 3, 2020. Based on investigation, an explosion in one of the barge's fuel tanks ruptured the hull of the barge which resulted in the oil spill. The Group assessed and determined that the incident raised impairment indication that the asset's carrying amount exceeded its estimated recoverable amount. The Group recognized net impairment of ₱2.74 million in 2021.

(d) BSEI Tools

In 2021, tools identified as salable were classified as noncurrent assets held for sale from property, plant and equipment, with its related impairment reversal amounting to ₱14.89 million, ₱4.96 million of these were sold in 2021 while the remaining ₱9.93 million was sold in 2022.

As at December 31, 2022 and 2021, the carrying value of the remaining tools amounted to nil and ₱9.93 million, respectively.

7. Investments in Associates and Joint Ventures

The Group's investments in associates and joint ventures and the corresponding effective percentages of ownership are shown below.

	Effective Percentage of Ownership (%)		Carrying Amounts	
	2022	2021	2022	2021
<i>Joint Ventures</i>				
PhilWind ⁽¹⁾ *	40.31	45.13	₱4,763,170,828	₱4,749,106,812
NLR ⁽¹⁾	19.24	—	2,306,314,953	—
BIMRE ⁽²⁾ *	17.32	19.40	1,802,627,369	1,597,532,623
Ingrid Power Holdings, Inc. ("Ingrid") ⁽³⁾ *	28.87	32.33	1,168,628,829	1,210,657,773
NEFIN Limited ("NEFIN") ⁽⁴⁾	28.87	—	520,172,714	—
Greencore Power Solutions 3, Inc. ("Greencore 3") ⁽⁵⁾	28.87	—	216,729,104	—
AMI AC Renewables Corporation ("AAR") ⁽⁶⁾ *	28.87	32.33	128,577,106	275,573,430
BIM Energy Joint Stock Co. ("BIME") ⁽²⁾ *	17.32	19.40	116,179,142	111,824,762
BIM Wind Joint Stock Company ("BIM Wind") ⁽⁷⁾	17.32	—	101,621,970	—
BCEI ⁽⁸⁾	28.87	—	89,174,539	—
UPC Asia III ⁽⁹⁾ *	5.77	6.47	83,055,050	47,034,600
UPC Australia ⁽¹⁰⁾ *	—	32.33	—	903,332,715
Others ⁽¹¹⁾ *	Various	Various	39,233,516	8,961,715
<i>Associates</i>				
Star Energy Salak-Darajat B.V. (Salak-Darajat) ⁽¹²⁾ *	11.43	12.80	11,550,596,531	10,652,033,945
AA Thermal, Inc. (AATI) ⁽¹³⁾	40.00	40.00	10,823,648,525	7,632,760,819
Maibarara Geothermal, Inc. (MGI) ⁽¹⁴⁾ *	14.44	16.16	823,357,472	785,041,816
Others	Various	Various	54,715,056	14,922,364
			34,587,802,704	27,988,783,374
Less allowance for impairment			3,963,984	4,551,353
			₱34,583,838,720	₱27,984,232,021

*Change in effective percentage of ownership is due to decrease of ACEIC's percentage ownership in ACEN



This account consists of:

	2022	2021
Cost:		
Balance at January 1	₱24,395,337,682	₱22,175,922,788
Additions and subscription deposit	7,640,186,103	655,446,562
Conversion from subscription deposits (Note 8)	134,228,310	
Acquisition of control	(7,005,538,747)	—
Interest retained in former subsidiary	—	980,900,081
Divestment	(94,338,583)	(186,512,700)
Cumulative translation adjustment	2,007,364,335	769,580,951
Balance as of end of year	27,077,239,100	24,395,337,682
Accumulated equity in net earnings:		
Balance at January 1	3,582,148,882	1,814,644,477
Equity in net earnings for the year	4,082,053,291	3,505,199,281
Acquisition of control	1,951,930,769	—
Dividends received	(2,222,356,054)	(1,693,682,195)
Divestment	94,338,583	(44,012,681)
Balance as of end of year	7,488,115,471	3,582,148,882
Allowance for impairment:		
Balance at January 1	(4,551,353)	(191,064,053)
Reversal of impairment	587,369	—
Divestment	—	186,512,700
Balance as of end of year	(3,963,984)	(4,551,353)
Accumulated share in other comprehensive loss:		
Balance at January 1	11,296,810	(94,431,757)
Cumulative translation adjustments	46,668,387	55,416,507
Unrealized fair value gain on derivative instruments designated as hedges - net of tax	45,224,139	26,570,432
Remeasurement gain on defined benefit obligation - net of tax	7,627,784	23,741,628
Effect of business combinations	(88,368,987)	—
Balance as of end of year	22,448,133	11,296,810
	₱34,583,838,720	₱27,984,232,021

Unless otherwise indicated, the principal place of business and country of incorporation of the Group's investments in associates and joint ventures is Philippines. Except as discussed in subsequent notes, the voting rights held by the Group in its investments in associates and joint ventures are in proportion to their ownership interest.

Interests in Joint Ventures

(1) Investment in 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 in Giga Ace 1.

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 33.33% ownership in NLR for ₱2,385.27 million.

PhilWind directly and indirectly owns 66.7% of NLR through its 38.0% direct interest and 28.7% indirect interest through its 100.00% owned subsidiary, Ilocos Wind Energy Holdings Co., Inc.

The Group's investment in NLR is comprised of ACEN's 42.74% direct interest in PhilWind, 27.07% indirect interest in PhilWind through wholly owned subsidiary, Giga Ace 1, Inc., and 33.33% direct interest in NLR. As of December 31, 2022, the Group's effective ownership in NLR is 46.13% (79.89% at ACEN).

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).

⁽²⁾ *Investments in BIMRE and BIME*

In 2018, the Group entered into a 30-70 joint venture agreement with BIM Group to develop, construct, and operate at 300 MW of 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 are currently operating a 375MW and 30MW wind power plant, respectively.

Dividends declared by BIMRE and BIME amounted to US\$2.76 million (₱156.35 million) and US\$4.06 million (₱205.79 million) in 2022 and 2021.

⁽³⁾ *Investment in 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.

⁽⁴⁾ *Investment in 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.



⁽⁵⁾ *Investment in Greencore 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.

⁽⁶⁾ *Investment in 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. The joint venture company, New Energy Investments Corporation (NEI) is a holding company that holds direct ownership interest in the project companies. Its principal place of business and country of incorporation is in Vietnam. On December 27, 2018, NEI changed its business name to AMI AC Renewables Corporation.

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).

⁽⁷⁾ *Investment in BIM Wind*

On June 15, 2020, the Group entered into a joint venture with BIM Energy Holdings JSC (“BIM Wind Group”) to develop wind power projects in Ninh Thuan province, Vietnam. On September 30, 2022, the 88MW wind farm project was energised and achieved commercial operations.

In 2022, the Group made investments to BIM Wind amounting to US\$0.05 million (₱2.41 million).

⁽⁸⁾ *Investment in BCEI*

On January 14, 2022, ENEX, BCEI, and Gen X Energy executed the Shareholders’ Agreement and Subscription Agreements implementing the transaction (see Note 1). ENEX will subscribe to a total of 150,002 shares in BCEI for a total subscription price of ₱150.22 million.

In 2022, the Group made total investments equivalent to its proportionate share in BCEI amounting to ₱126.78 million.

Gen X Energy is a portfolio company of Blackstone Inc., the world’s largest alternative asset manager.

BCEI is a joint venture formed to develop a 1,100MW combined cycle power plant that will be able to use natural gas and/or green hydrogen as its fuel to provide firm power to the grid. BCEI’s principal place of business and country of incorporation is Batangas City, Philippines.

⁽⁹⁾ *Investment in UPC Asia III*

In 2017, the Group signed investment agreements with UPC Renewables Indonesia Ltd to develop, construct and operate a wind farm in Sidrap, South Sulawesi, Indonesia (the “Sidrap Project”). The project was developed through PT UPC Sidrap Bayu Energi, a special purpose company based in Indonesia. The Sidrap Project, with generating capacity of 75 MW, started commercial operations in April 2018 and is the first utility-scale wind farm project in Indonesia. UPC Asia III’s principal place of business and country of incorporation is Hong Kong.



The Group has joint control over UPC Asia III by virtue of the requirement for unanimous consent from both shareholders over key decision areas and material transactions through various reserve matters.

- (10) *Investment in UPC-ACE Australia and UPC Australia (HK) Limited ("UPC 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).

- (11) Others consists of investment in UPC-AC Energy Solar Limited, UPC-AC Energy Solar Pte. Ltd. (formerly AC Energy International RE1 Pte.Ltd.), Masaya Solar Energy Pvt Ltd., Asian Wind Power 1 HK Ltd., Dai Phong Development, Investment Joint Stock Company, Asian Wind Power 2 HK Ltd., Indochina Wind Pte. Ltd., Vietnam Wind Energy Limited, Natures Renewable Energy Devt. Corporation ("NAREDCO"), Infernum 4 Energy, Inc., Solar Philippines Central Luzon Corporation ("SPCLC") and IBV ACEN Renewables Asia Pte. Ltd..

Interests in Associates

- (12) *Investment in Salak-Darajat*

In 2017, the Group acquired an interest in Salak-Darajat, an investment holding company incorporated in Netherlands, with project companies located in Indonesia that have continuing interest in Chevron's geothermal assets and operations in Indonesia. The Indonesia assets and operations pertain to the Darajat and Salak geothermal fields in West Java, Indonesia, with a combined capacity of 637 MW of steam and power.

The Group has significant influence over Salak-Darajat by virtue of its approval rights over key decision areas and material transactions through various reserved matters that are considered relevant activities.

Dividends declared by Salak-Darajat amounted to US\$26.53 million (₱1,479.29 million) and US\$6.93 million (₱336.41 million) in 2022 and 2021.

- (13) *Investment in AATI*

In 2018, AATI, the holder of the Group's interest in GNPD and GMEC, was incorporated.

On February 28, 2019, the PCC approved the acquisition by Aboitiz Power Corporation (Aboitiz Power) of a 49% voting interest and 60% economic interest in AATI. This follows the signing of a Share Purchase Agreement on September 26, 2018 between Aboitiz Power and Arlington Mariveles Netherlands Holdings B.V (a subsidiary of the Group). During first half of 2019, the Group completed the sale.



The Group invested additional US\$2.35 million (₱119.26 million) in 2021, following the capital calls made, nil in 2022.

No dividends were declared by AATI in both 2022 and 2021.

⁽¹⁴⁾ *Investment in MGI*

In 2010, ACEN subscribed to 25% interest in MGI. MGI was incorporated to implement the integrated development of Maibarara geothermal field in Batangas for power generation.

Dividends declared by MGI amounting to nil and ₱20.00 million in 2022 and 2021, respectively.

⁽¹⁵⁾ Others consists of investment in North East Wind Systems Corporation (NEWS), Northpoint Wind Power Development Corporation (NWPDP), NEFIN Asset Management Pte. Ltd., Asia Coal Corporation (Asia Coal), The Blue Circle Pte. Ltd. (“TBC”) and UPC Power Solutions LLC.

Investment in The Blue Circle Pte. Ltd. (“TBC”)

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. The gain is presented under “Gains on acquisition and disposal of investments” in the Consolidated Statements of Comprehensive Income.



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

2022 (Amounts in millions, except otherwise stated)

Classification	PhilWind	NLR	Ingrid	BIMRE	Salak-Darajat	MGI	AATI
Functional currency	Joint venture PHPP	Joint venture PHPP	Joint venture PHPP	Joint venture VND (in billions)	Associate US\$	Associate PHPP	Associate PHP
Dividends received	P542.32	P30.46	P-	466.98	\$26.53	P-	P-
Summarized Statements of Financial Position:							
Current assets	P3,963.06	P1,524.13	P2,569.11	4805.58	\$324.56	P956.19	P 10.45
Noncurrent assets	7,641.90	9,946.35	1,177.90	5,418.33	2,495.76	4,730.37	16,775.94
Total assets	11,604.96	11,470.48	3,747.01	46,223.91	2,820.32	5,686.56	16,786.39
Current liabilities	811.46	796.62	1,940.47	451.22	93.59	766.58	0.14
Noncurrent liabilities	7,176.19	7,178.25	42.42	4,611.65	1,693.44	1,609.66	0.22
Equity	P3,617.31	P3,495.61	P1,764.12	4 1,161.04	\$ 1,033.29	P3,310.32	P 16,786.03
Share in equity	P1,498.56	P1,122.12	P882.92	4348.31	\$204.59	P823.36	P10,823.65
Notional goodwill	3,264.62	1,184.20	285.71	363.00	2.04	-	-
Carrying value of investments in functional currency	P4,763.18	P2,306.32	P1,168.63	4711.31	\$206.63	P823.36	P10,823.65
Carrying value of investments in Philippine Peso	P4,763.18	P2,306.32	P1,168.63	P0.73	P11,383.82	P823.36	P10,823.65
CTA	-	-	-	1.07	166.78	-	-
Carrying value of investments in reporting currency	P4,763.18	P2,306.32	P1,168.63	P1.80	P11,550.60	P823.36	P10,823.65
Summarized Statements of Comprehensive Income:							
Revenue	P2,170.93	P2,222.16	P3,328.21	41,204.47	\$371.77	P972.92	P7,861.01
Cost and expenses	1,183.65	1,245.55	3,412.20	922.60	252.94	826.49	0.41
Net income	987.28	976.61	(83.99)	281.87	118.83	146.43	7,860.60
Other comprehensive income	-	-	-	-	0.29	-	-
Total comprehensive income at functional currency	P987.28	P976.61	(P83.99)	281.87	\$119.12	P146.43	P7,860.60
Group's share in total comprehensive income at functional currency	P556.39	P51.39	(P42.03)	4 83.95	\$23.91	P38.32	P3,144.21
Total comprehensive income in Philippine Peso	P987.28	P976.61	(P83.99)	P0.65	P6,641.61	P146.43	P7,860.60
Group's share in total comprehensive income in Philippine Peso	P556.39	P51.39	(P42.03)	P0.19	P 1,306.48	P38.32	P3,144.21



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

Aggregate net income (loss) of immaterial associate and joint ventures as of 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
<i>Redeemable preferred shares</i>		
AMI AC Renewables Corporation ("AAR")	₱6,991,916,664	₱6,202,339,098
UPC-AC Energy Solar Limited ("UPC Solar")	4,332,163,500	1,599,381,000
BIM Wind Joint Stock Company ("BIM Wind")	2,074,682,797	390,113,194
BIM Renewable Energy Joint Stock Company ("BIMRE")	1,359,678,498	1,238,208,520
UPC Renewables Asia III Ltd. ("UPC Asia III")	1,219,047,396	1,110,141,018
NEFIN Solar	1,142,419,950	—
BIM Energy Joint Stock Company ("BIME")	237,248,120	216,053,019
<i>Subscription deposits</i>		
BIM Wind	293,478,715	1,895,363,876
Suryagen Capital Pte. Ltd. ("Suryagen")	139,387,500	—
AAR	—	114,883,043
	17,790,023,140	12,766,482,768
<i>Convertible loans</i>		
Asian Wind Power 1 HK Ltd ("Asian Wind 1")	1,449,630,000	1,247,771,050
Asian Wind Power 2 HK Ltd ("Asian Wind 2")	1,186,973,260	1,094,332,022
Vietnam Wind Energy Limited ("VWEL")	834,280,742	1,929,412,000
UPC-AC Energy Australia (HK) Ltd. ("UPC- ACE Australia")	—	9,047,961,158
	3,470,884,002	13,319,476,230
Balance at end of year	₱21,260,907,142	₱26,085,958,998

Investment in redeemable preferred shares and subscription deposits

The rollforward analysis of this account follows:

	2022	2021
Balances at beginning of year	₱12,766,482,768	₱8,181,268,346
Subscription deposits	180,447,653	3,150,369,592
Conversion of subscription deposits to redeemable preferred shares	(1,899,833,992)	(3,416,093,099)
Conversion to redeemable preferred shares	1,899,833,992	3,417,429,785
Subscription to redeemable preferred shares	3,571,738,700	866,257,828
Conversion to investment in joint venture	(134,228,315)	—
Cumulative translation adjustment	1,405,582,334	567,250,316
Balances at end of year	₱17,790,023,140	₱12,766,482,768



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 to 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. This instrument bears interest ranging from 8.50% to 14.00% (2021: 8.50% to 14.00%) per annum.



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 (₱0.06 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 (₹642.32 million). Subscriptions amounting to \$7.68 million (₹390.11 million) was partially converted in 2021.

As at December 31, 2022 and 2021, remaining unconverted subscription deposit amounted to \$5.26 million (₹293.48 million) and \$37.33 million (₹1,895.36 million), respectively.

In 2022, subscriptions amounting to \$2.54 million (₹134.23 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 (₹129.90 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 (₹139.39 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 to 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 January 1, 2022	₹13,319,476,230	₹7,115,836,638
Additions	2,807,214,282	6,542,561,256
Reclassified from receivables from a related party	74,446,275	—
Effect of business combination	(12,951,245,775)	—
Allowance for impairment	(1,284,409,257)	—
Redemptions	(14,508,406)	(791,328,243)
Cumulative translation adjustment	1,519,910,653	452,406,579
Balance at December 31, 2022	₹3,470,884,002	₹13,319,476,230



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).

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. 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 24).

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, subscription deposits, and convertible loans amounting to:

	2022	2021
<i>Redeemable preferred shares</i>		
AAR	₱842,187,486	₱580,139,611
BIM Wind	510,227,216	60,310,691
UPC Solar	427,498,468	125,538,676
UPC Asia III	231,015,519	201,851,267
BIMRE	175,756,808	156,614,858
BIME	30,736,362	27,439,212
NEFIN Solar	33,724,398	—
<i>Convertible loans</i>		
UPC-ACE Australia	847,084,912	600,198,123
Asian Wind 1	206,485,553	170,716,526
Asian Wind 2	170,193,913	133,736,516
VWEL	—	242,267,559
	₱3,474,910,635	₱2,298,813,039



9. Investments in Financial Assets at FVTPL

	2022	2021
Current	₱42,862,548	₱–
Noncurrent:	1,260,022,842	406,738,633
	₱1,302,885,390	₱406,738,633

The roll forward of this account follows:

	2022	2021
As at beginning of year	₱406,738,633	₱–
Subscriptions	912,534,075	402,679,581
Fair value adjustment	(124,512,761)	–
Cumulative translation adjustment	108,125,443	4,059,052
As at end of year	₱1,302,885,390	₱406,738,633

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, 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

This account consists of:

	2022	2021
UPC Sidrap HK Limited	₱364,331,715	₱353,657,847
AG Active Fund I, L.P. (AG Active Fund)	293,482,830	106,882,601
GMEC Special Limited Partnership (SLIP) Interests	235,284,138	–
Others	2,723,999	1,422,322
	₱895,822,682	₱461,962,770

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 ₱3.64 million (\$0.07 million) and ₱11.73 million (\$0.24 million).



AG Active Fund

In July 2020, the Group, through ACEIC Cayman, entered into a subscription agreement for its committed investment of US\$20.00 million (₱960.72 million) in AG Active Fund ('the Partnership') as a limited partner.

In various dates in 2022 and 2021, ACEIC Cayman invested US\$2.73 million (₱149.76 million) and US\$1.17 million (₱57.40 million), respectively, to the Partnership. The carrying amount of the investments in AG Active Fund as at December 31, 2022 and 2021 is US\$5.26 million (₱293.48 million) and US\$2.53 million (₱106.88 million), respectively.

GMEC SLIP

Under the GMEC Limited Partnership Agreement, GMEC created an additional limited partner class of interest (issued by series) to raise additional equity capital in accordance with the SLIP Interests Terms and Conditions. GMEC will offer a series of SLIP Interests to each of the limited partners pro-rated based on respective sharing percentages.

On April 20, 2022, GMEC delivered to the limited partners an additional funding notice. On the same day, the Parent Company and GMEC entered into a SLIP Interest Subscription Agreement, where the Parent Company as assignee of AMPLC (limited partner of GMEC), subscribed to GMEC's SLIP interests (Series B1) amounting to US\$4.49 million (₱235.29 million) equivalent to AMPLC's pro-rata share (8.1669%) of the total additional invested capital to be raised by the GMEC in the aggregate amount of US\$55.00 million.

This shall be paid preferred cumulative distributions from the retained earnings of GMEC as available during each semi-annual period from the date of investment at the rate of 15% per annum.

Carrying value of the investment in GMEC SLIPS is at ₱235.28 million as of December 31, 2022.

AYC Finance Limited (AYCFL)

In 2019, the Group subscribed to redeemable preferred shares in AYCFL, an unconsolidated affiliate of the Group.

On April 21, 2021, the BOD of AYCFL approved to redeem the remaining 26.22 million redeemable preferred shares at US\$10.00 per share for a total of US\$262.20 million (₱12,687.86 million) which took effect on April 23, 2021. Total unrealized fair value gain that was reclassified to retained earnings upon redemption is at US\$0.54 million (₱25.91 million).

No dividend income was earned from AYCFL for the 2-year period ended 2022 and 2021.

The movements in equity investments at FVOCI for the years ended December 31, 2022, and 2021 are as follows:

	2022	2021
Balance at beginning of year	₱461,962,770	₱13,067,754,355
Additions	410,828,656	35,875,566
Unrealized fair value loss during the year	(24,476,523)	(44,910,068)
Redemptions	–	(12,687,858,000)
Reversal of unrealized fair value gain upon redemption	–	(25,906,081)
Cumulative translation adjustment	47,507,779	117,006,998
Balance at end of year	₱895,822,682	₱461,962,770



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	₱1,975,132,880	₱7,081,206,732	₱32,005,479,013	₱183,291,055	₱856,903,746	₱241,220,636	₱4,663,301,324	₱47,006,535,386
Additions	418,717,086	178,857,624	469,132,029	80,304,736	90,533,531	65,110,122	26,202,964,575	27,505,619,703
Transfer from advances to contractors/other assets	(184,006,427)	—	—	—	—	—	189,720,644	5,714,217
Transfer to Assets held for sale	—	—	—	—	(4,465,357)	—	1,440,728	(3,024,629)
Acquisition from business combination	155,040,423	—	48,921,073	17,845,838	—	3,143,349	14,487,777,508	14,712,728,191
Deconsolidation of SLTEC	(550,763,364)	(6,617,070,294)	(15,817,971,004)	(3,570,517)	(198,494,351)	(74,578,992)	(34,103,965)	(23,296,552,487)
Disposals and retirement	—	—	(6,870,351)	(12,700,138)	(29,145)	(3,784,038)	—	(23,383,672)
Translation / Forex adjustments	1,128,728	—	11,395,401	2,411,195	—	1,076,733	1,380,094,946	1,396,107,003
Reclassification	—	142,619,493	216,287,112	(2,885,831)	(66,919,960)	21,038,258	(310,139,072)	—
Balance at end of year	1,815,249,326	785,613,555	16,926,373,273	264,696,338	677,528,464	253,226,068	46,581,056,688	67,303,743,712
Accumulated depreciation								
Balance at beginning of year	29,042,645	866,281,517	4,906,081,905	99,460,397	389,656,412	138,768,290	—	6,429,291,166
Depreciation (Note 21)	10,806,424	317,597,099	1,588,147,022	36,618,047	129,453,305	52,898,149	—	2,135,520,046
Deconsolidation of SLTEC	(673,953)	(1,047,424,305)	(2,478,736,809)	1,814,175	(54,108,834)	(39,227,041)	—	(3,618,356,767)
Translation / Forex Adjustments	—	—	6,593,049	689,714	—	752,867	—	8,035,630
Disposals and retirement	—	—	(1,646,849)	(6,178,711)	—	(2,662,494)	—	(10,488,054)
Reclassifications	—	—	34,586,133	—	(28,237,459)	(6,348,674)	—	—
Balance at end of year	39,175,116	136,454,311	4,055,024,451	132,403,622	436,763,424	144,181,097	—	4,944,002,021
Accumulated impairment loss								
Balance at beginning of year	—	—	112,749,138	—	—	—	319,710,459	432,459,597
Provision for impairment loss	—	—	—	—	—	—	41,443,820	41,443,820
Balance at end of year	—	—	112,749,138	—	—	—	361,154,279	473,903,417
Net Book Value	₱1,776,074,210	₱649,159,244	₱12,758,599,684	₱132,292,716	₱240,765,040	₱109,044,971	₱46,219,902,409	₱61,885,838,274



	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	₱1,991,478,798	₱7,347,160,794	₱25,824,903,627	₱170,052,378	₱537,068,668	₱238,486,130	₱6,536,901,014	₱42,646,051,409
Additions	42,876,617	77,775,173	973,074,216	44,914,038	208,635,611	55,105,921	3,355,700,938	4,758,082,514
Transfer to noncurrent assets held for sale (Note 6)	(402,769,420)	(26,617,868)	(677,476,821)	(2,988,348)	(16,190,558)	(4,620,490)	99,397,171	(1,031,266,334)
Transfer from right-of-use assets (Note 12)	—	—	672,132,803	—	—	—	—	672,132,803
Transfer from investment property	438,375,076	—	—	—	—	—	—	438,375,076
Transfer from advances to contractors	—	—	2,206,821	—	—	—	127,393,426	129,600,247
Transfer to intangibles	—	—	—	—	(243,000)	—	—	(243,000)
Deconsolidation of Ingrid	—	—	—	(2,433,036)	—	—	(588,263,605)	(590,696,641)
Disposals and retirement	—	—	(645,120)	(13,781,614)	—	(609,954)	(464,000)	(15,500,688)
Reclassification	(94,828,191)	(317,111,367)	5,211,283,487	(12,472,363)	127,633,025	(47,140,971)	(4,867,363,620)	—
Balance at end of year	1,975,132,880	7,081,206,732	32,005,479,013	183,291,055	856,903,746	241,220,636	4,663,301,324	47,006,535,386
Accumulated depreciation								
Balance at beginning of year	14,359,451	512,010,016	4,016,254,133	97,265,343	88,232,890	59,096,940	—	4,787,218,773
Depreciation (Note 21)	14,683,194	369,880,903	1,335,795,371	18,158,570	102,815,304	57,680,528	—	1,899,013,870
Transfer to noncurrent assets held for sale (Note 6)	—	(3,425,622)	(236,203,251)	(2,988,348)	(201,555)	(3,379,409)	—	(246,198,185)
Transfer to intangibles (Note 14)	—	—	—	—	(27,000)	—	—	(27,000)
Deconsolidation (Note 21)	—	—	—	(462,872)	—	—	—	(462,872)
Disposals and retirement	—	—	—	(9,784,296)	—	(469,124)	—	(10,253,420)
Reclassifications	—	(12,183,780)	(209,764,348)	(2,728,000)	198,836,773	25,839,355	—	—
Balance at end of year	29,042,645	866,281,517	4,906,081,905	99,460,397	389,656,412	138,768,290	—	6,429,291,166
Accumulated impairment loss								
Balance at beginning of year	—	—	383,276,982	—	14,890,340	—	96,619,877	494,787,199
Provision for impairment loss	—	—	77,858,325	—	—	—	223,554,582	301,412,907
Reversals (Note 21)	—	—	(75,117,626)	—	(14,890,340)	—	—	(90,007,966)
Retirement	—	—	—	—	—	—	(464,000)	(464,000)
Transfer to noncurrent assets held for sale (Note 6)	—	—	(273,268,543)	—	—	—	—	(273,268,543)
Balance at end of year	—	—	112,749,138	—	—	—	319,710,459	432,459,597
Net Book Value	₱1,946,090,235	₱6,214,925,215	₱26,986,647,970	₱83,830,658	₱467,247,334	₱102,452,346	₱4,343,590,865	₱40,144,784,623



Significant Additions During the Year

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	Uralla, 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 ₱27,505.63 million and ₱4,758.08 million, respectively. Additionally, during the current year, Property, plant, and equipment acquired through business combination amounted to ₱14,712.73 million (see Note 24).

Non-cash component in the total additions amounted to ₱1,949.59 million and ₱33.33 million in 2022 and 2021, respectively (see Note 27).

Borrowing cost capitalized to property, plant, and equipment amounted to ₱747.78 million and nil for the year 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 ₱11.37 million and ₱3.92 million were disposed by the Group during 2022 and 2021, respectively. This resulted in a net loss of ₱7.10 million and gain of ₱1.10 million in 2022 and 2021, respectively.



Impairment Losses

In 2022, provision for impairment include ₱33.55 million for BSEI's construction-in-progress and ₱7.89 million for OSOD's construction-in-progress.

In 2021, provision for impairment include ₱77.86 million for ACEN PB 101 and 102, ₱219.53 million for BSEI's construction-in-progress, and ₱4.02 million other various construction-in-progress. Reversals during the year include ₱75.12 million for ACEN PB 102 and 103 and ₱14.89 million for BSEI's tools and miscellaneous assets which were subsequently reclassified to assets held for sale (see Note 6).

The Bataan and Subic Project's impairment of assets is consistent with the Group's assessment as at December 31, 2022 and 2021, respectively.

Mortgaged Property and Equipment

Guimaras Wind's wind farm with carrying value of ₱3,500.49 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 17).

Contractual commitments

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

Total depreciation charged to cost of power operations amounted to ₱2,135.52 million and ₱1,899.01 million in 2022 and 2021, respectively. The amount charged to "General and administrative expenses" account amounted to ₱467.47 million, ₱493.35 million in 2022 and 2021, respectively.

12. Right-of-use (ROU) Assets and Lease Liabilities

The rollforward analysis of this account is as follows:

	2022				
	Right-of-Use Assets				
	Land and Easement Rights	Land and Power Plants	Office Space and Parking Slots	Leasehold Rights	Total
As at January 1, 2022	₱383,530,818	₱815,511,667	₱989,894,753	₱352,236,507	₱2,541,173,745
New lease agreements	1,895,833	149,742,524	130,465,309	—	282,103,666
Amortization expense	(20,275,841)	(14,780,657)	(150,870,109)	(17,260,293)	(203,186,900)
Remeasurements	(425,294)	69,123,071	(19,516,155)	—	49,181,622
Acquired through business combination (Note 25)	—	—	1,323,556,832	—	1,323,556,832
Currency translation adjustments	—	—	110,161,283	—	110,161,283
Reclassifications	473,275,860	(486,466,274)	13,190,414	—	—
As at December 31, 2022	₱838,001,376	₱533,130,331	₱2,396,882,328	₱334,976,214	₱4,102,990,249



	2021				
	Right-of-Use Assets				
	Land and Easement Rights	Land and Power Plants	Office Space and Parking Slots	Leasehold Rights	Total
As at January 1, 2021	₱938,914,136	₱1,381,849,372	₱46,554,228	₱367,881,593	₱2,735,199,329
New lease agreements	30,862,404	195,445,541	1,060,772,356	1,615,207	1,288,695,506
Amortization expense	(10,590,837)	(144,977,412)	(139,049,052)	(17,260,293)	(311,877,595)
Capitalized amortization expense	(22,143,873)	(3,438,386)	—	—	(25,582,259)
Transfers to property, plant and equipment (Note 13)	8,770,627	(680,903,430)	—	—	(672,132,803)
Reclassifications	(562,256,132)	540,638,911	21,617,221	—	—
Change due to loss of control	—	(468,444,374)	—	—	(468,444,374)
Remeasurement due to lease modification	—	(8,114,427)	—	—	(8,114,427)
Other adjustments	(25,504)	3,455,872	—	—	3,430,368
As at December 31, 2021	₱383,530,818	₱815,511,667	₱989,894,753	₱352,236,507	₱2,541,173,745

Lease liabilities

The rollforward analysis of this account follows:

	2022	2021
Balance at beginning of year	₱2,757,230,062	₱1,950,632,066
Acquired through business combination (Note 25)	1,485,756,117	—
New lease agreements	263,077,325	1,205,460,428
Interest expense	200,800,986	170,742,929
Remeasurement due to lease modification	2,992,941	(31,119,300)
Payments	(299,848,600)	(473,046,458)
Remeasurement due to termination of contract	(86,330,143)	—
Change due to loss of control	—	(78,050,630)
Other adjustments	—	15,073,588
Foreign exchange adjustments	40,066,673	—
Currency translation adjustments	146,595,367	—
Balance at end of year	₱4,510,340,728	₱2,757,230,062

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

New Lease Contracts

ACES Contract of Lease

In 2022, Ayala Land, Inc. (ALI) as lessor and ACEIC as lessee signed a Deed of Assignment with ACES related to the contract of lease dated July 1, 2017, for the lease of office unit with a gross leasable area approximately 1,416.15 square meters located at the 4th Floor 6750 Ayala Avenue Office Tower and a total of eighteen appurtenant parking slots, and a separate Stockroom Agreement dated 23 October 2018, for the lease of stockroom with a gross leasable area of approximately 12.76 square meters located on the same floor. Effective February 1, 2022, ACEIC assigned to ACES all its rights and interests under the contract. ACES took over the lease subject to the same terms and conditions contained in the contract. The contract ended on June 30, 2022. On August 26, 2022, the ACES entered into a renewal of contract of lease of the office units, parking slots, and stockroom with the term of lease of five years starting from July 1, 2022 to June 30, 2027.



BCHC

On June 1, 2022, ROU amounting to ₱149.74 million was setup as a result of an additional lease agreement with Tabangao Realty Inc. (TRI) for parcels of land situated in Brgy. Malaya Pililla, Rizal.

Other Lease Commitments

SACASOL's Contract of Lease for Land Phases 1A and 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 and 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 to be 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 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

On 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 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 ACEIC. ACEIC 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. Investment Property

The rollforward analysis of this account follows:

	2022	2021
Balance at beginning of year	₱13,084,800	₱337,071,035
Reclassification from noncurrent assets held for sale	402,769,419	—
Reclassification to property, plant and equipment	—	(328,464,620)
Adjustments	—	4,478,385
Balance at end of year	₱415,854,219	₱13,084,800

On December 28, 2020, the Parent Company executed an amended and restated term sheet with PPLC that included a provision where the Parent Company will sell to an affiliate of PPLC, a third party, the land leased to GNPK for a purchase price of US\$15.90 million (₱763.77 million). In December 2021, Kauswagan Land was reclassified into Assets Held for Sale. In 2022, this was reclassified back to Investment Property as the sale has not been carried out (see Note 6).



The aggregate fair value of the investment properties amounted to ₱1,061 million and ₱1,524 million as of December 31, 2022 and 2021, respectively. The fair value of the investment properties were determined by independent professionally qualified appraisers. The fair value of the property was arrived at using the Market Data Approach. Market Data Approach provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available. This approach was used for the land as it is commonly used in the property market since inputs and data for this approach are available. For Market Data Approach, the higher the price per sqm., the higher the fair value. The fair value of the investment property is categorized under Level 3.

14. Intangible Assets

Goodwill

This rollforward consists of

	2022	2021
Balance at beginning of year	₱1,767,760,807	₱1,767,760,807
Acquisition of subsidiaries (Note 24)	21,665,700,150	—
Change due to loss of control (Note 2)	(669,040,040)	—
Currency translation adjustment	(721,763,127)	—
Balance at end of year	₱22,042,657,790	₱1,767,760,807

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.

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 is adjusted for tax, depreciation, interest expenses and changes in net working capital and maintenance capital expenditures in arriving at 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.

Intangible assets other than goodwill

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

This account also includes the contract of the Group for the supply and distribution of water to third parties.

The rollforward of this account follows:

	2022	2021
Balance at beginning of year	₱2,209,246,187	₱2,369,276,823
Additions	5,366,520	21,761,373
Reclassification to property, plant and equipment	—	218,881
Acquisitions due to business combination (Note 24)	103,758,762	—
Impairment loss	(583,951)	(23,379,339)
Amortization during the year	(162,395,685)	(158,631,551)
Balance at end of year	₱2,155,391,832	₱2,209,246,187

15. Other Assets

This account consists of:

	2022	2021
Current:		
Inventories	₱806,986,108	₱1,490,559,183
Derivative assets (Note 18)	617,139,023	348,736,268
Advances to contractors	267,308,480	255,893,331
Bill deposits	224,761,913	175,993,040
Prepaid expenses	204,006,749	225,017,988
Other current assets	27,693,335	38,815,509
	₱2,147,895,608	₱2,535,015,319
Noncurrent:		
Advances to contractors	₱1,722,023,081	₱2,531,009,910
Advances for land acquisition	809,975,374	—
Bill deposits	123,056,628	202,542,965
Others	117,397,432	73,100,739
	₱2,772,452,515	₱2,806,653,614

Inventories consists of:

	2022	2021
Fuel	₱524,580,417	₱700,853,701
Spare parts	282,405,691	789,705,482
	₱806,986,108	₱1,490,559,183



Fuel charged to “Cost of power operations” in the consolidated statements of income amounted to ₱4,957.52 million and ₱4,787.98 million for the years ended December 31, 2022 and 2021, respectively.

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

Advances to contractors pertain to advance payments for services and supply of repairs and maintenance. Noncurrent advances to contractors consist of advance payments for capital expenditures of renewable projects launched in 2022 and 2021 which will be capitalized to property, plant and equipment once construction works have been completed.

Bill deposits pertain to the deposit with Meralco equivalent to the RES customer’s average billing in the immediately preceding twelve (12) months or in case of a newly connected RES’s customer, based on projected demand and/or energy of such customer. The bill deposit may be applied by Meralco to any outstanding bill, billing adjustment or differential billing upon termination of the contract. Noncurrent bill deposits also include noncurrent portion of deposits to distribution utilities and noncurrent portion of the refundable security deposit with SBMA.

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

16. Accounts and Other Payables

This account consists of:

	2022	2021
Trade payables	₱4,304,871,531	₱3,123,566,204
Accrued expenses	4,609,143,364	1,432,744,537
Payable to contractors	2,736,308,629	427,788,719
Taxes payable	2,046,171,905	1,343,056,775
Interest payable	870,868,389	793,321,011
Other payables	124,494,997	59,691,373
	₱14,691,858,815	₱7,180,168,619

Trade payables include billings of goods and services from various suppliers and are normally settled within 30 days.

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.

	2022	2021
Project cost (Note 23)	₱2,432,599,044	₱—
Professional fees	535,297,990	201,553,425
Compensation and benefits	510,080,533	343,629,345
Taxes and licenses	364,554,283	156,267,512
Repairs and maintenance	3,820,146	17,721,918
Insurance	1,359,393	948,950
Other provisions for expenses	761,431,975	712,623,387
	₱4,609,143,364	₱1,432,744,537



Project costs are payables related to development projects under UPC Australia (see Note 23).

Payable to contractors pertains to the unpaid shuttle service, unpaid machinery repair cost and unpaid manpower cost related to plant preventive maintenance. These are non-interest bearing and are normally settled on 30- to 60-day terms after receipt of billing invoice.

Taxes payable include output tax, deferred output tax, withholding and income tax payable. As of December 31, 2022 and 2021, income tax payable amounted to ₱143.78 million and ₱91.25 million, respectively.

Other provisions for expenses include provision for tax losses of the Parent Company amounting to ₱200.00 million and corporate bonuses.

17. Short-term Loans, Loans Payable, and Notes Payable

Short-term Loans

ACEN has outstanding short-term loans availed during the year ended December 31, 2022 from various local banks amounting to ₱2,900.00 million with interest rates ranging from 3.00% to 4.25% (year ended December 31, 2021: nil).

The rollforward of this account follows:

	2022	2021
As at beginning of year	₱—	₱4,635,000.00
Availments	23,259,020,000	3,000,000.00
Payments	(20,359,020,000)	(7,635,000.00)
As at end of year	₱2,900,000,000	₱—

Total interest expense recognized on short-term loans for the year ended December 31, 2022 and 2021 amounted to ₱179.92 million and ₱52.72 million, respectively.



Loans Payable

This account consists of: (amounts are in thousands)

Facility	Loan Availed	Date of Availment	Maturity	Interest Rate	Payment Terms	Covenants / Collateral	2022	2021
ACEIC								
\$100.00 million Loan	\$62.50 million	November 23, 2020	November 22, 2032	4.0267% to 4.5455% per annum	Principal and interest payable semi-annual	Maximum net DE ratio of 3.0x Based on the ACEIC consolidated year-end balances. Tested semi-annual	₱6,605,600	₱5,073,765
	\$37.50 million	December 22, 2020	December 21, 2032		Principal and interest payable quarterly			
₱1,000.00 million Loan [BDO]	1,000.00 million	October 24, 2022	October 24, 2032		Principal and interest payable semi-annual			
\$60.00 million Loan [BPI]	\$60.00 million	December 22, 2020	December 22, 2032	3.0000% per annum for the first 5 years; 4.6157% per annum for the second 5 years; 6.0615% per annum in last 2 years	Principal and interest payable quarterly	Maximum net DE ratio of 3.0x Based on the ACEN consolidated year-end balances. Tested semi-annual	3,439,481	3,133,295
₱1,000.00 million Loan [SBC]	100.00 million	June 29, 2017	June 28, 2024	5.7500% per annum	Principal and interest payable quarterly	Maximum net DE ratio of 3.0x Based on the ACEN consolidated year-end balances. Tested semi-annual	85,000	89,000



Facility	Loan Availed	Date of Availment	Maturity	Interest Rate	Payment Terms	Covenants / Collateral	2022	2021
₱1,000.00 million Loan [Philam]	1,000.00 million	February 23, 2017	February 23, 2027	6.0000% per annum	Principal and interest payable semi-annual	Maximum net DE ratio of 3.0x Based on the ACEIC consolidated year-end balances. Tested semi-annual	₱997,555	₱997,052
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 points per annum (0.90%), with the sum divided by 0.95	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 Avalued	Date of Availment	Maturity	Interest Rate	Payment Terms	Covenants / Collateral	2022	2021
₱7,000.00 million Loan C	₱500.00 million	July 15, 2020	July 15, 2030	5.00% to 5.8096% per annum	Principal and interest payable semi-annual	Maximum net DE ratio of 3.0x Based on ACEN consolidated year-end balances.	₱4,476,000	₱1,500,000
	₱1,000.00 million	August 24, 2020	July 15, 2030		Principal and interest payable semi-annual	Tested semi-annual		
	₱1,000.00 million	June 10, 2022	July 15, 2030					
	₱2,000.00 million	November 15, 2022	July 15, 2030					
₱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.	4,500,000	805,000
	₱2,000.00 million	February 28, 2022	March 30, 2031			Tested semi-annual		
	₱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 standalone 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	Fixed rate of 6.50% for Security Bank Corporation (SBC) and 6.25% for Development Bank of the Philippines (DBP)	Principal and interest payable semi-annual	Minimum DSCR of 1.2x, a maximum Debt to equity ratio of 70:30. Based on the standalone 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% for the New Omnibus Agreement and 4.49% to 6.60% for the old Omnibus Agreement	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. Tested annually at year end.	—	9,812,500



Facility	Loan Availed	Date of Availment	Maturity	Interest Rate	Payment Terms	Covenants / Collateral	2022	2021
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 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 agreed with Lender.	Net DE Ratio of 3.0x Tangible Net worth of AUD150mn	1,066,513	—
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							₱40,033,328	₱30,447,226
Less unamortized debt issue cost							116,121	287,139
							39,917,207	30,160,087
Less current portion							846,849	828,488
Long-term loans, net of current portion							₱39,070,358	₱29,331,599



The rollforward of this account follows:

	2022	2021
As at beginning of year	₱30,160,086,935	₱30,948,676,625
Availments	23,753,475,307	847,897,344
Assumed through business combination	5,499,956,300	—
CTA/Unrealized forex loss	1,341,064,899	430,478,418
Amortization of debt issue cost	112,825,923	113,880,324
Derecognition	97,864,075	—
Change due to loss of control (Note 2)	(13,380,341,578)	—
Payments	(7,406,281,879)	(2,125,496,111)
Additional debt issue cost	(261,442,745)	(76,272,456)
Reclassification and adjustments	—	20,922,791
Balance at end of year	39,917,207,237	30,160,086,935
Less current portion	846,848,739	828,488,232
Noncurrent portion	₱39,070,358,498	₱29,331,598,703

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

	2022	2021
Balance at beginning of year	₱287,139,241	₱314,803,472
Additional debt issue cost	261,442,745	76,272,456
Derecognition	(97,864,075)	—
Change due to loss of control	(214,358,820)	—
Amortization of debt issue cost	(112,825,923)	(113,880,324)
Unrealized forex (gain) loss	(7,412,420)	9,943,637
Balance at end of year	₱116,120,749	₱287,139,241

ACEIC (the Parent Company)

On February 20, 2017, the Parent Company entered into an unsecured loan agreement with The Philippine American Life and General Insurance Company (PHILAM) amounting to ₱1,000.00 million, payable in 10 years from the date of drawdown. The loan shall be paid in one lump sum at the maturity date. As of December 31, 2022 and 2021, outstanding balance of the interest-bearing loan amounted to ₱997.56 million and ₱997.05 million.

On April 27, 2017, the Parent Company entered into an unsecured loan agreement with Philippine National Bank (PNB) amounting to ₱7,000.00 million. The loan is payable seven (7) years from initial the drawdown date. The Parent Company shall pay interest on the outstanding principal amount of the loan at the fixed rate, with duration of three (3) months commencing on the drawdown date. All drawdown beyond May 5, 2017, the relevant PDST-R2 benchmark rate will apply +1.00% per annum spread, with a floor of 5.25% per annum. Repayment of the principal amount shall be 20% of the loan from 5th to 27th interest period and the remaining 80% shall be paid lump sum at the end of 28th interest period. Drawdown of ₱250.00 million was made by the Parent Company on May 3, 2017. On May 25, 2018, an additional drawdown of ₱2,000.00 million was made by the Parent Company. The Parent Company has undrawn loan amounting to ₱4,750.00 million until full settlement of its loan with PNB on August 3, 2020.



On August 3, 2020, the Parent Company prepaid ₱2,135.55 million of its long-term debt with PNB in accordance with the terms of the loan agreement. This is part of the ₱7,000.00 million loan with PNB, payable seven (7) years from initial drawdown date. The prepayments made were on initial drawdowns of ₱250.00 million on May 3, 2017 and ₱2,000.00 on May 25, 2018. The prepayment penalty amounts to ₱40.65 million.

On June 22, 2017, the Parent Company entered into unsecured loan agreement with Security Bank Corporation (SBC) amounting to ₱5,000.00 million. The tenor of the loan agreement is seven (7) years from the initial drawdown date, with grace period on principal payments of up to three (3) years, reckoned from the initial drawdown. Repayment of the principal amount shall be 16% of the loan from the 12th to 27th interest period and the remaining 84% of the loan will be paid lump sum on the 28th interest period. On June 29, 2017, the Parent Company drawn ₱100.00 million from the facility. The Parent Company shall pay interest on the outstanding principal amount of the loan for all drawdowns from June 2017 to June 2018. For all drawdowns beyond June 2018, the interest rate shall be based on the relevant Peso Benchmark Rate PDST-R2 rate, plus credit spread, the fixed interest rate shall have a floor rate of 5.00%. The Parent Company undrawn loan amounts to ₱4,900.00 million. As of December 31, 2022 and 2021, the outstanding balance of the interest-bearing loan amounted to ₱9,300.00 million and ₱8,900.00 million.

On September 25, 2020, the Parent Company secured a 12-year term loan facility from BDO Unibank, Inc with maximum loanable amount of ₱10,000.00 million or its US dollar equivalent. On November 23, 2020 and on December 22, 2020 the Parent Company made drawdowns from the loan facility amounting to US\$62.50 million and US\$37.50 million, respectively. No collateral on the loans availed. The Parent Company shall pay interest on the outstanding principal amount of the loan for the first five years term. Interest shall then be repriced based on the higher of the 7-year U.S. Treasury Rate plus a margin of 3.50%, with the sum divided by an interest premium factor, or the existing rate, on the 5th anniversary from the drawdown date and will be fixed for the next 7 years until maturity. The proceeds from the loan amounted to ₱4,817.95 million. Debt issue cost amounted to ₱46.11 million. On October 24, 2022, the Parent Company secured a 10-year term loan facility from BDO Unibank, Inc with maximum loanable amount of ₱1,000.00 million. No collateral on the loans availed. The Parent Company shall pay interest on the outstanding principal amount of the loan at the fixed rate. As of December 31, 2022 and 2021, the outstanding balance of the interest-bearing loan amounted to ₱6,661.72 million and ₱5,077.40 million.

On November 27, 2020, the Parent Company secured a 12-year term loan facility from Bank of the Philippine Islands with maximum loanable amount of US\$60.00 million. On December 22, 2020, the Parent Company made a US\$60.00 million drawdown from the loan facility. No collateral on the loans availed. The Parent Company shall pay interest on the outstanding principal amount of the loan at the fixed rate of 3.00% per annum for the first five years term. Interest shall then be repriced based on the higher of the relevant U.S. Dollar-denominated ROP Bond yield plus a spread of 1.125%, or the floor rate of 2.70% on the 5th and 10th anniversary from the drawdown date. The proceeds from the loan amounted to ₱2,883.72 million. Debt issue cost amounted to ₱21.64 million. As of December 31, 2022 and 2021, the outstanding balance of the interest-bearing loan amounted to ₱3,350.36 million and ₱3,046.44 million.

The loan payables require the Parent Company to maintain a maximum debt to equity ratio of 2.33 to 1.00 and net debt to total equity ratio of 3.00 to 1.00. These were complied with by the Parent Company as of December 31, 2022 and 2021.



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 C

On June 10, 2022, ACEN made drawdown amounting to ₱1,000.00 million. The loan has 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, ACEN 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 ACEN 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 an embedded derivative that is clearly and closely related to the host contract, therefore, not required to be bifurcated.

Loan D

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

On March 30, 2021, ACEN 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, ACEN 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, ACEN 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. ACEN 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 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, ACEN 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 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 the lender 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 with DBP 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 ₱3,500.49 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.

The bank 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 spread 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 margin and will mature on October 28, 2027.

All of the loans are compliant with the Group's Green Financial Framework.



Notes Payable

	2022	2021
Balance at beginning of year	₱59,447,823,825	₱47,288,584,166
Availment	10,000,000,000	20,309,600,000
Payment	–	(10,820,548,688)
Cumulative translation adjustment	5,803,488,182	2,709,758,980
Amortization of premium	–	(39,570,633)
Balance at end of year	75,251,312,007	59,447,823,825
Less unamortized debt issue cost	316,168,578	254,246,286
	₱74,935,143,429	₱59,193,577,539
<u>Unamortized debt issue cost</u>		
Balance at beginning of year	₱254,246,286	₱216,563,278
Additions	128,621,780	125,109,767
Amortization	(89,732,468)	(97,662,958)
Cumulative translation adjustment	23,032,980	10,236,199
Balance at end of year	₱316,168,578	₱254,246,286

ACEN

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 keep 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.



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.

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.

Medium Term Note (MTN) Programme

On January 16, 2019, ACEFIL established its MTN Programme with an aggregate amount of US\$1,000.00 million (₱48,470.0 million). The proceeds from each issue under the MTN Programme will be used for general corporate purposes, including eligible green projects and other use of proceeds under ACEFIL's green bond framework.

On November 17, 2020, ACEFIL amended the MTN Programme to increase the aggregate amount to US\$2,000.0 million (₱94,960.0 million) and allow the issuance of senior undated guaranteed notes under the MTN Programme.

As of December 31, 2022 and 2021, ACEFIL has issued US\$770.0 million (₱42,931.4 million) and US\$770.0 million (₱39,095.9 million) notes under the MTN Programme, respectively.

Senior guaranteed notes due 2024 and 2029 and Senior undated guaranteed notes under the MTN Programme

On January 29, 2019, ACEFIL issued US\$225.0 million (₱11,417.4 million) senior guaranteed notes due 2024 guaranteed by the Parent Company with a fixed coupon of 4.75%. The notes were priced at 99.45. On the July 9, 2020, ACEFIL issued US\$60.00 million (₱2,908.2 million) senior guaranteed notes due 2029 guaranteed by the Parent Company with a fixed coupon of 4.75%. The notes were priced at 104.75. On November 25, 2020, ACEFIL issued US\$300.0 million (₱14,541.0 million) senior undated guaranteed notes with a fixed coupon of 5.10% for life. The notes were priced at par. The new issue was used to finance the successful tender of US\$186.9 million (₱9,058.5 million) of the US\$400.0 million (₱19,388.0 million) 5.65% senior undated guaranteed notes at a tender price of US\$104.6.

At any time, ACEFIL may on any one or more occasions redeem all or part of the "notes under the MTN Programme", by giving notice, at redemption price equal to 100% of the principal amount of the "notes under the MTN Programme" redeemed, plus the applicable premium (as defined in the respective pricing supplements) as of date, and accrued and unpaid interest, if any, to the date of



redemption, subject to the rights of the person in whose name the “notes under the MTN Programme” is registered on the relevant record date to receive interest due on the relevant interest payment date.

Redemption at the option of the issuer

At any time, ACEFIL may on any one or more occasions redeem all or part of the “notes under the MTN Programme”, by giving notice, at redemption price equal to 100% of the principal amount of the “notes under the MTN Programme” redeemed, plus the applicable premium (as defined in the respective pricing supplements) as of date, and accrued and unpaid interest, if any, to the date of redemption, subject to the rights of the person in whose name the “notes under the MTN Programme” is registered on the relevant record date to receive interest due on the relevant interest payment date.

Covenants

The unsecured US dollar-denominated senior Green Bonds requires the Group to comply with certain covenants including among others, limitations on the incurrence or guarantee of additional indebtedness, creation or incurrence of certain liens, creation or permission of any restrictions on the payment of dividends to the Group by certain of the Group’s subsidiaries, entering into unrelated businesses or engagement in certain activities, and limitations on the consolidation, merging or selling of all or substantially all of the Group’s properties and assets with other entities if the Parent Company is not the surviving entity. The incurrence test for additional debt requires the Group to maintain a Net Debt to Total Equity ratio not exceeding 2.5 to 1.0. These were complied with by the Group as of December 31, 2022 and 2021.

Senior undated guaranteed notes

On November 27, 2019, ACEFIL issued US\$400.00 million (₦20,297.60 million) senior undated guaranteed notes guaranteed by the Parent Company with a fixed coupon of 5.65% for life. The notes were priced at par.

Redemption at the option of the issuer

ACEFIL may redeem the senior undated guaranteed notes (in whole but not in part) on December 4, 2022 or any interest payment date thereafter at the principal amount plus any accrued but unpaid interest (the “Redemption Price”).

On December 2, 2020, ACEFIL successfully completed the tender of US\$186.89 million 5.65% senior undated guaranteed notes. As of December 31, 2020, only US\$213.11 million of the notes remain outstanding. Total expense related to prepayment amounted to US\$9.54 million (₦458.62 million) covering finance charges and amortization of remaining bond interest costs presented under interest expense and other financing charges in the statements of comprehensive income.

On November 17, 2021 and December 2021, ACEFIL successfully completed the tender of the remaining notes amounting to US\$213.11 million. Total expense related to prepayment amounted to US\$9.86 million (₦494.77 million) covering finance charges and amortization of remaining bond interest costs presented under interest expense and other financing charges in the statements of comprehensive income.

Covenants

For as long as the senior undated guaranteed notes remain outstanding, ACEFIL and ACEIC 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. These were complied with by the Group as of December 31, 2022 and 2021.



18. Other Current Liabilities

This account consists of:

	2022	2021
Other payables	₱180,471,294	₱119,801,178
Retention payable	158,967,929	136,637,406
Derivative liabilities	3,012,430	241,743,868
Dividends payable	16,585,283	16,585,282
	₱359,036,936	₱514,767,734

19. Other Noncurrent Liabilities

This account consists of:

	2022	2021
Accrued interest expenses	₱272,580,000	₱252,741,689
Asset retirement obligation	176,056,308	168,626,245
Pension and other benefits	76,997,242	149,575,687
Bill deposits	105,268,986	232,572,820
Deferred revenues - noncurrent portion	68,874,653	338,488,969
Derivative liabilities	37,499,905	—
Trade payables (Note 5)	—	1,238,592,105
Due to related parties (Note 24)	—	536,212,333
Deferred output tax payable	—	5,515,732
Other payables	295,250,898	77,730,213
	₱962,735,351	₱3,000,055,793

Accrued interest expenses mainly accounts for the interest on Green bonds issued during the year (see Note 17).

Asset retirement obligation

Asset retirement obligation pertains to provision for the present value of the estimated costs of legal and constructive obligations to restore the solar sites (MONTESOL, SACASOL and ISLASOL) upon termination of the service contract. These restoration activities include dismantling and removing structure, dismantling the operation facilities, closure of the plant and revegetation of affected area.

Pension and other 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	₱71,657,787	₱136,695,471
Vacation and sick leave accrual	6,986,451	14,912,178
	78,644,238	151,607,649
Less: current portion of vacation and sick leave accrual*	1,646,996	2,031,962
	₱76,997,242	₱149,575,687

*Included in "Accrued expenses" under "Accounts and other payables".

Pension and vacation and sick leave accrual included as part of compensation and benefits under "Cost of power operations" and "Retirement and other benefits expense" accounts in the consolidated statement of income, consist of the following:

	2022	2021
Pension expense	₱94,401,531	₱70,544,216
Vacation and sick leave accrual	3,319,545	18,976,826
	₱97,721,076	₱89,521,042

Changes in net defined benefit liability are as follows:

2022

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability
As at January 1, 2022	₱322,764,449	₱186,068,978	₱136,695,471
Change due to loss of control	(38,918,620)	(29,691,595)	(9,227,025)
Pension expense in consolidated statement of income:			
Current service cost	88,878,485	—	88,878,485
Net interest	10,975,854	5,634,756	5,341,098
Past service cost	(594,391)	—	(594,391)
Net acquired obligation due to employee transfers	776,339	—	776,339
	61,117,667	(24,056,839)	85,174,506
Remeasurements in OCI:			
Experience adjustments	(7,288,560)	—	(7,288,560)
Actuarial changes arising from changes in financial assumptions	(79,071,962)	—	(79,071,962)
Return on plan assets (excluding amount included in net interest)	—	(65,250,323)	65,250,323
	(86,360,522)	(65,250,323)	(21,110,199)
Benefits paid	(43,525,367)	(32,130,292)	(11,395,075)
Contributions	—	117,706,916	(117,706,916)
As at December 31, 2022	₱253,996,227	₱182,338,440	₱71,657,787



2021

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Net Defined Benefit Liability
As at January 1, 2021	₱251,813,670	₱159,081,754	₱92,731,916
Net transferred obligation	(597,927)	—	(597,927)
Pension expense in consolidated statement of income:			
Current service cost	39,175,949	—	39,175,949
Net interest	(4,369,123)	(25,743,546)	4,847,233
Past service cost	(7,003,465)	—	(7,003,465)
	27,803,361	(25,743,546)	53,546,907
Remeasurements in OCI:			
Experience adjustments	13,325,117	—	13,325,117
Actuarial changes arising from changes in financial assumptions	45,472,513	—	45,472,513
Return on plan assets (excluding amount included in net interest)	—	8,263,595	(8,263,595)
	58,797,630	8,263,595	50,534,035
Benefits paid	(15,650,212)	(10,526,929)	(5,123,283)
Contributions	—	54,994,104	(54,994,104)
As at December 31, 2021	₱322,764,449	₱186,068,978	₱136,695,471

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

	2022	2021
Investments	₱182,337,315	₱186,097,652
Accrued receivables	—	35,874
Cash and cash equivalents	1,740	876
Liabilities	(615)	(65,424)
	₱182,338,440	₱186,068,978

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%	5.12%
Salary increase rate	5.36%	5.33%

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%	(P27,774,855)	6.12%	(P31,245,975)
	(Actual – 1.00%)	6.33%	32,418,182	4.12%	39,578,433
Salary increase rate	(Actual + 1.00%)	6.36%	P34,114,091	6.33%	P40,564,735
	(Actual – 1.00%)	4.36%	(29,645,350)	4.33%	(32,662,338)

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	P30,456,196	P37,561,125
More than one year to five years	111,928,133	97,046,421
More than five years to 10 years	266,690,482	234,303,409
More than 10 years to 15 years	545,065,650	435,817,114
More than 15 years to 20 years	664,496,959	602,506,718
More than 20 years	1,266,288,904	1,375,118,530

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 17.99 to 24.26, 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
Current service costs	P3,494,805	P18,291,155
Interest costs	744,465	635,599
Actuarial loss (gain)	(919,725)	50,072
	P3,319,545	P18,976,826



Changes in present value of the vacation and sick leave obligation are as follows:

	2022	2021
Balance at the beginning of year	₱14,912,178	₱14,183,000
Change due to loss of control	(7,807,826)	–
Current service cost	3,494,805	5,639,382
Net interest	744,465	635,599
Past service cost	423,932	–
Actuarial (loss) gain	(919,725)	50,072
Benefits paid	(3,861,378)	(5,595,875)
Balance at the end of year	₱6,986,451	₱14,912,178

20. Equity

Capital Stock

The details of the Parent Company's capital stock as at December 31, 2022 and 2021 follow:

Class of stock	Number of Stocks			Total
	Common	Redeemable Preferred	Treasury	
Authorized shares	227,400,000	191,625,000		
Par value	₱100	₱100		
Balances at January 1, 2021	159,865,993	175,506,216	–	335,372,209
Redemption			(91,842,840)	(91,842,840)
Balances at December 31, 2021 and 2022	159,865,993	175,506,216	(91,842,840)	243,529,369

Class of stock	Amounts			Total
	Common	Redeemable Preferred	Treasury	
Balances at January 1, 2021	₱15,986,599,300	₱17,550,621,600	₱	₱24,352,936,900
Redemption	–	–	(9,184,284,000)	(9,184,284,000)
Balances at December 31, 2022 and 2021	₱15,986,599,300	₱17,550,621,600	(₱9,184,284,000)	₱24,352,936,900

Common Stock

As of December 31, 2022 and 2021, the Parent Company has 227.40 million shares of authorized common stock with par value of ₱100 each. As of December 31, 2022 and 2021, 159.87 million common shares with a total par value of ₱15,986.60 million were issued and outstanding.

Redeemable Common Stock

As of December 31, 2018, the Parent Company has 100.00 million shares of authorized redeemable common stock with par value of ₱100 each. As of December 31, 2018, 83.88 million shares with a total par value of ₱8,388.12 million were issued and outstanding. On May 6, 2019, AC paid the subscription receivable amounting to ₱1,687.50 million. On the same date, the Board of Directors of the Parent Company approved the reclassification of the existing redeemable common to redeemable preferred shares and increase in the number of authorized redeemable preferred stock. These amendments in Articles of Incorporation (AOI) were approved by SEC on October 10, 2019.



Redeemable Preferred Stock

The Parent Company's redeemable preferred shares have the following features: a) voting; (b) redeemable anytime at the option of the Parent Company; (c) dividend rate to be determined by the BOD upon issuance; (d) with pre-emptive rights only in respect of any issue of preferred shares; (e) cumulative in payment of current dividends as well as any unpaid back dividends; and (f) preference over holders of common stock in the distribution of corporate assets in the event of dissolution and of the Parent Company and in the payment of the dividend at the rate specified at the time of issuance.

On April 21, 2021, the Parent Company's BOD approved to redeem at par value the Philippine Peso equivalent of US\$122.00 million redeemable preferred shares or equivalent of ₱5,834.28 million.

On November 11, 2021, the Parent Company's BOD approved and authorized the redemption at par of 33.50 million redeemable preferred shares for the total redemption price ₱3,350.00 million

The redemption of preferred shares is recorded as part of treasury shares.

Total paid-in capital amounted to ₱33,537.22 million as at December 31, 2022 and 2021.

Retained Earnings

Retained earnings include the accumulated equity in undistributed net earnings of consolidated associates and joint ventures accounted for under the equity method amounting to ₱7,488.12 million and ₱3,582.15 million as of December 31, 2022 and 2021, respectively, which are not available for dividend declaration by the Parent Company until these are declared by the investee companies.

In accordance with the Revised SRC Rule 68, Annex 68-D, the Parent Company's retained earnings available for dividend declaration as of December 31, 2022 and 2021 amounted to ₱7,447.31 million and ₱65,505.84 million, respectively.

On March 7, 2022, the Parent Company's BOD approved the appropriation of the amount of ₱50,000.00 million from the unrestricted retained earnings as of December 31, 2021, to be used to fund and finance investments and acquisitions (directly or through its subsidiaries) of operating and development power companies in the Philippines and abroad which is expected to be completed in 3 years.

As of December 31, 2022 and 2021, deferred tax liabilities have not been recognized on undistributed earnings 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\$820.09 million (₱30,249.74 million) and US\$466.01 million (₱28,633.42 million) as of December 31, 2022 and 2021, respectively.

Declaration of Dividends by the Group

Dividends declared by the Parent Company in 2022 follows:

Recipient	Date of declaration	Type	Dividend Rate	Amount (in millions)	Record date
			₱12.51 per		
AC	April 19, 2022	Cash	common share	₱2,000.00	April 30, 2022
AC	May 11, 2022	Cash	21.27 per share	5,180.00	May 12, 2022
AC	May 11, 2022	Cash	36.43 per share	8,872.37	May 12, 2022
				₱16,052.37	



As of December 31, 2022, all dividends declared were fully settled.

Dividends declared by the Parent Company in 2021 follows:

Recipient	Date of declaration	Type	Dividend Rate	Amount (in millions)	Record date
AC	March 10, 2021	Cash	₱2.98 per share	₱1,000.00	April 15, 2021
AC	November 11, 2021	Cash	3.61 per share	1,000.00	September 30, 2021
AC	November 11, 2021	Cash	10.83 per share	3,000.00	September 30, 2021
				₱5,000.00	

As of December 31, 2021, all dividends declared were fully settled.

Declaration of Cash Dividends by ACEN

On March 8, 2022, the BOD of ACEN approved the declaration of cash dividends of six centavos (₱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.

On March 18, 2021, ACEN's BOD approved the declaration of cash dividends of six centavos (₱0.06) per share on the 19,960.04 million issued and outstanding shares of ACEN, or a total dividend amount of ₱1,197.60 million, to be paid on or before April 19, 2021 to the shareholders on record as of April 5, 2021.

Non-controlling Interest (NCI)

The rollforward of this account is as follows:

	2022	2021
Balance at beginning of year	₱36,318,749,944	₱20,193,403,080
Net income attributable to NCI	6,078,291,542	1,388,828,624
OCI attributable to NCI	42,756,083	30,267,184
Dividends	(812,646,984)	(614,730,335)
Changes in ownership without loss of control	13,296,120,442	(13,647,369,484)
Effects of common control business combination (Note 24)	(105,192,204)	—
Acquisition of a noncontrolling interest in subsidiaries (Note 2)	15,138,595	(313,597,656)
Change due to loss of control (Note 2)	162,090,900	(4,821,683,029)
Additions through business combination (Note 24)	1,946,009,060	—
Additional infusions (Note 2)	10,558,576,995	28,489,871,788
Grants through Employee Stock Ownership Plan	243,208,989	60,549,062
Sale of shares to minority (Note 2)	—	11,506,036,783
Redemptions	—	(5,952,826,073)
Other adjustments	(8,679,800)	—
Balance at end of year	₱67,734,423,562	₱36,318,749,944

Changes in ownership without loss of control

In 2022, effect of changes in ownership without loss of control includes the impact of sale of ACEN shares to AC amounting to ₱11,939.76 million.



Additional infusions

In 2022, additional infusions from minority shareholders of ACEN totaled ₱10,558.58 million coming from UPC owners.

In 2021, additional infusions from minority shareholders of ACEN totaling ₱28,487.78 million coming from various capital raising initiatives were recorded (SRO: ₱5,318.98 million; FOO primary shares subscription: ₱10,270.00 million; Arran subscription: ₱11,880.00 million; NW Minorities subscription: ₱1,018.80 million) (see Note 2).

Sale of shares to minority

In 2021, a total of ₱11,506.04 million ACEN shares were sold to minority shareholders (Arran: ₱10,428.99 million; through FOO: ₱1,077.05 million) (see Note 2).

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 (₱830.92 million or AU\$25.20 million) of capital as at period ended December 31, 2021.

Effective November 15, 2021, NorthWind became a wholly-owned subsidiary of ACEN upon full redemption of shares by the NorthWind founders totaling to ₱47.51 million (see Note 2).

In 2021, AC International Finance Limited (ACIFL) redeemed ₱5,074.40 million capital from ACETI.

On December 20, 2016, ACRI received US\$132.00 million (₱6,559.08 million) from ACIFL, an affiliate of the Parent Company as advances for bidding of Chevron geothermal assets in Indonesia and Philippines. On April 28, 2017, ACIFL and ACRI approved the conversion of ACIFL's advances into 1.32 million cumulative redeemable preferred shares in ACRI. The non-voting redeemable cumulative preferred shares are redeemable at the option of the issuer.

On May 16, 2018, ACIFL subscribed to 250,000 non-voting redeemable cumulative preferred shares of ACRI equivalent to US\$15.00 million (₱1,326.95 million). On September 26, 2018, ACIFL subscribed to 1,100,000 non-voting redeemable cumulative preferred shares of ACRI equivalent to US\$110.00 million (₱5,837.70 million). The proceeds of the infusion were used for the restructuring of AATI. The redeemable cumulative preferred shares are redeemable at the option of the issuer. On December 19, 2018, the 1.25 million redeemable cumulative preferred shares were issued.

As of December 31, 2020, a total of US\$297.00 million capital was issued by ACIFL and transferred to ACETI.

In 2021, ACIFL partially redeemed US\$100.00 million (₱5,074.40 million) redeemable preference shares from ACETI.

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 guaranties, 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 of December 31, 2022 and 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 (₱110.42 million and ₱0.07 million for BWPC and SolarAce4, respectively) is recognized under the equity reserves.

Effect of divestment in a subsidiary

This refers to the Group's divestment in its indirect interest in GNPk which includes deconsolidation of noncontrolling interest amounting to ₱4,821.68 million as of September 31, 2021 (see Note 6).

Effect of changes in ownership without loss of control

This refers to the reattribution of ACEN's equity balances to NCI and the Parent Company's Equity Reserves in proportion to ownership interest following the various capital raising activities.

Employee Stock Ownership Plan ("ESOWN")

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.



Equity Reserves

This comprises of the following:

	2022	2021
Balance at beginning of the year	₱12,505,423,612	₱142,513,516
Effect of changes in ownership without loss of control (Note 2)	848,441,635	13,335,660,901
Effects of common control business combination	121,830,893	—
Changes in treasury shares held by a subsidiary	—	195,202,390
Effect of the acquisition of noncontrolling interests in a subsidiary (Note 2)	(110,463,231)	(985,702,344)
Others	16,781,304	(182,250,851)
Balance at end of year	₱13,382,014,213	₱12,505,423,612

Effect of changes in ownership without loss of control pertains to the impact of sale of ACEN shares to AC and UPC owners in 2022, and the various capital raising initiatives in 2021.

Effects of common control business combination pertains to the impact of the of the acquisition of UPC Australia.

Effect of the acquisition of noncontrolling interests in a subsidiary pertains to acquisition of BWPC and SolarAce4 in 2022 and MSPDC and NPDC in 2021.

Capital Management

The primary 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.

21. Rendering of Services, Cost of Power Operations and Other Income

The Group's revenue from its rendering of services consists of:

	2022	2021
Energy sales	₱35,920,900,032	₱34,400,496,129
Management fees (Notes 24)	121,338,872	59,561,388
Bulk water sales	23,680,991	20,316,453
	₱36,095,919,895	₱34,480,373,970



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 (see Note 30).

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 (see Note 30).



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”) 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.

The Group's cost of power operations consists of:

	2022	2021
Cost of sales	₱30,569,072,331	₱21,145,388,618
Depreciation and amortization (Notes 11, 12 and 13)	1,918,307,423	1,806,363,363
Repairs and maintenance	712,770,042	713,506,608
Taxes and licenses	659,465,593	482,929,248
Compensation and benefits	504,061,519	524,365,474
Insurance	444,824,880	392,495,925
Others	406,844,656	426,611,487
	₱35,212,346,444	₱25,491,660,723

The Group reported other gains and losses as follows:

	2022	2021
Gain on remeasurement of previously held interest	₱10,921,025,993	₱—
Other income	1,250,151,916	1,410,255,461
Loss on disposal of investment - net	(5,372,116,403)	3,552,056,222



Other income

In 2022, 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) (see Note 7).

Loss on disposal of investment pertains to SLTEC (see Note 2).

In September 2022, the Group disposed its 25% interest in TBC to Jetfly Asia Pte. Ltd. for a total consideration of \$12.77 million (P734.67 million) which resulted to a gain on divestment of same amount since the carrying amount is nil.

Other Income

The Parent Company recognized other income of P350.00 million from reversal of impaired receivables from Sta. Clara in 2022 and P442.93 million from reversal of excess prior years' accruals on manpower benefits in 2021.

Other income from property damage claims of ACEN, Gigasol3 and NorthWind totaling to P72.99 million and P161.94 million were recognized in 2022 and 2021, respectively.

For the years ended December 31, 2022 and 2021, the Group through ACRI recognized guarantee fee income amounting to \$6.27 million (P347.89 million) and \$5.18 million (P254.41 million), respectively.

22. Income Taxes

Provision for income tax consists of:

	2022	2021
Current	P63,822,884	P323,282,932
Deferred	(468,199,192)	34,201,148
Final	9,821,466	16,867,178
	(P394,554,842)	P374,351,258

The reconciliation of statutory income tax to the provision for income tax follows:

	2022	2021
Provision from income tax at statutory income tax rates	P2,587,564,730	P2,775,382,203
Tax effect of:		
Interest income already subject to final tax	(74,303,240)	(30,927,752)
Nontaxable share in net earnings of associates and joint ventures	(1,020,513,323)	(876,299,820)
Income under income tax holiday and nontaxable income	(4,228,292,057)	(1,157,183,168)
Impact of change in tax rates	—	(46,937,040)
Changes in unrecognized deferred tax assets and others	2,340,989,048	(289,683,165)
Provision for income tax	(P394,554,842)	P374,351,258



The Group has deductible temporary differences for which deferred tax assets have not been recognized. These deductible temporary differences follow:

	2022	2021
NOLCO	₱3,746,104,508	₱940,704,156
Allowance for impairment loss on property and equipment	432,459,597	432,459,597
Accrued expenses	351,765,562	351,765,562
MCIT	36,836,585	36,836,585
Unrealized foreign exchange loss	3,280,605	3,280,605
Allowance for impairment loss on assets held for sale	273,270,000	273,270,000

Deferred tax assets are recognized only to the extent that taxable income will be available against which the deferred tax assets can be used. The Group will recognize a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

NOLCO

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of “Bayanihan to Recover As One Act” which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

The movement in NOLCO is shown in the table below:

Year Incurred	NOLCO					Expiry Date
	Beginning	Additions	Application	Expiration	Ending	
2016 ^(a)	₱129,030,000	₱116,549,000	(₱17,644,000)	(₱51,259,000)	₱176,676,000	2023
2017	176,676,000	470,941,000	—	(48,077,000)	599,540,000	2020
2018	599,540,000	1,293,441,510	—	(16,177,000)	1,876,804,510	2021
2019	1,876,804,510	1,080,806,000	—	(9,691,000)	2,947,919,510	2022
2020 ^(b)	2,947,919,510	1,231,415,554	(2,589,582,000)	(470,941,000)	1,118,812,064	2025
2021 ^(b)	1,118,812,054	528,378,779	—	(354,237,277)	1,292,953,556	2026
2022	1,292,953,556	5,144,280,942	—	(431,961,352)	6,005,273,146	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

MCIT

As of December 31, MCIT that can be claimed as deduction from future income tax payable follows:

Year Incurred	MCIT					Expiry Date
	Beginning	Additions	Application	Expiration	Ending	
2019	₱9,629,107	₱7,801,484	₱—	(₱351,000)	₱17,079,591	2022
2020	17,079,591	12,457,947	(8,325,000)	(1,079,000)	20,133,538	2023
2021	20,133,538	36,836,585	—	(9,629,107)	47,341,016	2024
2022	47,341,016	—	—	(17,079,591)	30,261,425	2025



The components of net deferred tax assets follow:

	2022	2021
Presented in profit or loss		
<i>Deferred tax assets</i>		
Lease liability	₱668,665,831	₱460,512,069
Fair value adjustment on investment	—	108,476,030
NOLCO and MCIT	1,224,157,678	176,861,963
Accrued expenses	118,154,857	142,567,597
Allowance for impairment	4,757,942	48,796,000
Asset retirement obligation	14,257,358	3,396,292
Others	493,929,995	79,207,665
	2,523,923,661	1,019,817,616
<i>Deferred tax liabilities</i>		
Right-of-use assets	(517,215,253)	(319,241,077)
Unrealized foreign exchange gain	(65,774,729)	(16,673,912)
Unamortized debt issue costs	(52,016)	(14,575,602)
Unamortized interest cost on payable to AXIA	(52,962,212)	(52,016)
Others	(48,364,970)	(58,010,293)
	684,369,179	(408,552,900)
Presented in other comprehensive income		
<i>Deferred tax assets</i>		
Remeasurement loss (gain) on defined benefit obligation	(282,179)	5,134,424
Derivative liability on hedging	9,374,976	82,500
Unrealized fair value losses on financial assets at FVOCI	—	—
	9,092,797	6,806,488
<i>Deferred tax liability</i>		
Derivative asset on hedging	15,317,467	—
Net deferred tax assets	₱1,833,329,812	₱616,481,641

*Includes deferred tax arising from business combination

The components of net deferred tax liabilities follow:

	2022	2021
Presented in profit or loss		
<i>Deferred tax assets</i>		
Lease liability	₱20,200,638	₱111,635,079
Fair value adjustment on investment*	—	—
Allowance for credit losses	181,271	181,271
Unrealized foreign exchange loss	—	245,569,150
Pension and other employee benefits	—	18,928,197
Others	178,478,697	13,105,431
	198,860,606	389,419,128
<i>Deferred tax liabilities</i>		
Right-of-use assets	(24,302,002)	(183,259,859)
Unrealized foreign exchange gains	(156,256,039)	(147,911,119)
Mark-to-market gains	—	(26,748,100)

(Forward)



	2022	2021
Unamortized debt issue cost	(P77,883,391)	(P1,594,479)
Difference between carrying amount of nonmonetary asset and their tax base*	—	(353,302,961)
Capitalized straight-line adjustment rent	(131,064,943)	(100,513,208)
Accrued income	(1,978,497)	—
Others	(433,938,922)	(14,342,143)
	(825,423,799)	(827,671,869)
Net deferred tax liabilities	(626,563,188)	(438,252,741)
Presented in other comprehensive income		
<i>Deferred tax liability</i>		
Remeasurement gain on defined benefit obligation	(3,131,340)	—
Net deferred tax assets	(P664,175,958)	(P438,252,741)

*Includes deferred tax arising from business combination

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.

Based on the provisions of Revenue Regulations (RR) No. 5-2021 dated April 8, 2021 issued by the BIR, the prorated RCIT and MCIT rates of the Group for CY2020 are 27.5% and 1.5%, respectively. This resulted in reduction of provision for current income tax by P32.96 million and of provision for deferred income tax by P32.96 million for the year ended December 31, 2021. These adjustments were recognized in the 2021 consolidated statement of income.

23. Related Party Transactions

Parties are considered to be 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.

Except as otherwise stated, outstanding balances at period-end are unsecured and are to be settled in cash throughout the financial year. Except as otherwise stated, there have been no guarantees provided or received for any related party receivables or payables. No provision for credit losses was recognized for receivables from related parties recorded for the years ended December 31, 2022 and December 31, 2021. The assessment of collectability of receivables from related parties is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

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.



The composition of due to/from related parties are as follows (amounts are in thousands):

a. Notes Receivables

Nature & Relationship	Related Party	Outstanding Balance		Terms / Conditions
		2022	2021	
Development loans				
<u>Joint Venture</u>				
	UPC-AC Energy Solar Limited (UPC-ACE Solar)	₱1,115,100	₱1,015,480	Due in 2023; interest bearing; unsecured; no impairment
	Greencore 3	–	212,292	Due in 2022; interest bearing; unsecured; no impairment
<u>Associate</u>				
	TBC	–	658,437	Due in 2022; interest bearing; unsecured; no impairment
<u>Affiliate</u>				
	Yoma Strategic Investments Ltd (“Yoma”)	1,339,071	1,219,173	Due in 2023; interest bearing; secured; no impairment
		₱2,454,171	₱3,105,382	
Debt replacements				
<u>Joint Venture</u>				
	BIM Wind	₱4,749,490	₱4,325,183	Due in 2030 interest bearing; unsecured; no impairment
	Greencore 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	–	1,921,150	Due in 2022; interest bearing; unsecured; no impairment
		₱20,094,774	₱17,253,756	
Other Loan				
<u>Associate</u>				
	GNPK	₱11,224,000	₱10,154,800	Due later of the maturity of senior loans or redemption of interest in GNPK, interest bearing
<u>Joint Venture</u>				
	Ingrid	₱500,000	₱–	Due in 2023; interest bearing; unsecured; no impairment
	Infineum 4 Energy, Inc.	43,466	–	Due in 2024; interest bearing; unsecured; no impairment
		₱ 11,767,466	10,154,800	

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.

b. Interest Income and Receivable

The Group maintains current and savings account and other short-term investments with BPI broken down as follows:

	2022	2021
Cash in banks	₱31,515,090	₱102,692,332
Cash equivalents	7,023,916	30,757
	₱38,539,006	₱102,723,089

Accrued interest income relates primarily to the dividend yields from the Group's investments in the redeemable preference shares and interest from loans extended to its related parties.

Related Party	Amount/Volume		Outstanding Balance Receivable (Payable)		Terms
	2022	2021	2022	2021	
Other Financial Assets at Amortized Cost (Note 8)					
Redeemable preferred shares	₱2,251,145	₱1,151,895	₱2,487,852	₱946,559	various dates
Convertible loans	1,223,766	1,146,918	1,071,551	1,421,565	various dates
Development Loans					
Joint Venture					
UPC Solar	95,725	80,211	242,890	—	various dates
UPC-ACE Australia	7,087	—	—	—	various dates
Associate					
TBC	60,390	56,572	—	86,637	various dates
Affiliate					
Yoma	52,427	48,324	146,341	84,490	various dates
Debt replacements					
Joint Venture					
VWEL	59,043	306,768	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	67,648	253,989	various dates
BIM Wind	380,250	248,334	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	—	192,216	various dates
Asian Wind 1	269,291	208,839	—	—	various dates
Other loans					
GNPK	866,010	368,174	1,415,260	502,009	30-day, non-interest bearing
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
	₱5,927,028	₱4,093,019	₱6,602,840	₱4,061,729	



c. Loans Payable

	Amount/Volume		Outstanding Balance Receivable (Payable)		Terms
	2022	2021	2022	2021	
	In thousands				
Bank of the Philippines Island					
Interest Expense/Interest Payable	₱462,642	₱115,256	(₱11,312)	(₱9,533)	30 days, unsecured
Long-term loans (Note 17)	—	—	(3,330,299)	(2,079,133)	12 years, interest bearing

d. 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.

	Amortization / Interest Expense		ROU (Lease Liabilities)		
	2022	2021	2022	2021	
	In thousands				
ALI					
Right-of-use Assets (Note 14)	₱ 121,481	₱93,899	₱951,510	₱930,453	10 years , unsecured
Lease Liabilities (Note 14)	44,301	38,847	(1,054,178)	(990,107)	10 years , unsecured
FBDC					
Right of use Assets (Note 14)	9,227	9,227	4,573	11,500	3 years , unsecured
Lease Liabilities (Note 14)	182	435	(9,771)	(9,771)	3 years , unsecured

e. Other Related Party Transactions

	Amount / Volume		Outstanding Balance Receivable (Payable)		Terms
	2022	2021	2022	2021	
In thousands					
Management fees income	₱63,737	₱27,945	₱7,145	₱24,725	30-days, unsecured
Rental income (Ingrid)	17,337	16,737	2,118	1,674	30-days, unsecured
Rental income (GNPK)	115,737	—	524,260	—	30-days, unsecured
Management fees expense	41,290	82,749	—	—	30-days, unsecured
Energy sales	361,492	491,850	5,261	5,343	30-days, unsecured
Cost of sale of electricity	911,744	472,004	(92,591)	(94,110)	30-days, unsecured
Due from related parties	—	3,465	435,910	740,150	On demand, Unsecured
Due to related parties	—	—	—	(606,204)	On demand, Unsecured

Management fee income pertains to service fees billed by the Group to its related parties under common control and joint venture and 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 lease agreements with Ingrid and GNPK.

Management fees expense represent recoveries of AC for seconded key management personnel to the Parent Company.

The Group 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. Due from related parties includes other receivables from Masaya Solar and UPC AC Energy Solar Ltd.



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. Due to related parties includes other payables from Masaya Solar.

f. Receivables from Employees and Officers

Receivables from officers and employees amounting to ₱316.92 million in 2022 and ₱109.31 million in 2021 pertain to housing, car, salary and other loans granted to Group's officers and employees.

g. Payable to Stockholders

Amount/Volume	Amount/Volume		Outstanding Balance Receivable (Payable)		Terms
	2022	2021	2022	2021	
Due to stockholders					
Cash Dividends	₱ 16,052,366	₱5,000,000	₱—	₱—	On demand, Unsecured

h. Compensation of key management personnel

Compensation of key management personnel of the Group are as follows (amounts are in thousands):

	2022	2021
Short-term employee benefits	₱68,435	₱64,215
Post-employment benefits	12,936	2,691
	₱81,374	₱66,906

24. Business Combination and Asset Acquisitions

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 (₱4,070.40 million) and Mr. 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).

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 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 (₱10,921.03 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 thousands).

	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 thousands):

	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 thousands):

	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 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:

- 33.3% 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 BWPC, ACEN indirectly owned 60.00% interest through its wholly owned subsidiary, Pagudpud Wind Power Corp. The acquisition resulted to 100.00% interest in BWPC and is accounted for as an acquisition of non-controlling interest (see Note 20).

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 20).

The following are the fair values of the identifiable assets and liabilities of the Target Companies (except SolarAce 4) as at the date of acquisition (in thousands):

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
	78,030
Liabilities	
Accounts payable and other current liabilities	3,428
Income and withholding taxes payable	27
Other noncurrent liabilities	188,214
	191,219
Total identifiable net liabilities	(113,189)
Less cost of acquisition	5,167
Goodwill arising on acquisition (see Note 14)	₱118,356



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	₱2,477

^(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. At the date of finalization of these 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 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 resulting to 100% ownership.

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 (in thousands):

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
	<u>164,556</u>
Liabilities	
Accounts payable and other current liabilities	17
Income and withholding taxes payable	3
	<u>20</u>
Total identifiable net assets	164,536
Less cost of acquisition	164,398
Gain on bargain purchase (Note 23)	<u>₱138</u>

The acquisition resulted in a gain on bargain purchase which is recognized under “Other income” account in the consolidated statement of income (see Note 21). 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	<u>₱164,130</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 ₱0.09 million.

At the date of finalization of 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.

25. Financial Instruments and Risk Management

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: Valuation techniques involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Other valuation techniques involving inputs for the asset or liability that are not based on observable market data (unobservable inputs).



The following table presents the carrying values and fair values of the Group's financial assets and financial liabilities:

	December 31, 2022		December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
Cash and cash equivalents	₱35,512,201,706	₱35,512,201,706	₱37,890,174,302	₱37,890,174,302
Short-Term Investments	528,000	528,000	68,310,124	68,310,124
Receivables	71,782,474,739	73,196,295,723	57,908,495,432	62,913,221,265
Financial assets at FVTPL	1,302,885,390	1,302,885,390	406,738,633	406,738,633
Financial assets at FVOCI	895,822,682	895,822,682	461,962,770	461,962,770
Derivative assets	617,139,023	617,139,023	348,736,268	348,736,268
Other financial asset at amortized cost	21,260,907,142	18,623,291,162	26,088,342,085	25,051,215,059
Deposits	347,818,541	347,818,541	378,536,006	378,536,006
Total financial assets	₱131,719,777,223	₱130,495,982,227	₱123,551,295,620	₱127,518,894,427
Financial Liabilities				
Accounts and other payables*	₱12,645,686,910	₱12,645,686,910	₱6,467,111,844	₱6,467,111,844
Short-term loans	2,900,000,000	2,900,000,000	—	—
Loan payables	39,917,207,237	37,487,206,194	30,160,086,935	29,600,416,509
Notes payables	74,935,143,429	63,161,293,148	59,193,577,539	65,988,989,296
Lease liabilities	4,510,340,728	3,414,633,467	2,757,230,062	3,430,715,413
Derivative liability	40,512,335	40,512,335	241,743,868	241,743,868
Other current liabilities	356,024,506	356,024,506	514,767,734	514,767,734
Bill deposits	105,268,986	105,268,986	232,572,820	262,107,121
Other noncurrent liabilities	569,040,825	569,040,825	624,893,545	624,893,545
Total financial liabilities	₱135,979,224,956	₱120,679,666,371	₱100,191,984,347	₱107,130,745,330

*Excluding taxes payable

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

Cash and cash equivalents, short-term investments, deposits, accounts and other payables, short-term loans and other current liabilities: Due to the short-term nature of the accounts, the fair value approximate the carrying amounts in the consolidated statements of financial position.

Receivables: The fair value of receivables due within one year approximates its fair value. Noncurrent portion of receivable is discounted using the applicable discount rate for similar type of instruments. The discount rates used range from 4.89% to 11.50% and 4.00% to 6.00% for the years ended December 31, 2022 and 2021, respectively, using the remaining terms of maturity. This is a Level 3 valuation technique.

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.

Equity instruments at FVOCI and FVTPL: 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, management estimates the amount and timing of the future cash inflow arising from redemption. This is a Level 3 valuation technique.

Other financial assets at amortized cost: This includes investments in redeemable preferred shares and convertible loans. For investment in redeemable preferred shares and convertible loan, the fair values of the investments are determined using the applicable discount rate for similar type of instruments. This is a Level 3 valuation technique

Deposits:

The carrying amount is carried at fair value in the Group's statements of financial position.



Loans and 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 ranged from 1.03% to 9.13% and 4.40% to 7.10% as at December 31, 2022 and 2021, respectively. This is a Level 3 valuation technique.

Lease liabilities and other noncurrent liabilities: The fair value of other noncurrent liabilities is determined using the applicable discount rate for similar type of instruments. The discount rates used is 1.53% to 7.40% and 1.00% to 6.00% as of December 31, 2022 and 2021, respectively. This is a Level 3 valuation technique.

In 2022 and 2021, there were no transfers between levels for fair value measurements.

Significant increase (decrease) in discount rate would result in significant lower (higher) fair value of receivables, financial assets at amortized cost, equity instruments at FVOCI, FVTPL, derivative asset, derivative liability, notes and loans payable, lease liabilities and other noncurrent liabilities.

Description of significant unobservable inputs to valuation follows:

Account	Valuation Technique	Significant Unobservable Inputs
Receivables	Discounted cash flow analysis	Discount rate
Financial assets at FVTPL	Discounted cash flow analysis	Discount rate
Financial assets at FVOCI	Discounted cash flow analysis	Discount rate
Derivative assets	Discounted cash flow analysis	Discount rate and volatility
Other financial asset at amortized cost	Discounted cash flow analysis	Discount rate
Deposits	Discounted cash flow analysis	Discount rate
Loans payable	Discounted cash flow analysis	Discount rate
Notes payable	Discounted cash flow analysis	Discount rate
Lease liabilities	Discounted cash flow analysis	Discount rate
Other noncurrent liabilities	Discounted cash flow analysis	Discount rate

Financial Risk Management 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 and marketable instruments. 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 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.

Financial Risk

The Group’s principal financial liabilities comprise of accounts and other payables, short-term loans, loans payable, notes payable, lease liabilities, derivative liability and other current and noncurrent liabilities. The main purpose of the Group’s financial liabilities is to raise financing for the Group’s operations and investing activities.

The Group has various financial assets such as cash and cash equivalents, receivables, short-term investments, derivative assets, deposit, Financial asset at FVOCI and FVTPL, and other financial assets at amortized cost (redeemable preferred shares and convertible loans), which arise directly from its operations and investing activities. The main risk arising from the use of financial instruments are interest rate risk, liquidity risk, credit risk, foreign currency risk and commodity price risk.

The BOD reviews and approves the policies for managing each of these risks. The Group monitors market price risk arising from all financial instruments and regularly reports financial management activities and the results of these activities to the BOD.

The Group’s risk management policies are summarized below. The exposure to risk and how they arise, as well as the Group’s objectives, policies and processes for managing the risk and the methods used to measure the risk did not change from prior periods.

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.

Liquidity Risk

The Group monitors its cash flow position, debt maturity profile and overall liquidity position in assessing its exposure to liquidity risk. The Group maintains a level of cash deemed sufficient to finance its cash requirements. Operating expenses and working capital requirements are sufficiently funded through cash collections. The Group’s loan maturity profile is regularly reviewed to ensure availability of funding through adequate credit facilities with banks and other financial institutions.



The extent and nature of exposures to liquidity risk and how they arise as well as the Group's objectives, policies and processes for managing the risk and the methods used to measure the risk are the same for 2022 and 2021.

Maturity Profile Financial Liabilities

The tables below summarize the maturity profile of the Group's financial liabilities as of December 31, 2022 and 2021 based on undiscounted contractual payments, including interest payable.

2022

	On Demand	Less than 1 Year	1 to 5 years	More than 5 Years	Total
Accounts payable and other current liabilities:	₱10,832,604,136	₱ 942,214,385	₱—	₱—	₱11,774,818,521
Other current liabilities	210,003,140	146,021,366	—	—	356,024,506
Short term liabilities	—	2,900,000,000	—	—	2,900,000,000
Loans payable*	—	2,109,249,226	18,854,379,174	32,091,309,377	53,054,937,777
Note payable*	—	2,076,525,281	73,752,016,736	6,491,705,653	82,320,247,670
Lease liabilities*	—	341,173,612	1,479,344,960	3,202,838,378	5,023,356,950
Derivative liability	—	3,012,430	37,499,905	—	40,512,335
Other noncurrent liabilities	—	—	642,915,471	—	642,915,471
	₱11,042,607,276	₱8,518,196,300	₱94,766,156,246	₱41,785,853,408	₱156,112,813,230

*includes future interest payable

2021

	On Demand	Less than 1 Year	1 to 5 years	More than 5 Years	Total
Accounts payable and other current liabilities:	₱3,085,177,958	₱1,958,612,876	₱—	₱—	₱5,043,790,834
Other current liabilities	34,855,479	238,168,389	—	—	273,023,868
Loans payable*	—	2,388,524,477	10,448,433,881	29,859,168,035	42,696,126,393
Note payable*	—	1,982,547,250	64,908,979,450	6,346,063,625	73,237,590,325
Lease liabilities*	—	567,130,445	1,452,992,772	3,566,932,188	5,368,837,901
Derivative liability	—	241,743,868	—	—	241,743,868
Other noncurrent liabilities	—	—	2,080,774,139	4,333,333	2,085,107,472
	₱3,120,033,437	₱7,158,509,801	₱78,891,180,242	₱39,776,497,181	₱128,946,220,661

*includes future interest payable

Credit or Counter Party 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 BOD.
- Discussions are done on every major investment by the Group's 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.

December 31, 2022

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Cash and cash equivalents	₱35,512,201,706	₱—	₱—	₱35,512,201,706
Short-term investments	528,000	—	—	528,000
Receivables:				
Trade	7,689,572,054	1,961,918,013	60,432,768	9,711,922,835
Due from related parties	40,924,351,383	1,136,063,348	—	42,060,414,731
Due from third parties	19,718,864,767	351,705,174	131,111,499	20,201,681,440
Equity instruments at FVTPL	1,302,885,390	—	—	1,302,885,390
Equity instruments at FVOCI	895,822,682	—	—	895,822,682
Derivative asset	617,139,023	—	—	617,139,023
Other financial assets at amortized cost	19,976,497,142	—	1,284,410,000	21,260,907,142
Deposits	347,818,541	—	—	347,818,541
	₱126,985,680,688	₱3,449,686,535	₱1,475,954,267	₱131,911,321,490

December 31, 2021

	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Cash and cash equivalents	₱37,890,174,302	₱—	₱—	₱37,890,174,302
Short-term investments	68,310,124	—	—	68,310,124
Receivables:				
Trade	5,541,818,216	2,357,713,284	89,734,321	7,989,265,821
Due from related parties	28,677,793,573	6,639,918,506	300,240	35,318,012,319
Due from third parties	14,034,145,058	657,106,796	465,265,228	15,156,517,082
Equity instruments at FVTPL	406,738,633	—	—	406,738,633
Equity instruments at FVOCI	461,962,770	—	—	461,962,770
Derivative asset	348,736,268	—	—	348,736,268
Other financial assets at amortized cost	26,085,958,998	—	—	26,085,958,998
Deposits	378,536,006	—	—	378,536,006
	₱113,894,173,948	₱9,654,738,586	₱555,299,789	₱124,104,212,323

Trade receivables - 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

(Amounts in thousands)	December 31, 2022					
	Neither Past Due nor Impaired			Past Due but not Impaired	Past Due Individually Impaired	Total
	Class A	Class B	Class C			
Trade receivables						
	₱					
Current portion	6,437,876	₱ 468,708	₱ —	₱1,514,734	₱60,433	₱8,481,751
Noncurrent portion	436,584	346,404	—	447,184	—	1,230,172
	₱6,874,460	₱ 815,112	₱—	₱1,961,918	₱60,433	₱9,711,923



(Amounts in thousands)	December 31, 2021					
	Neither Past Due nor Impaired			Past Due but not	Past Due Individually	Total
	Class A	Class B	Class C	Impaired	Impaired	
Trade receivables						
Current portion	P470,269	P3,755,771	P2,129	P1,768,079	P82,980	P6,079,231
Noncurrent portion	—	1,313,647	—	589,634	6,753	1,910,035
	P470,269	P5,069,418	P2,129	P2,357,713	P89,734	P7,989,266

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, short-term deposits, due from related parties, receivable from other parties, equity instruments at FVOCI, other financial assets at amortized cost, financial assets at FVTPL, and deposits, 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 and short-term deposits were assessed as high grade since these are deposited in or transacted with reputable banks, which have low probability of insolvency.
- Due from related parties, receivable from other parties (except for receivable from Sta. Clara which was assessed as impaired), other receivables, derivative assets, equity instruments at FVOCI, FVTPL financial assets, other financial assets at amortized cost, and deposits were assessed as high grade since these are investments with no history of default or instruments that carry guaranty or collateral.

There are no significant concentrations of credit risk within the Group.

Applying the expected credit risk model did not result in the recognition of an impairment loss for all financial assets at amortized cost in 2022 and 2021.

The Group's maximum exposure to credit risk are as follows:

Grade	2022				
	Lifetime ECL				Total
	12-month Stage 1	Stage 2	Stage 3	Simplified Approach	
High	P29,473,652	P—	P—	P32,273	P 29,505,925
Standard	—	—	1,284,410	1,573,540	2,857,950
Substandard	—	—	—	—	—
Default	—	—	—	—	—
Gross carrying amount	29,473,652	—	1,284,410	1,605,813	32,363,875
Less loss allowance	—	—	—	—	—
Carrying amount	P29,473,652	P—	P1,284,410	P1,605,813	P 32,363,875

Grade	2021				
	Lifetime ECL				Total
	12-month Stage 1	Stage 2	Stage 3	Simplified Approach	
High	P37,754,770	P—	P—	P26,743	P37,781,513
Standard	183	—	—	—	183
Substandard	—	—	—	—	—
Default	—	—	—	621	621
Gross carrying amount	37,754,953	—	—	27,364	37,782,317
Less loss allowance	—	—	—	—	—
Carrying amount	P37,754,953	P—	P—	P27,364	P37,782,317



Foreign Exchange Risk

The Group's foreign exchange risk is limited to certain foreign currency denominated cash and cash equivalents, receivables and payables, resulting primarily from the movements of the Philippines Peso against the US dollar. The Group's significant foreign currency-denominated financial assets and financial liabilities as at December 31, 2022 and 2021 are as follows:

	2022	2021
	U.S. Dollar (US\$)	U.S. Dollar (US\$)
Financial Assets		
Cash and cash equivalents	\$6,201,655	\$4,987,600
Other receivables	56,217,122	9,860,298
	62,418,777	14,847,898
Financial Liabilities		
Accounts payable and other current liabilities	(\$2,200,875)	(\$12,843,004)
Loans payable	(161,428,437)	(160,078,253)
	(163,629,313)	(172,921,257)
Net foreign currency-denominated assets (liabilities)	(\$101,210,536)	(\$158,073,359)
Peso equivalent	(P5,679,935,253)	(P1,226,643,906)

In translating foreign currency-denominated financial assets and financial liabilities into Philippine Peso amounts, the exchange rates used were P56.12 to US\$1.00 and 50.77 to US\$1.00 as at December 31, 2022 and 2021, respectively.

The following are the sensitivity rates used in the reporting of 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 Foreign Exchange Rate	Effect on income before income tax Increase/(Decrease)
Pertinent Period		US\$
2022	(P1.00) 1.00	P101,210,536 (101,210,536)
2021	(P1.00) 1.00	P158,073,359 (158,073,359)

For subsidiaries with functional currency in US\$, financial assets and liabilities are translated into Philippine peso, the 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 cash and cash equivalents, receivables from related parties, accrued interest receivable, financial assets at amortized cost, investments in financial assets at FVOCI, 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 ACEFIL, ACEIC Cayman, ACETI and subsidiaries, ACEC, ACEN Finance and ACE HKL which are in US\$ functional currency were 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.



	December 31, 2022	
	Peso	US\$
Assets		
Cash and cash equivalents	₱24,097,535,233	\$432,204,022
Receivables	48,757,398,553	874,493,741
Assets held for sale	11,821,057,526	210,638,944
Other financial assets	91,497,775,955	1,641,068,531
	176,173,767,267	3,158,405,238
Accounts and other payables	5,684,033,734	101,946,619
Notes and loans payable	30,529,271,423	547,561,141
	36,213,305,157	649,507,760
Net foreign currency position	₱139,960,462,110	\$2,508,897,478

	December 31, 2021	
	Peso	US\$
Assets		
Cash and cash equivalents	₱24,156,043,617	\$475,756,167
Receivables	34,317,423,574	675,885,760
Assets held for sale	12,183,223,619	239,950,046
Other financial assets	26,953,238,079	530,847,246
	100,957,253,972	1,922,439,219
Accounts and other payables	1,987,876,517	39,151,466
Notes and loans payable	59,193,577,539	1,165,824,586
	61,181,454,056	1,204,976,052
Net foreign currency position	₱31,677,981,338	\$717,463,167

The Philippine Peso - US Dollar exchange rate as of December 31, 2022 and 2021 used were ₱55.76 to US\$1.00 and ₱50.77 to US\$1.00.

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 other comprehensive income
2022	USD	+1.00	₱2,508,897,478
		-1.00	(2,508,897,478)
2021	USD	+1.00	₱717,463,167
		-1.00	(717,463,167)

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 and 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 and Chief Finance Officer 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 of the Coal and Fuel Hedging Strategy are reviewed quarterly during the Group's Finance Committee ("FINCOM"). Continuation, addition, reduction and termination of existing hedges are decided by the FINCOM and any material change in permissible hedging instrument, counterparties and limits are elevated to the Board 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 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 (\$/₱)	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 (\$/₱)	—	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	(₱3,012)
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 is 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 is 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	P=	(P3,012)	Other income (expense)	P=	P=	P=
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	P=	P241,744	Other income (expense)	P=	P=	P=
Foreign exchange forward contracts	(47,029)	-	Unrealized fair value gains on derivative instruments designated as hedges	-	-	-

	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	P=	(P3,012)	Other income (expense)	P=	P=	P=
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	P=	P241,744	Other income (expense)	P=	P=	P=
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.

26. Operating Segment Information

Business segment information is reported on the basis that is used internally for evaluating segment performance and deciding how to allocate resources among operating segments. Accordingly, the primary segment reporting format is by business segment.

For management purposes, the Group is organized into the following business units:

- Parent and Others - represents operations of the Parent Company and ACEN (excluding RES/Commercial Operations), and ACE Shared Services, Inc.
- Philippines, which includes:
 1. RES or Commercial Operations;
 2. Petroleum and exploration;
 3. Renewables - generation, transmission, distribution and supply of electricity using renewable sources such as solar, wind and geothermal resources;
 4. Thermal - generation, transmission, distribution and supply of electricity using conventional way of energy generation.
 5. Project development expenses incurred by ACE Endeavor and special purpose vehicles; and
 6. Leasing, bulk water supply
- International - represents the operations of ACRI, which is the holding company for all offshore investments. This includes earnings from the international investments, as well as project development expenses for the various power projects in the pipeline, ACE International, ACEC and ACE HKL. This also includes ACEFIL, ACEIC Cayman and ACEN Finance.



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 in order to assess performance of the Group.

Revenue earned from a single external customer amounted to ₱11,880.00 million and ₱7,023.00 million in 2022 and 2021, respectively, which accounted for more than 10% of the consolidated revenue from external customers, arise from sale 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 year ended December 31, 2022 and 2021 and assets and liabilities as at December 31, 2022 and 2021:

December 31, 2022

	Parent and Others	Philippines	International	Consolidated
Revenue				
Energy and bulk water sales	₱–	₱35,944,581,023	₱–	₱35,944,581,023
Equity in net income	–	3,927,314,138	154,739,153	4,082,053,291
Management fees	92,752,845	–	28,586,027	121,338,872
Rental income	68,468,978	115,737,320	–	184,206,298
Other revenues	–	37,459,377	3,635,465	41,094,842
	161,221,823	40,025,091,858	186,960,6458	40,373,274,326
Cost and expenses				
Costs of services	–	35,215,346,444	–	35,215,346,444
General and administrative	1,966,469,474	953,973,050	1,830,939,063	4,751,381,587
	₱1,966,469,474	₱36,169,319,494	₱1,830,939,063	₱39,966,728,031
Other income (charges)				
Foreign exchange gains (losses)	730,055,322	(149,264,610)	2,297,706	583,088,418
Interest income	2,171,237,948	87,238,558	5,171,468,224	7,429,944,730
Gains on acquisition and disposal of investments	292,236,779	(6,399,020,618)	11,655,693,428	5,548,909,589
Mark-to-market gains (loss) – net	31,818,857	24,171,960	(124,512,761)	(68,521,944)
Interest and other financing charges	(2,771,119,250)	(1,101,533,686)	(1,067,837,452)	(4,940,490,387)
Other income	790,468,472	88,287,015	371,396,429	1,250,151,916
	₱ 1,244,698,129	₱ (7,450,121,381)	₱16,008,505,573	₱ 9,803,082,322
Net income before income tax	(560,549,522)	(3,594,349,017)	14,364,527,155	10,209,628,616
Provision for income tax	(434,573,533)	272,880,698	(232,862,007)	(394,554,842)
Net income (loss)	₱ (125,975,989)	₱ (3,867,229,715)	₱ 14,597,389,162	₱ 10,604,183,458
Other information				
Segment assets	₱113,962,969,245	₱42,869,580,323	₱78,177,186,063	₱235,009,735,631
Assets held for sale	–	11,821,057,526	–	11,821,057,526
Investments in associates and joint ventures	–	20,209,941,270	14,373,897,450	34,583,838,720
Total assets	₱113,962,969,245	₱74,900,579,118	₱92,551,083,514	₱281,414,631,877
Segment liabilities	₱89,913,799,482	₱11,576,512,462	₱36,786,010,557	₱138,276,322,501
Deferred tax liabilities	492,940,910	131,694,677	1,927,600	626,563,187
Total Liabilities	₱90,406,740,391	₱11,708,207,139	₱36,787,938,157	₱138,902,885,688



December 31, 2021

	Parent and Others	Philippines	International	Consolidated
Revenue				
Energy and bulk water sales	P—	P 34,420,812,582	P—	P 34,420,812,582
Equity in net income	—	2,679,389,545	825,809,736	3,505,199,281
Management fees	12,876,677	—	46,684,711	59,561,388
Rental income	25,973,708	61,465,757	—	87,439,465
Other revenues	—	9,917,963	11,724,861	21,642,824
	38,850,385	37,171,585,847	884,219,308	38,094,655,540
Cost and expenses				
Costs of services	—	25,491,660,723	—	25,491,660,723
General and administrative	1,357,203,717	3,992,380,932	628,010,653	5,977,595,302
	1,357,203,717	29,484,041,655	628,010,653	31,469,256,025
Other income (charges)				
Foreign exchange gains (losses)	109,632,101	(57,624,039)	478,316,821	530,324,883
Interest income	53,428,493	396,881,719	3,956,663,111	4,406,973,323
Gain on disposal of investments	—	3,552,056,222	—	3,552,056,222
Mark-to-market gains (loss) – net	148,794,462	(411,675,168)	—	(262,880,706)
Interest and other financing charges	(1,064,099,135)	(1,086,748,615)	(3,009,752,137)	(5,160,599,887)
Other income	745,662,102	311,649,892	352,943,467	1,410,255,461
	(6,581,977)	2,704,540,011	1,778,171,262	4,476,027,234
Net income before income tax	(1,324,935,309)	10,392,084,203	2,034,379,919	11,101,528,813
Provision for income tax	51,791,091	314,009,237	8,550,930	374,351,258
Net income (loss)	(P1,376,726,400)	P10,078,074,966	P2,025,828,989	P10,727,177,555
Other information				
Segment assets	P29,459,683,208	P73,898,475,746	P75,931,088,901	P179,289,247,855
Assets held for sale	—	12,386,687,528	—	12,386,687,528
Investments in associates and joint ventures	—	14,396,807,231	13,587,424,790	27,984,232,021
Total assets	P29,459,683,208	P100,681,970,505	P89,518,513,691	P219,660,167,404
Segment liabilities	19,775,395,121	22,994,501,444	60,035,990,118	102,805,886,683
Deferred tax liabilities	10,527,446	427,699,420	25,875	438,252,741
Total Liabilities	P19,785,922,567	P23,422,200,863	P60,036,015,993	P103,244,139,423

27. Notes to Consolidated Statements of Cash Flows

Changes in liabilities arising from financing activities for the years ended December 31, 2022 and 2021 are as follows:

2022

	Short-term Loans	Notes Payable	Loans Payable	Interest Payable	Lease Liabilities	Dividends Payable	Total liabilities from financing activities
Balance at January 1	P—	P59,193,577,539	P30,160,086,935	P793,321,011	P2,757,230,062	P16,585,282	P92,920,800,829
Cash inflows	23,259,020,000	9,871,378,220	23,492,032,562	—	—	—	56,622,430,782
Cash outflow	(20,359,020,000)	—	(7,406,281,879)	(4,459,583,632)	(299,848,600)	(16,865,013,889)	(49,389,748,000)
Non-cash changes:							
Amortization of debt issue cost	—	89,732,468	112,825,923	(202,558,391)	—	—	—
Interest expense	—	—	—	4,739,689,400	200,800,987	—	4,940,490,387
Cumulative translation adjustment	—	5,780,455,202	838,406,735	—	146,594,881	—	6,765,456,819
New lease agreement	—	—	—	—	263,077,325	—	263,077,325
Additions through business combination	—	—	5,141,445,843	—	1,485,756,602 (83,337,202)	—	6,627,202,445 (83,337,202)
Remeasurements	—	—	—	—	—	—	—
Deconsolidation of SLTE	—	—	(13,282,477,503)	—	—	—	(13,282,477,503)
Dividends declared	—	—	—	—	—	16,865,013,889	16,865,013,889
Unrealized foreign exchange loss	—	—	861,168,620	—	40,066,672	—	901,235,292
Adjustments	—	—	—	—	—	—	—
Balance at December 31	P2,900,000,000	P74,935,143,429	P39,917,207,237	P 870,868,388	P 4,510,340,728	P 16,585,282	P123,150,145,064



2021

	Short-term Loans	Notes Payable	Loans Payable	Interest Payable	Lease Liabilities	Dividends Payable	Total liabilities from financing activities
Balance at January 1	₱4,635,000,000	₱47,072,020,888	₱30,948,676,625	₱886,142,208	₱1,950,632,066	₱1,001,677,599	₱86,494,149,386
Cash inflows	14,550,000,000	20,309,600,000	847,897,344	—	—	—	35,506,115,121
Cash outflow	(19,185,000,000)	(10,945,658,455)	(2,201,768,567)	(4,910,705,506)	(473,046,458)	(6,599,822,652)	(44,316,001,638)
Non-cash changes:							
Amortization of debt issue cost	—	58,092,325	113,880,324	(171,972,649)	—	—	—
Interest expense	—	—	—	4,989,856,958	170,742,929	—	5,160,599,887
Cumulative translation adjustment	—	2,699,522,781	—	—	—	—	2,699,522,781
New lease agreement	—	—	—	—	1,205,460,428	—	1,205,460,428
Capitalized Interest Expense	—	—	—	—	(2,462,560)	—	(2,462,560)
Remeasurements	—	—	—	—	(9,089,646)	—	(9,089,646)
Deconsolidation of Ingrid	—	—	—	—	(78,050,630)	—	(78,050,630)
Dividends declared	—	—	—	—	—	5,614,730,335	5,614,730,335
Unrealized foreign exchange loss	—	—	430,478,418	—	—	—	430,478,418
Adjustments	—	—	20,922,791	—	(6,956,066)	—	13,966,725
Balance at December 31	₱—	₱59,193,577,539	₱30,160,086,935	₱793,321,011	₱2,757,230,062	₱16,585,282	₱92,920,800,829

The Group's noncash investing and financing activities are as follow:

2022

- Unpaid acquisition of property, plant, and equipment amounting to ₱2,093.51 million
- Transfer of land from non-current assets held for sale to investment property amounting to ₱402.80 million.
- Additions to right-of-use assets amounting to ₱282.10 million, and lease liabilities amounting to ₱263.08 million
- Remeasurement of lease liability due to modification amounting to ₱86.33 million.
- Transfer from property, plant and equipment to assets held for sale amounting to ₱3.02 million.
- Reclassification of subscriptions amounting to ₱134.23 million to investments in joint venture.
- Convertible loan amounting to ₱74.45 million was reclassified to debt replacement loans.
- Transfer of property and equipment to receivables amounting to ₱184.00 million.

2021

- Loss of control over GNPk and Ingrid resulting to:
 - Derecognition of assets and liabilities (see Note 7 and 11)
 - Recognition of investment in KPHLC amounting to ₱11,780.45 million and investment in Ingrid amounting to ₱1,210.66 million.
 - Recognition of accounts receivable amounting to ₱20,115.67 million
- Unpaid acquisition of property, plant, and equipment amounting to ₱33.34 million
- Transfer of land from investment property to property, plant, and equipment amounting to ₱438.38 million.
- Additions to right-of-use assets amounting to ₱1,288.70 million, and lease liabilities amounting to ₱1,205.46 million
- Remeasurement of lease liability due to modification amounting to ₱31.12 million, respectively.
- Transfer from right-of-use asset to property, plant, and equipment amounting to ₱672.13 million.
- Transfer from property, plant and equipment to assets held for sale amounting to ₱511.80 million.



28. Provisions and Contingencies

Tax assessments:

On June 25, 2019, the BIR issued a letter of authority to ACEIC covering taxable year 2018. On October 24, 2022, pursuant to the LOA, the BIR issued a Notice of Discrepancy covering various internal revenue taxes (e.g., income tax, VAT, EWT, and documentary stamp tax) including interest and penalties. The Parent Company paid last February 28, 2023 tax deficiencies totaling to ₱30.03 million based on Preliminary Assessment Notice released by the BIR.

The Parent Company received letters of authority from the BIR dated June 30, 2021 and September 18, 2020 for the audits of the 2020 and 2019 books of account, respectively. No final assessment notice has been issued as of December 31, 2022.

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 ₱157.75 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 April 28, 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



₱16.15 million, out of the total amount claimed of ₱335.76 million, 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 ₱16.15 million.

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. On 6 March 2023, the Company filed the Petition.

- b. In 2017, SACASOL filed a Petition for Review with the CTA regarding the disallowed claim of 2015 input VAT amounting to ₱40.62 million. On February 3, 2021, CTA Third Division denied the Petition of SACASOL. Subsequently, SACASOL filed a Motion for Reconsideration ("MR"), a Supplement to the MR, and a Second Supplement to the MR. On September 22, 2021, CTA Third Division issued a resolution denying the Motion for Reconsideration.

On February 2, 2023, SACASOL elevated and filed a Petition for Review before the CTA En Banc. As of April 12, 2023, the Petition for Review is already submitted for Decision.

Compliance with Must Offer Rule

On October 4, 2018, CIPP, One Subic Power, Bulacan Power and ACEN 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.

29. 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")

ACEN's Executive Committee (acting on authority from the Board) approved on January 25, 2023, the execution by ACEN of definitive agreements whereby the ACEN will receive from Solar PH 500.00 million shares in SP New Energy Corporation (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 ACEN releasing its pledge over shares owned by Solar PH in SPNEC.

Acquisition by ACEN of the remaining minority interest in UPC-ACE Australia

On February 1, 2023, 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 ACRI's acquisition of ACEN Australia.

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.

Amendment to the Articles of Incorporation of ACEN

On March 7, 2023, ACEN BOD approved the amendment of the Seventh Article of its Articles of Incorporation to create preferred shares via reclassification of 100.00 million unissued common shares into preferred shares. On April 24, 2023, the proposed amendment was approved by the stockholders of ACEN.

The creation of preferred shares is intended to diversify ACEN's sources of funding and to enable access to a wider base of institutional and retail investors.



ACEN partners with BrightNight to develop over 1.2 GW hybrid renewable energy portfolio in India

On March 10, 2023, ACEN, announced today that it has signed a partnership with US-based renewable power company, BrightNight, to develop, construct and operate large-scale hybrid wind-solar and round-the-clock renewable power projects in India. ACEN aims to deploy US\$ 250 million equity plus related performance guarantees to support BrightNight's existing portfolio and future growth.

ACEN, through its subsidiaries, ACEN Renewables International and ACEN International, will support the accelerated buildout of BrightNight's existing development pipeline of over 1.2 GW of hybrid portfolio in India, including a differentiated 100 MW co-located, wind-solar project in the resource-rich state of Maharashtra.

The hybrid projects, with calibrated use of storage technologies, will operate around the clock, and focus on meeting specific load or generation pattern requirements of high quality utility offtakers and large Corporates and Industrials customers.

New England Solar, one of Australia's largest solar projects, officially opened

On March 16, 2023 the Stage 1 of ACEN Australia's New England Solar project was officially opened marking a milestone in the project's six-year journey to generate clean renewable energy into the National Electricity Market (NEM).

New England Solar is located near Uralla in the NSW Government's New England Renewable Energy Zone.

ACEN acquires portfolio of eight operating wind projects in Texas, USA

On March 16, 2023, ACEN, through its joint-venture company UPC Power Solutions LLC, signed a Purchase and Sale Agreement with GlidePath for the acquisition of a portfolio of eight operating wind projects located in northern Texas, USA.

The latest milestone marks ACEN's anticipated entry to the fast-growing US renewables market as it expands its geographic footprint beyond the Asia Pacific region.

Announced in April 2022, ACEN, through its subsidiary ACEN USA LLC, formed a strategic partnership with Pivot Power Management (PivotGen) and UPC Solar & Wind Investments LLC to pursue opportunities to acquire operating wind projects in the US, and explore strategies for extending their useful life through preventative maintenance and repowering.

Monsoon Wind signs financing for its 600 MW wind project

On April 10, 2023, ACEN through its subsidiary ACRI, signed the financing documents for the non-recourse project financing for Monsoon Wind, the first wind power project in Lao People's Democratic Republic (PDR).

Monsoon Wind will construct, own, and operate a 600 MW wind power plant and its 500 kV transmission line in the Sekong and Attapeu provinces located in southeastern provinces of the Lao PDR. Monsoon Wind is also the first cross-border wind project in Southeast Asia.

Under the 25-year power purchase agreement, the electricity generated will be sold to Vietnam Electricity (EVN) through the Project Company's 500 kV transmission line.



The Monsoon Wind project is a partnership with ACEN, BCPG Public Company Limited, Impact Electronics Siam Limited, Mitsubishi Corporation and SMP Consultation and STP&I Public Company Limited. The project will be co-financed by the Asian Development Bank as lead arranger, Asia Infrastructure Investment Bank, Japan International Corporation Agency, the Export-Import Bank of Thailand, Hong Kong Mortgage Corporation Limited, Sumitomo Mitsui Banking Corporation, Kasikornbank, and Siam Commercial Bank.

